Enhanced Coverage Option

What is the Enhanced Coverage Option?

Enhanced Coverage Option (ECO) is an optional endorsement to the Common Crop Insurance Policy (CCIP), Basic Provisions, that provides area-based coverage for a portion of your underlying policy's deductible in a manner similar to the Supplemental Coverage Option (SCO). It uses the same expected and final area yields, projected and harvest prices, and payment factors as SCO, but covers a band from 90 percent (where SCO coverage triggers) to 95 percent of expected crop value. Like SCO, ECO is based on your underlying policy plan of insurance.

What is required to purchase ECO?

ECO must be purchased as an endorsement to the Yield Protection, Revenue Protection, Revenue Protection with the Harvest Price Exclusion, Actual Production History, or Yield Based Dollar Amount of Insurance policy.

How does ECO work compared to other crop insurance policies?

ECO follows the coverage of your underlying policy. If you choose Yield Protection, then ECO covers yield loss. If you choose Revenue Protection, then ECO covers revenue loss.

The amount of ECO protection depends on the expected crop value, which is based on the liability and coverage level for your underlying policy. However, ECO differs from the underlying policy in how a loss payment is triggered. The underlying policy pays a loss on an individual unit basis and an indemnity is triggered when you have an individual loss in yield or revenue. ECO pays a loss on an area basis (generally

county), and an indemnity is triggered when there is an area-level loss in yield or revenue.

When does a loss become payable under ECO?

ECO begins to pay (triggers) when county average yield or revenue falls below 95 percent of the expected level. The full amount of the ECO coverage is paid when the county revenue or yield falls to 90 percent of expected county revenue or yield. The following table demonstrates coverage ranges when you chose the 75 percent coverage level for the underlying policy.

Example 1: 95% ECO Trigger

Deductible (no coverage)	100-95%
ECO coverage range	95-90%
SCO coverage range	90-75%
Underlying policy’s coverage range	75%

Must there be a loss on my underlying policy before I can collect an ECO indemnity?

ECO payments are determined only by county average revenue or yield and are not affected by whether you receive a payment from your underlying policy. It is possible to experience an individual loss, but not receive an ECO payment, or vice versa.

How does ECO coverage work?

ECO coverage provides additional area-based protection above your underlying individual coverage. For example, suppose you purchase Revenue Protection for a corn crop with a 75 percent coverage level, and you have also elected ECO. This crop has an expected crop value of $765.00 per acre, thus the liability on the underlying policy is $573.75 per acre ($765.00 × 0.75). This underlying policy leaves 25 percent (or $191.25) uncovered as a deductible. The dollar amount of ECO coverage is based on the trigger level of 95 percent. In this example, there are 5 percentage points of coverage (from 95 percent to 90 percent). Five percent of the expected crop value is $38.25 (or 5 percent ×

$765.00). ECO may cover up to $38.25 of the $191.25 deductible amount not covered by your underlying policy. You may purchase SCO coverage for a portion of the remaining $153.00 of deductible.

How much does ECO cost?

The exact premium cost depends on the crop, county, type of coverage you choose (such as Yield Protection or Revenue Protection), the price discovered for your commodity, and the volatility of the market in the last five days of the projected price discovery period (for revenue-based plans). The Federal Government pays 80 percent subsidy for Yield Protection and Revenue Protection. Premium rates are generally released in November of each year for spring crops. As a general rule of thumb, the premiums for ECO will be similar to other area plans sold at the same coverage levels in your county. You should talk with your crop insurance agent for more information.

What happens if I select ECO and also sign up for ARC?

Your choice of ARC has no impact of your eligibility for ECO. If you elect ECO and ARC for the same crop on a farm, your ECO coverage for that crop on that farm will be unaffected.

Are organic types insurable under ECO?

ECO will be made available for the same types and practices insurable under SCO. In most counties, and for many commodities, this includes offers for organic production. Your agent can help you discover if organic types are insurable in your county.

Do I have to purchase ECO and my underlying coverage from the same AIP?

Yes. ECO is treated as an endorsement to your underlying individual coverage and therefore must be purchased from the same AIP.

May I purchase ECO with an Area-Based Plan of Insurance?

No. Farmers who buy ECO may not buy Area Risk Protection Insurance (ARPI), Hurricane Insurance Protection - Wind Index Endorsement (HIP-WI), or Margin Protection (MP) on the same acre in the same year. Producers may choose to purchase SCO or Stacked Income Protection Policy (STAX) on acres that are insured under ECO, but are not required to do so. ECO with SCO or STAX are not mutually exclusive because their bands of coverage do not overlap.

When can I expect indemnities to be paid for ECO?

ECO indemnities are based, in part, on final county yields. These yields are calculated by RMA based on producer Acreage and Production Reports. Based on extended reporting periods, and similar to SCO and other area plans, final yield data are not available until the summer of the year following harvest. Final reporting dates for production from the preceding crop year vary by crop and county.

Wheat is on the list of crops for ECO, but the sales closing date has already past for winter wheat in my county. How will spring wheat work for ECO for 2021?

ECO will be available for spring wheat in your county if spring wheat is the only type available in the county and it has a spring SCD. If both spring wheat and winter wheat types are insurable in your county, or if your county only offers coverage for winter wheat, ECO will not be offered for CY 2021, because the winter type CCD had already passed at the time of ECO implementation. For CY 2022, both spring and winter wheat types will be offered ECO coverage.

How does ECO interact with the High-Risk Land Exclusion Option?

Any high-risk acreage excluded from an underlying policy under the HRLEO that is uninsured or insured under a CAT policy is not insurable under ECO for the underlying policy. Any high-risk acreage excluded from the underlying policy with the HRLEO and insured on an additional coverage policy must be insured under ECO, when ECO is insured on underlying policy.

Can I adjust the amount of ECO coverage I buy to reduce my premiums?

Yes.
Producers may elect a coverage percentage that is less than 100%. In effect, you are prorating the amount of indemnity that will be received in the event of a loss and prorating the amount of premium due.