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MARGIN COVERAGE OPTION INSURANCE STANDARDS HANDBOOK

2026 and Succeeding Crop Years

UNITED STATES DEPARTMENT OF AGRICULTURE
FARM PRODUCTION AND CONSERVATION
RISK MANAGEMENT AGENCY

TITLE: Margin Coverage Option Insurance Standards Handbook	**NUMBER: FCIC-20700U** **OPI: Product Administration Standards Division**
EFFECTIVE DATE: 2026 and Succeeding Crop Years	**ISSUE DATE: April 30, 2025**
SUBJECT: **Provides the procedures and instructions for administering the Margin Coverage Option Endorsement**	**APPROVED:** ***/s/ John W. Underwood*** **for** **Deputy Administrator for Product Management**

REASON FOR ISSUANCE

This handbook provides underwriting standards for administering the Margin Coverage Option (MCO) Endorsement for the 2026 and succeeding crop years. All reinsured companies are to utilize these standards for both underwriting and training.

MARGIN COVERAGE OPTION (MCO) INSURANCE STANDARDS HANDBOOK
TABLE OF CONTENTS

PART 1: GENERAL INFORMATION AND RESPONSIBILITIES

1 General Information

A. Purpose and Objective

This handbook provides procedure for administering the MCO Endorsement in accordance with the CCIP-BP, and the underlying policy. It supplements the CIH, GSH, and LAM via exceptions, changes, and additions. If there is a conflict between this handbook and the CIH, GSH, or LAM, this handbook controls.

If there is a conflict between this handbook and the Endorsement, the Endorsement controls.

B. Source of Authority

The MCO Endorsement is a privately developed product approved by the FCIC Board of Directors during the May 2024 board meeting in accordance with Section 508(h) of the Federal Crop Insurance Act.

C. Title VI of the Civil Rights Act of 1964

The USDA prohibits discrimination against its customers. Title VI of the Civil Rights Act of 1964 provides that "No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance." Therefore, programs and activities that receive Federal financial assistance must operate in a non-discriminatory manner. Also, a recipient of RMA funding may not retaliate against any person because they opposed an unlawful practice or policy, or made charges, testified, or participated in a complaint under Title VI.

It is the AIPs' responsibility to ensure that standards, procedures, methods, and instructions, as authorized by FCIC in the sale and service of crop insurance contracts, are implemented in a manner compliant with Title VI. Information regarding Title VI of the Civil Rights Act of 1964 and the program discrimination complaint process is available on the USDA public website at www.usda.gov/oascr/home. For more information on the RMA Non-Discrimination Statement see the DSSH.

D. Related Handbooks

Important: Not all sections of related handbooks or all procedures in a section apply to the MCO Endorsement. See Part 3 for more information.

The following table provides handbooks related to this handbook.

Directive	Handbook Name	Purpose
18010	Crop Insurance Handbook	This handbook provides the official FCIC-approved underwriting standards for policies administered by AIPs for the General Administrative Regulations, CCIP-BP, and ARPI BP.
24040	Document and Supplemental Standards Handbook	This handbook provides the official FCIC-approved form standards for use in the sale and service of any eligible Federal crop insurance policy; required statements and disclosures; and the standards for submission and review of non-reinsured supplemental policies in accordance with the SRA.
18190	General Standards Handbook	This handbook provides the official FCIC-approved standards for policies administered by AIPs under the General Administrative Regulations, CCIP-BP, including the CAT Endorsement; the ARPI BP; the STAX Plan of Insurance; the RI Plan; and the WFRP Pilot Policy.
25010	Loss Adjustment Manual Standards Handbook	This handbook provides the official FCIC-approved general loss adjustment standards for all levels of insurance provided under FCIC unless a publication specifies that none or only specified parts of this handbook apply.

E. AIP Option to Offer

In accordance with Section II. (a) (3) of the SRA, AIPs are not required to offer the MCO Endorsement to insureds. Accordingly, each AIP must determine whether it will offer the MCO Endorsement in the approved pilot area. AIPs that elect to offer the MCO Endorsement must offer it to all eligible insureds in the approved pilot area and must administer the program according to the policies approved and issued by FCIC, procedures in this handbook, and the provisions of Section II. (a) (3) of the SRA.

F. Approved Area

MCO is available in select counties as shown in the AD for corn, cotton, grain sorghum, rice, soybeans, and spring wheat in the following states:

Corn	Soybeans	Cotton	Grain Sorghum	Rice	Spring Wheat
Illinois	Illinois	Kansas	Kansas	Arkansas	Idaho
Indiana	Indiana	Oklahoma	Oklahoma	California	Minnesota
Iowa	Iowa	Texas	Texas	Louisiana	Montana
Kansas	Kansas			Mississippi	North Dakota
Michigan	Michigan			Missouri	Oregon
Minnesota	Minnesota			Texas	South Dakota
Missouri	Missouri				Washington
Nebraska	Nebraska				
North Dakota	North Dakota				
Ohio	Ohio				
South Dakota	South Dakota				
Wisconsin	Wisconsin				

2 Responsibilities

A. AIP Responsibilities

AIPs must use standards, procedures, methods, and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using RMA-approved procedure. AIPs should report any program issues or concerns to the PASD of RMA.

B. Insured’s Responsibilities

To be eligible for the MCO Endorsement, the insured must:

(1) have an insurance policy under the CCIP-BP (referred to as the underlying policy);

(2) elect the MCO Endorsement on or before the SCD; and

(3) comply with all terms and conditions of the MCO Endorsement.

3-20 (Reserved)

PART 2: INSURABILITY

21 MCO Insurability Requirements

A. Underlying Policy

MCO supplements the coverage available under RP, RP-HPE, YP, and APH. These policies are denoted as the underlying policy. See the AD for availability by crop and county.

(1) Types Insurable.

Insurable types are specified in the AD. Any type insurable under the CP is insurable under MCO, although MCO only shows No Type Specified (NTS).

(2) Practices Insurable.

Insurable practices are specified in the AD. Any practice insurable under the CP is insurable under MCO, although MCO only shows irrigated or non-irrigated practice. Organic practices are not insurable under MCO.

For example, FAC (Irrigated) 095 is insurable as MCO type irrigated, Summerfallow 005 is insurable as MCO type non-irrigated, Continuous Cropping 004 is insurable as MCO type non-irrigated, Non-irrigated Skip Row 063 is insurable as MCO type non-irrigated.

B. Yields

Expected Area Yield is the yield established for each insured crop and irrigation practice, used to determine the Expected Area Revenue. Expected Area Yield used for MCO will be determined by RMA with crop insurance data. If crop insurance data is unavailable, RMA will determine the Expected Area Yield in accordance with Section 14 of the MCO Endorsement.

Final Area Yield is the yield established for each insured crop and irrigation practice used to determine the Harvest Area Revenue (per acre). The Final Area Yield will be determined by RMA using crop insurance data. If crop insurance data is unavailable, RMA will determine the Final Area Yield in accordance with Section 14 of the MCO Endorsement.

C. Production Reporting

A production report is not required for the MCO Endorsement.

D. Acreage Insured and Acreage Reporting

A separate acreage report is not required for the MCO Endorsement. All information needed is included in the acreage report filed for the underlying policy to determine the number of insured acres of each coverage level, type, and irrigation practice of the insured crop.

E. Eligibility Requirements

To be eligible for MCO, the insured must comply with all terms and conditions of the MCO Endorsement in addition to the terms of the CCIP-BP. See the insurance documents for other terms and conditions for an insured crop and insured acreage.

F. MCO Program Dates

The applicable sales closing, cancellation, termination, and contract change dates are available in the AD.

Important: The MCO SCD for corn, cotton, grain sorghum, soybeans, and spring wheat is September 30 of the calendar year preceding the crop year, which is before the underlying policy SCD. The SCD for rice is the same as plan codes 01, 02, and 03.

G. Applying for MCO

AIPs shall use the standard application for MCO. The application must indicate the insured has selected the MCO Endorsement and applicable CP along with all other required information. Use the standard application or policy change form to add the MCO Endorsement to an underlying policy or to transfer the policy from another AIP. A complete application will also include a signed MCO Disclaimer (Exhibit 5).

If the insured elects an additional coverage or endorsement on the underlying policy that duplicates all or a portion of the coverage range of MCO (e.g., ECO or HIP-WI), such endorsement(s) or additional coverages shall be canceled for the underlying policy from the date of MCO application for the crop year covered by the MCO Endorsement.

H. MCO Coverage

MCO supplements the coverage available under an RP, RP-HPE, YP, or APH policy of crop insurance at an additional coverage level. These policies are denoted as the underlying policy. See the AD for availability by crop and county.

When elected, the MCO Endorsement establishes a separate plan code for the MCO coverage choice for IT processing purposes only. Due to an earlier SCD, MCO will have its own AD and will not show in the AIB as extra tabs on the underlying policy.

I. Continuous Endorsement

The MCO Endorsement is continuous and remains in effect for the insured crop, provided the insured retains an RP, RP-HPE, YP, or APH policy on that crop, until canceled by the insured or the AIP on or before the cancellation date.

J. Cancellation or Policy Change

(1) If the insured's underlying policy for the crop is cancelled or terminated, coverage under the MCO Endorsement is automatically canceled.

(2) Other changes made to the underlying policy do not cancel the MCO Endorsement. The MCO Endorsement will continue to provide its coverage based on the chosen Trigger Level.

K. Administrative Fees

An administrative fee for the crop covered by each MCO Endorsement will be due in addition to any administrative fee(s) for the underlying policy (see CIH). However, waiver of the MCO administrative fee is applicable for insureds who qualify as a limited resource farmer, or beginning farmer or rancher, or veteran farmer or rancher.

L. High-Risk Land

(1) High-risk acreage insured by the underlying policy is insured under MCO.

(2) Any high-risk acreage excluded from an underlying policy under the HRLEO is not insured under MCO unless those acres are insured under CCIP-BP 3(b)(2)(ii)(C).

(3) MCO acreage cannot be insured under CAT.

M. Impact of the ARC Program

ARC is a program administered by the FSA. Payments under ARC do not occur until the current year's actual crop revenue is less than 86 percent of the FSA determined county benchmark revenue. This is outside the coverage range of MCO; therefore, ARC and MCO can be on same acres.

N. Impact of Native Sod Acreage

The native sod acreage premium subsidy reduction of 50 percent to the premium assistance identified in the AD is applicable to the MCO Endorsement premium.

O. STAX

The insured may elect both the MCO Endorsement and STAX for upland cotton if the eligibility requirements of both programs are met. The requirements for the MCO Endorsement that must be chosen at MCO SCD and possible STAX coverage are as follows:

(1) MCO and STAX may both be elected if the upland cotton is insured under the CCIP-BP.

(2) MCO can be on the same acreage with STAX with either a 90 or 95 percent Trigger Level when the STAX coverage level is 85 percent or less. When the STAX coverage level is 90 percent, the MCO Trigger Level must be 95 percent.

(3) If the underlying policy is ARPI or a standalone STAX policy, the MCO Endorsement cannot be elected.

P. Duplicate Policy Exceptions

The MCO Endorsement is not considered a duplicate policy when available on the AD.

Q. Premium and/or Indemnity Reductions

Since the MCO protection is based on the underlying policy, any premium and/or indemnity reduction made on the underlying policy will apply to the MCO Endorsement. For example, when the underlying policy premium and indemnity is reduced due to first and second insured crop limitations, (see CIH, Para. 1223A and B) the protection under the endorsement will similarly be reduced.

22 Insurable Types and Practices

Insurable types and practices are identified in the AD.

MCO is insured at the irrigation practice level.

23 Units and Coverage Levels

A. Units

Policy protection is based on all planted acreage of the crop in the county insured by the underlying policy except excluded high-risk land (see Para. 21L). Protection provided by this Endorsement will be based on all insurable planted acreage of the crop in the county with the same irrigated or non-irrigated practice. The unit structure will be at the irrigated and non-irrigated practice level.

For example, an MCO irrigated practice unit can include both FAC (Irrigated) 095 and Irrigated 002 acreage from the underlying policy. The MCO non-irrigated practice unit could be comprised of Summerfallow 005 and Continuous Cropping 004 acreage.

B. Trigger Levels

Coverage is based on two trigger levels: 95 and 90 percent, unless the insured selects STAX at the 90 percent level; then the insured must choose the 95 percent trigger level. These represent the point at which the producer becomes eligible for an indemnity.

C. Coverage Range

The lower limit of the coverage range for MCO is 86 percent. Hence, there are two coverage ranges offered: 95 - 86 percent = 9 percent and 90 - 86 percent = 4 percent. Area losses below 86 percent of the area yield are not covered by MCO, but may be covered by SCO under the terms of that Endorsement if the producer and acreage are eligible. If the insured has elected STAX on the underlying policy with an area loss trigger greater than 85 percent, the coverage range is 5 percent because MCO must be chosen at the 95 percent trigger level at MCO SCD.

D. Coverage Percentage

The Coverage Percentage is selected by the producer from 50 percent to 100 percent. The default Coverage Percentage is 100 percent.

24 Causes of Loss

Any natural event that causes the Harvest Margin to be less than the Trigger Margin will result in an insurable cause of loss unless FCIC can prove that the reason for any price change was due to an uninsurable cause of loss. An indemnity could result from a Final Area Yield that differs from the Expected Area Yield, a Margin Harvest Price that differs from the Margin Projected Price, or one or more harvest prices for inputs subject to price change differ from the applicable projected prices for those inputs, or any combination of these events.

The MCO portion of the coverage protects against increases in production costs, decreases in the national price of the insured commodity, or reductions in yield at the county level.

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.

25 Premiums and Administrative Fees

The base rate (dollar amount of premium per acre) will be included in the AD once price discovery is completed. The premium amount for MCO coverage will be determined for each margin unit by multiplying the reported acres by the base rate (per acre) and by the insured's share at the time coverage begins.

26 MCO Protection and Trigger Margins

MCO Protection is based on the Expected Crop Value which is calculated by multiplying the Approved Yield (per acre) by the higher of the Margin Projected Price or Margin Harvest Price (or Margin Projected Price for APH, YP, and RP-HPE) and by the planted acreage then multiplying the result by the Coverage Range (Trigger Level percent minus 86 percent), the Coverage Percent, and crop share.

The Trigger Margin is the Expected Margin minus the deductible implied by the Trigger Level and the Expected Area Revenue. It is calculated as Expected Margin - (Expected Area Revenue × (1.00 - the Trigger Level selected by the insured)).

27 Margin Projected Prices and Margin Harvest Prices

In addition to the Trigger Margin, MCO incorporates a defined liability which establishes an upper limit on the MCO indemnity and is used to calculate premium. See Para. 41 for the details and procedures for determining the liability.

Projected and harvest prices are used under MCO and will be available through the MCO link on RMA's website.

(1) Margin Projected Price and Margin Harvest Price for the insured crop.

Similar to the CEPP, the MCO Price Provisions specify how and when the Margin Projected Price and the Margin Harvest Price will be determined by crop.

27 Margin Projected Prices and Margin Harvest Prices (Continued)

The price discovery periods for the Margin Projected Prices for corn, cotton, rice, sorghum, soybeans, and spring wheat, together with the Projected Price discovery periods established under the CCIP-BP CEPP for each crop, are shown in the following table:

Commodity	Discovery Period (Margin Price Provisions)	Discovery Period (CEPP)
Corn	August 15 - September 14	Varies by State
Cotton	August 15 - September 14	Varies by State
Rice	Varies by State; same as CEPP	Varies by State
Sorghum	August 15 - September 14	Varies by State
Soybeans	August 15 - September 14	Varies by State
Spring Wheat	August 15 - September 14	February 1 - February 28

Most price discovery periods for Margin Projected Prices for MCO occur earlier than under the CEPP because insureds are making production plans and arranging for the purchase of inputs late in the preceding calendar year and early in the year the crops will be planted. Changes in prices during this period can affect an operation's profitability. MCO allows the insured to "lock-in" a county-based minimum margin that uses current expectations of commodity and input prices.

The Margin Harvest Price discovery periods for the commodities are the same as those specified in the CEPP. The Margin Harvest Price will not be greater than the Margin Projected Price multiplied by 2.00.

(2) Projected Input Price and the Harvest Input Price for inputs subject to price change.

The Margin Price Provisions specify how the Projected Input Price and Harvest Input Price for the inputs subject to price change will be determined by crop.

The price discovery periods for projected prices of inputs subject to price change are the same as the margin price discovery periods for the commodities. This allows the Expected Margin to be calculated on the basis of current market expectations for both the commodity prices and the input prices.

The price discovery periods for harvest prices of inputs subject to price change occur earlier than the Margin Harvest Price discovery periods for the commodities because a high percentage of the quantity of inputs needed to produce a crop are associated with planting and the few weeks immediately following.

28 Quality Adjustment

Similar to other area plans of insurance, no quality adjustment is offered.

29 Transfer of Underlying Policy

If the underlying policy is transferred to a different agent/AIP, the MCO Endorsement must be included on the Policy Transfer/Application or Application form submitted to the assuming agent/AIP on or before the applicable MCO SCD.

Any crop insurance policy that is not an underlying policy that is in effect on the insured crop on the SCD for MCO must be canceled for the subsequent crop year. The cancellation must be effective not later than the SCD for MCO.

Example: The insured has an ARPI policy in effect for the 2025 corn crop. This is not an underlying policy. It must be cancelled for the 2026 crop year and the notice of cancellation must be provided to the agent/AIP no later than September 30, 2025.

A crop insurance policy that is an underlying policy and is in effect on the insured crop on the SCD for MCO, but that is currently issued by a different agent/AIP, must be transferred to the agent/AIP that issued the MCO Endorsement for the same crop year covered by the MCO Endorsement. The transfer must be effective not later than the MCO SCD.

Example: The insured has an RP policy in effect for the 2025 crop of corn with agent/AIP A but purchased MCO coverage with agent/AIP B for the 2026 corn crop. The RP policy must be transferred to agent/AIP B for the 2026 crop year, and the notice of the transfer must be provided to agent/AIP B with the MCO Endorsement no later than September 30, 2025.

The underlying policy must be assigned to the agent/AIP that holds the MCO Endorsement on or before the MCO SCD. This provision does not affect any of the insured's rights under the underlying policy that may be exercised on or before the SCD for the underlying policy. Those rights include changes in coverage level, yield substitution, and others, including the right to cancel the underlying coverage for the crop year.

Failure to cancel or transfer an underlying policy that is currently issued by a different agent/AIP on or before the SCD for the MCO Endorsement results in no coverage for MCO.

30 Production Inputs

Production inputs are defined in the MCO Endorsement as Allowed Inputs. These resources, found on the MCO link on RMA's website, are those typically used to produce the insured crop in the county where the insured acreage is located. Inputs subject to price change are, for example, diesel, fertilizers, and other inputs for which projected and harvest prices can be obtained from markets.

Allowed Inputs are identified with an average quantity used per acre. Only the dollar amount for all such inputs is specified.

31 Replanting and Prevented Planting Payments

Replanting payments and prevented planting payments are subject to the provisions of the underlying policy and are not covered by the MCO Endorsement.

32 Written Agreements

A written agreement to add the MCO Endorsement to an underlying policy when the MCO Endorsement is not provided in the AD for the crop/county is not authorized.

If the MCO Endorsement is available in the AD for the crop/county where the crop is physically located, the MCO Endorsement may be elected when a written agreement applies to the underlying policy.

33 Landlord - Tenant

The terms of Section 10(a)(2)(ii) of the CCIP-BP that allow a tenant to insure the insurable interest of the landlord (or vice-versa) apply only if the interests of each party are insured under both the underlying policy and the MCO Endorsement. If one party does not want to insure either the underlying policy or the MCO Endorsement, each party then must separately apply for the desired coverage.

Example: The tenant wants coverage under the MCO Endorsement and an underlying policy, but the landlord wants coverage only under the underlying policy. In this scenario, each party must make a separate application for insurance so the tenant can purchase an underlying policy and MCO endorsement, and the landlord can purchase only an underlying policy.

34 Person Status Changes

GSH Part 2, Section 3 applies to the MCO Endorsement with the following clarification. If the death, disappearance, judicial declaration of incompetence, or change in legal entity occurs later than 30 days prior to the MCO cancellation date but more than 30 days prior to the underlying policy cancellation date and the MCO Endorsement cannot be linked to an underlying policy, no coverage is provided, and no premium is due.

35-39 (Reserved)

40 Trigger Margin Calculation

The Trigger Margin (per acre) is the Expected Margin (per acre) minus the product of the Expected Area Revenue and the Trigger Level.

Trigger Margin = Expected Margin - (Expected Area Revenue × (1.00 - Trigger Level)); where:

The Expected Margin is the result of subtracting the Expected Cost from the Expected Area Revenue. This same calculation is used when the Final Area Yield and harvest prices are known to determine the Harvest Margin by crop, and practice.

Expected Margin = Expected Area Revenue - Expected Cost; where:

Expected Area Revenue (per acre) is the Expected Area Yield (EAY) multiplied by the Margin Projected Price by crop, and practice. For Endorsements with RP as an underlying policy, it is the higher of the Margin Projected Price or the Margin Harvest Price.

Expected Cost (per acre) is the dollar amount determined by multiplying the quantity of each Allowed Input by the Projected Input Price for that input and summing those results.

Example:

Assume a crop with an EAY of 180 bu. has four inputs specified on the actuarial table, as follows. The decimal values within the parentheses (that follow the abbreviation EAY) represent a quantity per bushel of production, and the divisors represent the percentage of the nutrient in a typical commercial fertilizer. The additive value for Diesel represents a fixed amount needed for maintenance of the land.

Diesel	(EAY × .04) + 2.5	(180 × .04) + 2.5 = 9.7 gal./acre
Urea	(EAY × .53) ÷ .46	(180 × .53) ÷ .46 = 207 lbs./acre
DAP	(EAY × .35) ÷ .46	(180 × .35) ÷ .46 = 137 lbs./acre
Potash	(EAY × .25) ÷ .60	(180 × .25) ÷ .60 = 75 lbs./acre

These data indicate that each acre of this crop in this county requires an average of 9.7 gallons of diesel, 207 pounds of urea, 137 pounds of DAP and 75 pounds of potash to produce the expected yield of 180 bushels per acre. These estimates are applicable to very large areas and will not be precise for any individual farming operation.

The first step to calculating the Expected Margin is to determine the Expected Area Revenue. Assume the Expected Area Yield is 180 bushels per acre and the Margin Projected Price for corn is $6.00 per bushel.

Expected Area Revenue per acre = 180 bu. × $6.00 = $1,080.00 per acre

For Endorsements with an RP base policy:

Indemnity = Expected Area Yield × max (Margin Projected Price, Margin Harvest Price)

The second step to calculating the Expected Margin Amount is calculating the Expected Cost. Margin Projected Input Prices are $3.15 per gallon for diesel, $670 per ton for urea, $735 per ton for DAP, and $865 per ton for potash.

The Expected Cost per acre :

Diesel (9.7 gallons × $3.15 = $30.56)
+ Urea (207 pounds × $670 ÷ 2000 = $69.35)
+ DAP (137 pounds × $735 ÷ 2000 = $50.35)
+ Potash (75 pounds × $865 ÷ 2000 = $32.44)
Expected Cost is $182.70 per acre.

Expected Margin per acre = $1,080.00 - $182.70 = $897.30

For Endorsements with a RP base policy, the Expected Area Revenue will be greater if the Margin Harvest Price exceeds the Margin Projected Price.

The Expected Margin is expressed on an area level, not an individual insured level. All acres in an area have the same Expected Margin for a practice (i.e., same Expected Area Yield). MCO then incorporates the Trigger Level to determine the Trigger Margin. Assuming a 95 percent Trigger Level:

Trigger Margin = Expected Margin - (Expected Area Revenue × (1.00 - Trigger Level)

Trigger Margin = $897.30 - ($1,080 × (1.00 - 0.95)) = $843.30 per acre

For Endorsements with a RP base policy, the Trigger Margin will be greater if the Margin Harvest Price exceeds the Margin Projected Price.

41 MCO Protection Calculations

A. Expected Crop Value

The Approved Yield is used for each insured crop, type, and practice contained in the AD for the purpose of determining the Expected Crop Value. The Margin Projected Price and Margin Harvest Price are established as determined by the MCO Price Provisions.

Assume a producer with 500 acres of irrigated corn for grain (practice/crop/type) in one basic unit comprised of one owned and one cash rented farms of 250 acres each. The Margin Projected Price is $6.00/bu., and the Margin Harvest Price is $5.50/bu.

Unit Approved Yield = 181 bu.

Unit 1 - 181 bu. × 500 ac. = 90,500 bu.

If the underlying policy is RP, the Expected Crop Value (per acre) is the Approved Yield multiplied by the greater of the Margin Projected Price and the Margin Harvest Price.

Expected Crop Value = MAX (Margin Projected Price, Margin Harvest Price) × Approved Yield × Acres

Expected Crop Value = MAX ($6.00, $5.50) × 181 × 500 = $543,000

If the underlying policy is APH, YP or RP-HPE, the Expected Crop Value (per acre) is the Approved Yield multiplied by the Margin Projected Price.

Expected Crop Value = Margin Projected Price × Approved Yield × Acres

Expected Crop Value = $6.00 × 181 × 500 = $543,000

41 MCO Protection Calculations (Continued)

B. Coverage Range

Coverage Range is the difference between the Trigger Level and the low end of the Coverage Range (86 percent).

Coverage Range = Trigger Level (0.90 or 0.95) - 0.86

Coverage Range = 0.04 = 0.90 - 0.86 for the 90 percent Trigger Level

Coverage Range = 0.09 = 0.95 - 0.86 for the 95 percent Trigger Level

C. MCO Protection

The MCO Protection is the product of the Expected Crop Value, the Coverage Range Coverage Percentage (a value selected by the insured that can be 50 to 100 percent in whole percents. The default value is 100 percent) and Share.

MCO Protection = Expected Crop Value × Coverage Range × Coverage Percent × Share.

MCO Protection = $543,000 × 0.04 × 1.00 × 1.00 = $21,720 for Trigger Level of 0.90 and 100 Coverage Percentage

MCO Protection - $543,000 × 0.09 × 1.00 × 1.00 = $48,870 for Trigger Level of 0.95 and 100 Coverage Percentage

For Endorsements with an RP base policy, the MCO Protection will be greater if the Margin Harvest Price exceeds the Margin Projected Price.

The MCO indemnity payment is limited to the MCO Protection amount regardless of the outcome of the area yield, commodity price change, and input price change.

42-43 (Reserved)

44 Premium Calculation

The total MCO premium for a unit equals the MCO Protection multiplied by the premium rate published in the AD for the type and practice. The premium amount is calculated with the Margin Projected Price for all base policies.

Continuing the above example:

The premium rate from the AD is:

RP	0.5389
RP HPE	0.3999
YP	0.2811

The amount of Liability at the 95 percent Trigger Level is $48,870.

44 Premium Calculation (Continued)

The total premium (before subsidy) for each of these forms of underlying policy will be:

RP	$48,870 × 0.5389 = $26,336
RP HPE	$48,870 × 0.3999 = $19,543
YP	$48,870 × 0.2811 = $13,737

The AD also contains a premium subsidy factor of 0.65 for MCO on all underlying policies (producer pays 35 percent).

The net producer premium for each of these examples is:

RP net premium	= $26,333 × 0.35 = $9,217
RP-HPE net premium	= $19,543 × 0.35 = $6,840
YP net premium	= $13,737 × 0.35 = $4,808

45-47 (Reserved)

48 Indemnity Calculations

In the event of loss covered by MCO, the indemnity is calculated by subtracting the Harvest Margin (per acre) from the Trigger Margin (per acre) and then dividing by the Coverage Value (Expected Area Revenue × Coverage Range) to obtain the Payment Factor. The Payment Factor is limited to be no more than 1.000. The indemnity is the result of multiplying the MCO Protection by the Payment Factor.

If the underlying policy is RP:

Expected Area Revenue = Expected Area Yield × MAX (Margin Projected Price, Margin Harvest Price)

If the underlying policy is APH, YP, or RP-HPE:

Expected Area Revenue = Expected Area Yield × Margin Projected Price

Coverage Value (per acre) = Expected Area Revenue × Coverage Range

Harvest Revenue (per acre) is determined by multiplying the Final Area Yield by the Margin Harvest Price.

Harvest Cost (per acre) is the dollar amount determined by multiplying the quantity of each Allowed Input by the Harvest Input Price for that input and summing those results.

MCO Payment Factor = (Trigger Margin - Harvest Margin) ÷ Coverage Value (all values per acre)

A. Example 1

The producer farms 500 acres of corn in the county under the same coverage level, type, and practice, in one basic unit that is a combination of owned and cash rented (100 percent share) with a unit approved yield of 181 bushels. The chosen Trigger Level is 95 percent giving a Coverage Range of 9 percent. The Coverage Percentage is 100 percent. Assume the following parameters for the example:

Expected area yield	= 180 bu.
Margin projected price	= $6.00 per bu.
Diesel projected price	= $3.15 per gallon
Urea projected price	= $670 per ton
DAP projected price	= $735 per ton
Potash projected price	= $865 per ton

The **Expected Area Revenue** is 180 bu. (Expected Area Yield) × $6.00 per bushel = $1,080.00 per acre for all Endorsements since the Harvest Price is less than the Projected Price.

The **Projected Cost** is:

Diesel (9.7 gallons × $3.15 = $30.56)
+ Urea (207 pounds × $670 ÷ 2000 = $69.35)
+ DAP (137 pounds × $735 ÷ 2000 = $50.35)
+ Potash (75 pounds × $865 ÷ 2000 = $32.44)
= $182.70 per acre.

The **Expected Margin** is $1,080.00 - $182.70 = $897.30 per acre for all Endorsements since the Harvest Price is less than the Projected Price.

The **Trigger Margin** is $897.30 - ($1,080.00 × (1.00 - 0.95)) = $843.30 per acre.

The **MCO Protection** is 181 bu. × $6.00 × 500 acres × 0.09 × 1.00 × 1.00 = $48,870 for all Endorsements since the Harvest Price is less than the Projected Price.

Continuing with the example assume the following outcomes occur for the crop year:

Final area yield	= 165 bu.
Margin harvest price	= $5.50 per bu.
Diesel harvest price	= $4.00 per gallon
Urea harvest price	= $740 per ton
DAP harvest price	= $810 per ton
Potash harvest price	= $925 per ton

A. Example 1 (continued)

The **Harvest Area Revenue** is 165 bu. (Final Area Yield) × \$5.50 per bushel = \$907.50 per acre for Endorsements with a RP or RP-HPE underlying policy and 165 bu. × \$6.00 = \$990.00 for Endorsements with a YP underlying policy.

The **Harvest Cost** is:

Diesel (9.7 gallons × \$4.00 = \$38.80)
+ Urea (207 pounds × \$740 ÷ 2000 = \$76.59)
+ DAP (137 pounds × \$810 ÷ 2000 = \$55.49)
+ Potash (75 pounds × \$925 ÷ 2000 = \$34.69)
= \$205.57 per acre.

The **Harvest Margin** is:

\$907.50 - \$205.57 = \$701.93 per acre for Endorsement with RP and RP-HPE underlying policies

\$990.00 - \$205.57 = \$784.43 per acre for a YP underlying policy.

The indemnity is calculated as follows (see MCO Endorsement):

RP Policy

Trigger Margin - Harvest Margin	= \$843.30 - \$701.93 = \$141.37
Expected Area Revenue × Coverage Range	= 180 × \$6.00 × 0.09 = \$97.20
MCO Payment Factor	= min (141.37 ÷ 97.20, 1.000)
	= 1.000
MCO Protection	= \$48,870
Indemnity	= \$48,870 × 1.000 = \$48,870

RP-HPE Policy

Trigger Margin - Harvest Margin	= \$843.30 - \$701.93 = \$141.37
Expected Area Revenue × Coverage Range	= 180 × \$6.00 × 0.09 = \$97.20
MCO Payment Factor	= min (141.37 ÷ 97.20, 1.000)
	= 1.000
MCO Protection	= \$48,870
Indemnity	= \$48,870 × 1.000 = \$48,870

YP Policy

Trigger Margin - Harvest Margin	= \$843.30 - \$784.43 = \$58.87
Expected Area Revenue × Coverage Range	= 180 × \$6.00 × 0.09 = \$97.20
MCO Payment Factor	= min (58.87 ÷ 97.20, 1.000)
	= .6057
MCO Protection	= \$48,870
Indemnity	= \$48,870 × 0.6057 = \$29,600

B. Example 2

Assume the same outcomes as Example 1 except the harvest price is greater than the projected price:

Margin Harvest Price = $6.25 per bushel

The **Expected Area Revenue** is 180 bu. (Expected Area Yield) × $6.25 per bushel = $1,125.00 per acre for Endorsements with a RP underlying policy since the Harvest Price is higher than the Projected Price. For all other policy types, the Expected Area Revenue is 180 bu. × $6.00 per bushel = $1,080.00 per acre.

The **Expected Margin** is $1,125.00 - $182.70 = $942.30 per acre for RP and it is $1,080 - $182.70 = $897.30 per acre for all other underlying policy types.

The **Trigger Margin** is $942.30 - ($1,125.00 × (1.00 - 0.95)) = $886.05 per acre for RP and it is $897.30 - ($1,080.00 × (1.00 - 0.95)) = $843.30 per acre for all other underlying policy types.

The **MCO Protection** is 181 bu. × $6.25 × 500 acres × 0.09 × 1.00 × 1.00 = $50,906 for RP and it is 181 bu. × $6.00 × 500 acres × 0.09 × 1.00 × 1.00 = $48,870 for all other underlying policy types.

The **Harvest Area Revenue** is 165 bu. (Final Area Yield) × $6.25 per bushel = $1,031.25 per acre for Endorsements with a RP or RP-HPE underlying policy and 165 bu. × $6.00 = $990.00 for Endorsements with a YP underlying policy.

The **Harvest Margin** is:

$1,031.25 - $205.57 = $825.68 per acre for RP and RP-HPE
$990.00 - $205.57 = $784.43 per acre for YP

The indemnity is calculated as follows (see MCO Endorsement):

RP Policy

Trigger Margin - Harvest Margin	= $886.05 - $825.68 = $60.37
Expected Area Revenue × Coverage Range	= 180 × $6.25 × 0.09 = $101.25
MCO Payment Factor	= min (60.37 ÷ 101.25, 1.000)
	= 0.5962
MCO Protection	= $50,906
Indemnity	= $50,906 × 0.5962 = $30,350

RP-HPE Policy

Trigger Margin - Harvest Margin	= $843.30 - $825.68 = $17.62
Expected Area Revenue × Coverage Range	= 180 × $6.00 × 0.09 = $97.20
MCO Payment Factor	= min (17.62 ÷ 97.20, 1.000)
	= 0.1813
MCO Protection	= $48,870
Indemnity	= $48,870 × 0.1813 = $8,860

B. Example 2 (continued)

YP Policy

Trigger Margin - Harvest Margin	= \$843.30 - \$784.43 = \$58.87
Expected Area Revenue × Coverage Range	= 180 × \$6.00 × 0.09 = \$97.20
MCO Payment Factor	= min (58.87 ÷ 97.20, 1.000)
	= 0.6057
MCO Protection	= \$48,870
Indemnity	= \$48,870 × 0.6057 = \$29,600

C. Example 3

Assume the same outcomes as Example 1 except for the following:

Diesel price	= \$2.60 per gallon
Urea price	= \$346 per ton
DAP price	= \$577 per ton
Potash price	= \$865 per ton

The **Harvest Area Revenue** is 165 bu. (Final Area Yield) × \$5.50 per bushel = \$907.50 per acre for Endorsements with a RP or RP-HPE underlying policy and 165 bu. × \$6.00 = \$990.00 for Endorsements with a YP underlying policy.

The **Harvest Cost** is:

Diesel (9.7 gallons × \$2.60 = \$25.22)
+ Urea (207 pounds × \$346 ÷ 2000 = \$35.81)
+ DAP (137 pounds × \$577 ÷ 2000 = \$39.52)
+ Potash (75 pounds × \$865 ÷ 2000 = \$32.44)
= Expected Cost of \$132.99 per acre.

The **Harvest Margin** is:

\$907.50 - \$132.99 = \$774.51 per acre for RP and RP-HPE
\$990.00 - \$132.99 = \$857.01 per acre for YP

The indemnity is calculated as follows (see MCO Endorsement):

RP Policy

Trigger Margin - Harvest Margin	= \$843.30 - \$774.51 = \$68.79
Expected Area Revenue × Coverage Range	= 180 × \$6.00 × 0.09 = \$97.20
MCO Payment Factor	= min (68.79 ÷ 97.20, 1.000)
	= 0.7077
MCO Protection	= \$48,870
Indemnity	= \$48,870 × 0.7077 = \$34,585

C. Example 3 (continued)

RP-HPE Policy

Trigger Margin - Harvest Margin	= $843.30 - $774.51 = $68.79
Expected Area Revenue × Coverage Range	= 180 × $6.00 × 0.09 = $97.20
MCO Payment Factor	= min (68.79 ÷ 97.20, 1.000)
	= 0.7077
MCO Protection	= $48,870
Indemnity	= $48,870 × 0.7077 = $34,585

YP Policy

Trigger Margin - Harvest Margin	= $843.30 - $857.01 = -$13.71

The Harvest Margin is greater than the Trigger Margin, so no indemnity is owed.

49-50 (Reserved)

PART 3: APPLICABILITY OF HANDBOOKS

51 General Overview

This part identifies information specific to the applicability of the CIH, LAM, and any other procedural issuance that may require supplemental information regarding a crop insured under the MCO.

52 Crop Insurance Handbook (CIH) - Acreage Reports

A separate acreage report is not required for MCO. All information needed to establish a guarantee will be extracted from the acreage report filed for the underlying policy.

53 Loss Adjustment Manual (LAM)

The duties and responsibilities identified in the LAM are not applicable to MCO.

54 Loss Adjustment Standards Handbook (LASH)

The LASHs for the crops insured under the MCO are not applicable to MCO loss determinations.

55 General Standards Handbook (GSH)

The GSH applies to MCO.

56-99 (Reserved)

EXHIBITS

Exhibit 1 Acronyms and Abbreviations

The following table provides the acronyms and abbreviations used in this handbook. Other common acronyms can be found in the GSH.

Approved Acronym	Term
AD	Actuarial Documents
AIP	Approved Insurance Provider
APH	Actual Production History
ARC	Agricultural Risk Coverage
ARPI	Area Risk Protection Insurance
CAT	Catastrophic Risk Protection
CCIP-BP	Common Crop Insurance Policy, Basic Provisions
CEPP	Commodity Exchange Price Provisions
CIH	Crop Insurance Handbook
CP	Crop Provisions (underlying policy)
DSSH	Document and Supplemental Standards Handbook
ECO	Enhanced Coverage Option
EAY	Expected Area Yield
FCIC	Federal Crop Insurance Corporation
GSH	General Standards Handbook
HPE	Harvest Price Exclusion
HIP-WI	Hurricane Insurance Protection-Wind Index
HRLEO	High-Risk Land Exclusion Option
LASH	Loss Adjustment Standards Handbook
LAM	Loss Adjustment Manual
MCO	Margin Cost Option
PASD	Product Administration and Standards Division
RMA	Risk Management Agency
RP	Revenue Protection
RP-HPE	Revenue Protection with Harvest Price Exclusion
SCD	Sales Closing Date
SCO	Supplemental Coverage Option
SP	Special Provisions
SRA	Standard Reinsurance Agreement
STAX	Stacked Income Protection Plan
YP	Yield Protection

<u>Allowed Input</u>: A resource identified in Sections II and III of the Margin Price Provisions as typically used to produce the insured crop in the county where the insured acreage is located. Allowed Inputs will be specified as a quantity per acre and are subject to price change.

<u>Approved Insurance Provider</u>: Has the same meaning as the term "approved insurance provider" in the Federal Crop Insurance Act. For the purposes of this handbook, Approved Insurance Provider is the same as defined in the Standard Reinsurance Agreement.

<u>Approved Yield</u>: The producer's Actual Production History for each insured crop, type, and practice contained in the AD.

<u>Coverage Percentage</u>: The coverage selected by the producer from 50 percent to 100 percent. The default Coverage Percentage is 100 percent.

<u>Coverage Range</u>: The difference between the Trigger Level percent and the lower coverage level of eighty-six (86) percent. A Trigger Level of 90 percent has a Coverage Range of four (4) percent. A Trigger Level of 95 percent has a Coverage Range of nine (9) percent.

<u>Expected Area Yield</u>: The yield, established in accordance with Section 14 of the MCO Endorsement, for each insured crop, type, and practice, contained in the AD for the purpose of determining the Expected Area Revenue.

<u>Expected Cost (per acre)</u>: The dollar amount determined by multiplying the quantity of each Allowed Input subject to price change by the Projected Input Price for that input and summing the dollar values so determined.

<u>Expected Crop Value</u>: The value determined by multiplying the Approved Yield by the Margin Projected Price and the planted acreage. Following release of the Margin Harvest Price, the Expected Crop Value may increase if the insured elected RP and the Margin Harvest Price is greater than the Margin Projected Price.

<u>Expected Margin (per acre)</u>: The result obtained by subtracting the Expected Cost (per acre) from the Expected Area Revenue (per acre). Following release of the Margin Harvest Price, the Expected Margin may increase if the insured elected RP and the Margin Harvest Price is greater than the Margin Projected Price.

<u>Expected Area Revenue (per acre)</u>: The value determined by multiplying the Expected Area Yield by the Margin Projected Price. Following release of the Margin Harvest Price, the Expected Area Revenue may increase if the insured elected RP and the Margin Harvest Price is greater than the Margin Projected Price.

<u>Final Area Yield</u>: The yield per acre, established in accordance with Section 14 of the MCO endorsement, for each insured crop, type, and practice, used to determine the Harvest Area Revenue (per acre), and released by RMA at a time specified in the AD.

<u>Harvest Cost (per acre)</u>: The dollar amount determined by multiplying the quantity of each Allowed Input subject to price change by the Harvest Input Price for that input and summing the dollar values so determined.

<u>Harvest Input Price</u>: A dollar amount per unit of an Allowed Input subject to price change, determined as specified in the MCO Price Provisions, used to determine the Harvest Cost.

<u>Harvest Margin (per acre)</u>: The result of subtracting the Harvest Cost (per acre) from the Harvest Revenue (per acre).

<u>Harvest Area Revenue (per acre)</u>: The result obtained by multiplying the Final Area Yield by the Margin Harvest Price.

<u>Margin Harvest Price</u>: A price determined in accordance with the MCO Price Provisions and used to determine the Harvest Area Revenue of the insured crop.

<u>Margin Projected Price</u>: 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.

<u>MCO Protection</u>: The dollar amount for each unit the insured established by the underlying policy and is determined by multiplying the Expected Crop Value by the Coverage Range, then multiplying this result by the Coverage Percentage and by the insured's share.

<u>MCO Price Provisions</u>: 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. The MCO policy materials containing specific terms of insurance for individual crops.

<u>Projected Input Price</u>: A dollar amount per unit of an Allowed Input subject to price change, determined as specified in the Margin Price Provisions, and used to determine the expected value of an Allowed Input.

<u>RMA</u>: The Risk Management Agency, a USDA agency that manages insurance programs for FCIC.

<u>Trigger Level</u>: Coverage is based on two trigger levels: 95 and 90 percent. These represent the point at which the producer becomes eligible for an indemnity.

<u>Trigger Margin (per acre)</u>: The Expected Margin (per acre) less the result of multiplying the Expected Area Revenue multiplied by (one minus the Trigger Level). Following release of the Margin Harvest Price, the Trigger Margin may increase if the insured elected RP as the underlying policy and the Margin Harvest Price is greater than the Margin Projected Price.

<u>Underlying policy</u>: A policy of insurance at an additional coverage level issued under the CCIP-BP that includes any of the following: YP, RP, RP-HPE, APH, or other plan of insurance designated in the SP, as applicable.

Exhibit 3 (Reserved)

Exhibit 4 Endorsements Chart

The following chart provides information about endorsements and options that can be on the same underlying policy as MCO.

Plan Code	Plan Name	Endorsement Code	Endorsement Name	Allowed
01, 02, 03, 90	YP, RP, RP-HPE, APH	SCO	SCO Endorsement	Yes
01, 02, 03, 90	YP, RP, RP-HPE, APH	STAX	STAX	Yes
01, 02, 03, 90	YP, RP, RP-HPE, APH	ECO	ECO Endorsement	No
01, 02, 03, 90	YP, RP, RP-HPE, APH	HIP-WI	HIP-WI	No

Exhibit 5 Margin Coverage Option Disclaimer Form Standard

The following is the Margin Coverage Option Disclaimer form standard. The Margin Coverage Option Disclaimer must be signed by each insured when completing their application. The disclaimer must be signed on or before the MCO SCD.

A. Margin Coverage Option Disclaimer

Item #	Element	Substantive/ Non-substantive
1	"By signing below, I certify that I understand and agree to the following:"	Substantive
2	"1. The Margin Coverage Option Endorsement does not cover a loss of actual production on my acres. It is an area plan endorsement that is based upon the yields of a county or grouping of counties to determine the Expected Area Yield and Final Area Yield used to calculate any losses, based on data from the practices and areas designated in the Actuarial Documents for my county for the crop year. It is possible for me to have low crop production on the acreage I insure and still not receive an indemnity."	Substantive
3	"2. Electing the Margin Coverage Option Endorsement that attaches to the underlying policy restricts some of the choices I may make: a. I must transfer my underlying policy to the same agent/AIP as my Margin Coverage Option Endorsement by the Margin Coverage Option sales closing date. b. I may not transfer my underlying policy after the Margin Coverage Option sales closing date. c. I may not elect any additional coverage or endorsement on my underlying policy that duplicates all or a portion of my coverage range under the Margin Coverage Option Endorsement (e.g., Enhanced Coverage Option, Hurricane Insurance Protection-Wind Index, etc.)."	Substantive
4	"3. By signing this form, I understand any additional coverage or endorsement on my underlying policy that duplicates all or a portion of my coverage range under the Margin Coverage Option Endorsement will be canceled."	Substantive

B. Required Signature and Statements

Item #	Element	Substantive/ Non-substantive
1	"Insured's Printed Name, Signature, and Date"	Substantive
2	Privacy Act Statement **Note:** See DSSH Para. 501	Substantive
3	Non-Discrimination Policy Statement **Note:** See DSSH Para. 503	Substantive