UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
Common Crop Insurance Policy
MARGIN COVERAGE OPTION ENDORSEMENT

In return for your payment of premium for the coverage, this Endorsement will be attached to and made part of the Common Crop Insurance Policy, Basic Provisions (Basic Provisions) and underlying policy for the insured crop, subject to the terms and conditions in your policy. If a conflict exists among the policy provisions, the order of precedence is: (1) Special Provisions; (2) actuarial documents; (3) MCO Price Provisions; (4) this Endorsement; (5) Crop Provisions; and (6) the Basic Provisions.

This Margin Coverage Option (MCO) Endorsement provides protection against loss of a portion of the margin (expected revenue minus expected costs as defined in this Endorsement) due to an area level production loss, price decline or increase, a cost increase, or a combination of all factors. Individual farm revenues and input costs are not considered under MCO. It is possible that your individual farm may experience reduced revenue or increased costs resulting in a reduced margin and not receive an indemnity under this Endorsement. Restrictions on your choices of optional Endorsements to the underlying policy are described in Section 2 of this Endorsement. Insurance will not attach to any acreage covered by the Catastrophic Risk Protection Endorsement. All terms of the Basic Provisions apply unless otherwise specified in this Endorsement.

1. Definitions

Allowed input – A resource identified in Sections II and III of the MCO Price Provisions as typically used to produce the insured crop in the area where the insured acreage is located. The amount of an allowed input is specified as a quantity per acre and is subject to price change.

Area – One or more counties as defined in the Special Provisions.

Coverage begins, date – In lieu of the definition contained in the Basic Provisions, coverage begins on the calendar date after the sales closing date for this Endorsement.

Coverage percentage – The percentage you choose to calculate the MCO protection under this Endorsement that is between 0.50-1.00 (50 to 100 percent).

Coverage range – An amount determined by subtracting 0.86 (86 percent) from the trigger level you elect for each irrigation practice which can be 0.04 or 0.09 (4 or 9 percent), unless you have elected STAX (Stacked Income Protection Plan) on the underlying policy with an area loss trigger greater than 0.85 (85 percent), in which case your MCO trigger level must be 95 percent and the MCO coverage range is 0.05 (5 percent).

Coverage value – The amount determined by multiplying the expected area revenue by the coverage range.

Expected area revenue – The value we determine by multiplying the expected area yield by the margin projected price. Following release of the margin harvest price, your expected revenue may increase if the margin harvest price is greater than the margin projected price and you have elected Revenue Protection on your underlying policy.

Expected area yield – The yield per acre, established in accordance with section 14, for the insured crop, type, and irrigation practice, contained in the actuarial documents for the purpose of determining the expected area revenue.

Expected cost – The dollar amount determined by multiplying the quantity of each allowed input by the projected input price for that input and summing the dollar values so determined.

Expected crop value – The value of the crop based on your approved yields and the projected price or price election, as applicable. For underlying policies with Revenue Protection only, the expected crop value may increase if the harvest price is higher than the projected price.

Expected margin – The result obtained by subtracting the expected cost from the expected area revenue. Following release of the margin harvest price, your expected margin may increase if the margin harvest price is greater than the margin projected price and you have elected Revenue Protection on your underlying policy.

Final area yield – The yield per acre, established in accordance with section 14, for each insured crop and irrigation practice, used to determine the harvest area revenue, and released by RMA as specified in the actuarial documents.

Harvest area revenue – For underlying policies with:

(1) Revenue Protection or Revenue Protection with Harvest Price Exclusion, the result obtained by multiplying the final area yield by the margin harvest price; or

(2) Yield Protection and Actual Production History, the result obtained by multiplying the final area yield by the margin projected price.

Harvest cost – The dollar amount determined by multiplying the quantity of each allowed input by the harvest input price for that input and summing the dollar values.

Harvest input price – A dollar amount per unit of an allowed input subject to change, determined as specified in the MCO Price Provisions and used to determine the harvest cost.

Harvest margin – The result of subtracting the harvest cost from the harvest area revenue.

Margin harvest price – A price determined in accordance with the MCO Price Provisions and used to determine the harvest area revenue of the insured crop.

Margin projected price – The price for the insured crop determined in accordance with the MCO Price Provisions and used to determine the expected revenue of the insured crop.

MCO Price Provisions – The part of the policy that contains the information needed to determine the margin projected price and the margin harvest price for the insured commodity and to determine the projected input prices and the harvest input prices.

MCO protection – The dollar amount for each unit you established under your underlying policy, determined by multiplying the expected crop value by the coverage range, multiplying the result by the coverage percentage and by your share.

Projected input price – A dollar amount per unit of an allowed input subject to price change, determined as specified in the MCO Price Provisions and used to determine the expected dollar value of an allowed input.

RMA – Risk Management Agency, a USDA agency that manages the crop insurance programs for FCIC.

Trigger level – Your choice of 0.95 or 0.90 (95 percent or 90 percent) as the point at which you become eligible for an indemnity or you are limited to 0.95 if you have elected STAX at the 0.90 (90 percent) area loss trigger.

Trigger margin – The expected margin less the result of multiplying the expected area revenue by (1.00 minus the trigger level). This value is used to determine if an indemnity payment is due. Following release of the margin harvest price, your trigger margin may increase if you elected Revenue Protection on your underlying policy and the margin harvest price is greater than the margin projected price.

Underlying policy – The Common Crop Insurance Policy, Basic Provisions (Basic Provisions) and corresponding policy as defined in the Basic Provisions, to which this Endorsement is attached.

2. Eligibility, Insurance Guarantees, Trigger Levels, and Prices

(a) The underlying policy and this Endorsement must both be purchased from us.

(b) This Endorsement is only available to an underlying policy with Yield Protection, Revenue Protection, Revenue Protection with Harvest Price Exclusion, or Actual Production History plans of insurance.

(c) In accordance with section 2 of the Basic Provisions, this Endorsement is continuous.

(d) In addition to the provisions in section 3(a) of the Basic Provisions, the amount of liability established by the underlying policy will be used to calculate your summary of coverage for the crop year.

(e) In addition to section 3(b)(1)(iii) of the Basic Provisions, you must choose 100 percent of the margin projected price and margin harvest price and 100 percent of the projected input prices and harvest input prices.

(f) You must select a trigger level for each insured crop and irrigation practice.

(g) You may select a coverage percentage from 0.50 (50 percent) to 1.00 (100 percent), when you elect coverage under this Endorsement. The default coverage percentage is 1.00 (100 percent).

(h) In lieu of section 3(c)(5) of the Basic Provisions, if one or more margin projected or harvest prices or one or more projected or harvest input prices cannot be determined under the provisions of the MCO Price Provisions:

- (1) For a projected input price:
  - (i) The projected input price and the harvest input price for that input will be set to zero for the crop year; and
  - (ii) Notice will be provided at margincoverageoption.com or successor website by the date specified in the applicable projected input price definition contained in the MCO Price Provisions; or
- (2) For a harvest input price:
  - (i) MCO will continue to be available; and
  - (ii) The harvest input price for that input will be set equal to the projected input price and announced at the margincoverageoption.com or successor website.
- (3) For a margin projected price:
  - (i) The margin projected price and the margin harvest price will be set to zero for the crop year;
  - (ii) MCO coverage will not be available; and
  - (iii) Notice will be provided at margincoverageoption.com or successor website by the date specified in the definition for the applicable

projected price contained in the MCO Price Provisions; or

(4) For a margin harvest price:
 (i) MCO will continue to be available; and
 (ii) The margin harvest price will be set equal to the margin projected price and announced at margincoverageoption.com or successor website.

(i) You must elect MCO on your application on or before the MCO sales closing date specified in the actuarial documents.

(j) You may not elect the Enhanced Coverage Option Endorsement, Margin Protection Plan, or the Hurricane Insurance Protection-Wind Index Endorsement on the underlying policy or other endorsements or plans that provide additional coverage for a portion of the underlying policy deductible if the other endorsement(s) or plan(s) provide the same coverage range as this Endorsement. The MCO trigger level will be increased to .95 if STAX is elected at .90 after an MCO election of .90.

(k) If you elect the High-Risk Land Exclusion Option on the underlying policy and insure those acres with additional coverage under section 3(b)(2)(ii)(C) of the Basic Provisions, those acres are eligible for MCO.

(l) MCO will not attach to any acreage covered by the Catastrophic Risk Protection Endorsement.

(m) If you have a crop insurance policy that is not eligible for this Endorsement in effect for the crop on the sales closing date for this Endorsement and you do not cancel it on or before the MCO sales closing date, your MCO application is not accepted and no coverage under MCO will be in effect.

(n) If you have an underlying policy in effect for the crop on the MCO sales closing date but that policy is not with us, you must transfer that underlying policy to us by the MCO sales closing date. Failure to transfer the policy will result in your MCO application not being accepted and no coverage under MCO will be in effect.

(o) If you have an underlying policy in effect on the crop with us on the MCO sales closing date:
 (1) That underlying policy cannot be transferred to another insurance provider;
 (2) You cannot cancel that underlying policy and obtain any other Federal crop insurance coverage from another insurance provider; and
 (3) As allowed within the Basic Provisions, you retain your right to cancel your underlying policy provided you do not obtain any other policy on the crop for the crop year.

(p) Except as provided in this Endorsement, nothing in this section affects the terms of your underlying policy coverage and options, such as changing your coverage level, choice of optional coverages, changing to a different insurance plan for the underlying policy, or other options available to you. These choices may be exercised until the sales closing date for the underlying policy.

(q) This Endorsement is not available with STAX when the acreage insured under STAX is not also insured under a companion policy.

(r) If you have a STAX policy in effect on the MCO sales closing date at the 90 percent area loss trigger, then you may only elect the 95 percent trigger level for MCO. If you elect MCO at 90 percent trigger level, your MCO application will not be accepted by the insurance provider and MCO coverage will not be in effect.

3. Insurable Acreage and Unit Division

(a) All planted acreage of the crop in the county that is insured by the underlying policy must be insured under this Endorsement, except organic practices are not insurable under this Endorsement.

(b) In lieu of the provisions regarding units and unit division in the underlying policy, protection provided by this Endorsement will be based on all insurable planted acreage of the crop in the county with the same irrigation practice.

(c) Each unit by irrigation practice can have a different trigger level and coverage percentage.

4. Contract Changes

In accordance with section 4 of the Basic Provisions, the contract change date is specified in the Special Provisions.

5. Cancellation and Termination Dates

In accordance with section 2 of the Basic Provisions, the cancellation and termination dates are specified in the Special Provisions.

6. Insured Crop

The crop insured will be all acres planted in the county of the commodity of an irrigation practice for which the actuarial documents provide premium rates.

7. Report of Acreage

We will use the acreage report you file for the underlying policy to determine the number of insured acres for each irrigation practice of the insured crop.

8. Annual Premium and Administrative Fees

(a) The premium amount for this coverage will be determined for each unit by multiplying the MCO protection by the underlying rate contained in the actuarial documents at the date coverage begins.

(b) You will owe a separate administrative fee for the MCO Endorsement.

9. Causes of Loss

(a) In accordance with the Basic Provisions, MCO provides protection when your harvest margin is less than your trigger margin due to naturally occurring events that result in a reduction in the area yield; a reduction in market price for the insured commodity; an increase in the price of one or more allowed inputs; or any combination of these factors, unless FCIC can prove any price change was the direct result of an uninsured cause of loss.

(b) Failure to follow good farming practices, or planting or producing a crop using a practice that has not been widely recognized as used to establish the expected area yield, is not an insurable cause of loss.

10. Replanting Payments

The replanting payment provisions of the Basic Provisions do not apply to this Endorsement.

11. Prevented Planting

The prevented planting provisions of the Basic Provisions do not apply to this Endorsement.

12. Written Agreements

(a) Written Agreements that would change the terms of this Endorsement are not allowed.

(b) Acreage insured under the underlying policy with a Written Agreement is insurable.

13. Other Insurance

(a) If you have obtained other insurance issued under the authority of the Act not specifically authorized in this Endorsement or under section 22 of the Basic Provisions, you will be subject to the consequences authorized under this Endorsement, the Basic Provisions, the Act, or any other applicable statute.

(b) Nothing in this section prevents you from obtaining other insurance not authorized under the Act.

14. Yields

(a) The data source used for the area yields will be based on the best available data and will be specified in the actuarial documents.

(b) Except as otherwise provided in this section, the data source used to establish the expected area yield will be the data source used to establish the final area yield.

(c) If the data source used to establish the expected area yield is not able to provide credible data to establish the final area yield because the data is no longer available, credible, or reflects changes that may have occurred after the yield was established:

(1) FCIC will determine the final area yield based on the most accurate data available from subsection (g), as determined by FCIC; or

(2) To the extent that practices used during the crop year change from those upon which the expected area yield is based, the final area yield may be adjusted to reflect the yield that would have resulted but for the change in practice. For example, if the area is traditionally 90 percent irrigated and 10 percent non-irrigated, but this year the area is now 50 percent irrigated and 50 percent non-irrigated, the final area yield will be adjusted to an amount as if the area had 90 percent irrigated acreage.

(d) If the final area yield is established from a data source other than that used to establish the expected area yield, FCIC will provide notice of the data source and the reason for the change at the time the final area yield is published.

(e) If yields are based on NASS data, the final area yield will be the most current NASS yield at the time FCIC determines the harvest margin in accordance with section 14.

(f) The final area yield determined by FCIC is considered final for the purposes of establishing whether an indemnity is due and will not be revised for any reason.

(g) Yields used under this insurance program for a crop may be based on:

(1) Crop insurance data, other USDA data, or other data sources, as elected by FCIC; or

(2) Data collected by NASS, if elected by FCIC, regardless of whether such data is published or unpublished. Crop insurance data, other USDA data, or other data sources, if elected by FCIC.

15. Duties in the Event of Damage, Loss, Abandonment, Destruction, or Alternative Use of Crop or Acreage

The terms of section 14 of the Basic Provisions do not apply to this Endorsement.

16. Production Included in Determining Indemnity and Payment Reductions

In lieu of the terms contained in sections 15(b) and 15(c) of the Basic Provisions, all determinations of the amount of any indemnity for this Endorsement will be based upon the expected and final area yields and the projected and harvest prices for the commodity and for the allowed inputs.

17. Calculation of Indemnity

(a) Our payment will not exceed the MCO protection.

(b) In the event of loss or damage covered by this Endorsement, we will settle your claim for each insured unit in the following manner:

(1) Subtract the harvest margin from the trigger margin.

(2) If the result of section 17(b)(1) is less than or equal to zero, no indemnity is owed. If the result is greater than zero, we will calculate the indemnity as follows:

(i) Divide the result of section 17(b)(1) by the coverage value to calculate the payment factor. The payment factor is limited to a maximum of 1.000.

(ii) Multiply the payment factor by the MCO protection.

18. Example

The following are examples of the calculation of MCO protection and indemnity for plans of insurance that may be selected for an underlying policy. Your information will likely be different, and you should consult the actuarial documents in your county and the policy information.

Input	Quantity	Projected	Harvest
Diesel	20.5 gal.	$3.15	$4.00
Urea	325.0 lbs.	$670/ton	$740/ton
DAP	137 lbs.	$735/ton	$810/ton
Potash	75 lbs.	$865/ton	$925/ton
Total		$256.25	$292.43

Producer A plants 500 acres to corn in one unit and has a unit approved yield of 181 bu. per acre.

For MCO, Producer A chooses the 0.95 (95 percent) area loss trigger and a 1.00 (100 percent) coverage percentage.
With this information, we determine:

Other data:

Unit approved yield	181 bu.
Expected area yield	180 bu.
Final area yield	165 bu.
Planted acreage	500
Crop share	100%
Coverage percentage	100%
Trigger level	0.95
Coverage range	0.09
Margin projected price (per bu.)	$6.00
Margin harvest price (per bu.)	$5.50
Expected crop value	$543,000, ($1,086/acre)
Expected area revenue (per acre)	$1,080.00
Harvest area revenue (per acre)	$907.50
Expected cost (per acre)	$256.25
Harvest cost (per acre)	$292.43
Expected margin (per acre)	$823.75
Trigger margin (per acre)	$769.75
Harvest margin (per acre)	$615.07
Area margin loss (per acre)	$154.68
Coverage value (per acre)	$97.20
MCO protection	$48,870

These values are determined as follows:

Expected cost = (Fuel quantity × projected price/gal) + (Urea quantity × projected price/ton) ÷ 2000 (tons) + (DAP quantity × projected price/ton) ÷ 2000 (tons) + (Potash quantity × projected price/ton) ÷ 2000 (tons)

(20.5 gal. × $3.15) + (325.0 lbs. × $670) ÷ 2000 + (137.0 lbs. × $735) ÷ 2000 + (75.0 lbs. × $865) ÷ 2000 = $256.25.

Expected crop value = Approved yield × Margin projected price × Planted acres

181 bu. × $6.00 × 500 acres = $543,000

Expected area revenue = Expected area yield × Margin projected price

180 bu. × $6.00 = $1,080.00

Expected Margin = Expected area revenue - Expected cost

$1,080 - $256.25 = $823.75

Coverage range = Trigger level - 0.86

0.95 - 0.86 = 0.09

Coverage value = Expected area revenue × Coverage range

$1,080.00 × 0.09 = $97.20

MCO protection = Expected crop value × Coverage range × Coverage percentage × Crop share

$543,000 × 0.09 × 100% × 100% = $48,870

Harvest area revenue = Final area yield × Margin harvest price

165 bu. × $5.50 = $907.50.

Harvest cost = (Fuel quantity × harvest price/gal) + (Urea quantity × harvest price/ton) ÷ 2000 (tons) + (DAP quantity × harvest price/ton) ÷ 2000 (tons) + (Potash quantity × harvest price/ton) ÷ 2000 (tons)

(20.5 gal. × $4.00) + (325.0 lbs. × $740) ÷ 2000 + (137.0 lbs. × $810) ÷ 2000 + (75.0 lbs. × $925) ÷ 2000 = $292.43

Trigger Margin = Expected margin - ((1 - Trigger level) × Expected area revenue)

$823.75 - ((1 - 0.95) × 1,080.00) = $769.75

Harvest margin = Harvest area revenue - Harvest cost

$907.50 - $292.43 = $615.07

__Indemnity calculation for revenue protection__
Example 1: Harvest price less than projected price with RP on the underlying policy.

Following the steps specified in section 17(b), your MCO indemnity will be determined as follows:

(1) Subtract the harvest margin from the trigger margin.
    $769.75 - $615.07 = $154.68
(2) $154.68 is greater than zero; an indemnity is owed.
(3) Divide the result of step 1 by the coverage value to get the payment factor.
    154.68 ÷ 97.20 = 1.5914
(4) Multiply the payment factor, limited to a maximum of 1.000, by the MCO protection.
    Min(1.5914, 1.000) × $48,870 = $48,870

__Indemnity calculation for yield protection and actual production history__ Example 2: Projected price is used as the Harvest price with YP or APH on the underlying policy.

All the data in Example 1 remain the same.

Harvest area revenue = Final area yield × Margin projected price

165 bu. × $6.00 = $990.00

Harvest Margin = Harvest area revenue - Harvest cost
$990.00 - $292.43 = $697.57

Following the steps specified in section 17(b), your indemnity will be determined as follows:
(1) Subtract the harvest margin from the trigger margin.
$769.75 - $697.57 = $72.18
(2) $72.18 is greater than zero; an indemnity is owed.
(3) Divide the result of step 1 by the coverage value to get the payment factor.
72.18 ÷ 97.20 = 0.7426
(4) Multiply the payment factor, limited to a maximum of 1.000, by the MCO protection.
Min(0.7426, 1.000) × $48,870 = $36,291

Indemnity calculation for revenue protection with harvest price exclusion Example 3: All the data in Example 1 remains the same.

Following the steps specified in section 17(b), your indemnity will be determined as follows:
(1) Subtract the harvest margin from the trigger margin.
$769.75 - $615.07 = $154.68
(2) $154.68 is greater than zero; an indemnity is owed.
(3) Divide the result of step 1 by the coverage value to get the payment factor.
154.68 ÷ 97.20 = 1.5914
(4) Multiply the payment factor, limited to a maximum of 1.000, by the MCO protection.
Min(1.5914, 1.000) × $48,870 = $48,870

Indemnity calculation for revenue protection Example 4: Harvest price greater than projected price with RP on the underlying policy. All the data in Example 1 remains the same except the margin projected price is $6.25 and the margin harvest price is $6.25 per bushel.

Expected crop value = Approved Yield × Margin projected price × Planted acres
181 bu. × $6.25 × 500 acres = $565,625
Expected area revenue = Expected area yield × Margin projected price of $6.25
180 bu. × $6.25 = $1,125.00
Expected Margin = Expected area revenue - Expected cost
$1,125 - $256.25 = $868.75
Trigger Margin = Expected margin - ((1 - Trigger level) × Expected area revenue)
$868.75 - ((1 - 0.95) × 1,125.00) = $812.50
Harvest area revenue = Final area yield × Margin projected price of $6.25
165 bu. × $6.25 = $1,031.25
Harvest Margin = Harvest area revenue - Harvest cost
$1,031.25 - $292.43 = $738.82
Coverage value = Expected area revenue × Coverage range
$1,125.00 × 0.09 = 101.25
MCO protection = Expected crop value × Coverage range × Crop share × Coverage percentage
$565,625 × 0.09 × 100% × 100% = $50,906

Following the steps specified in section 17(b), your indemnity will be determined as follows:
(1) Subtract the harvest margin from the trigger margin.
$812.50 - $738.82 = $73.68
(2) $73.68 is greater than zero; an indemnity is owed.
(3) Divide the result of step 1 by the coverage value to get the payment factor.
73.68 ÷ 101.25 = 0.7277
(4) Multiply the payment factor, limited to a maximum of 1.000, by the MCO protection.
Min(0.7277, 1.000) × $50,906 = $37,044