



Enhanced Coverage Option (ECO)

Enhanced Coverage Option overview

ECO is an area-based supplemental shallow-loss coverage that covers loss from 90% up to 95%. The endorsement is covered on select crops across the U.S.

Why enhance with ECO?

- ECO covers up to 95% coverage, which is the highest subsidized coverage available.
- ECO is area-based*, which benefits producers whose yield and revenue correlate with the county.
- ECO can trigger an indemnity on only a 5% loss in revenue or yield (dependent on the underlying MPCI coverage plan).
- ECO's subsidized rate for revenue and yield plans is 80%.

**ECO is based on Production Area, which many times is equivalent to the county. However, it is important to remember that they can differ. Production Area for ECO/SCO/ARP: The geographical area that the Expected and Final Area Yields are based on, designated generally as a county, but may be a smaller or larger geographical area as specified in the actuarial documents.*

How ECO works

- ECO must be purchased with an underlying individual policy. These consist of: Actual Production History (APH), Yield Protection (YP), Revenue Protection (RP), Revenue Protection with the Harvest Price Exclusion (RP-HPE), or a Yield-Based Dollar Amount of Insurance policy.
- ECO follows the coverage of your underlying policy:
 - A Yield Protection coverage means ECO covers yield losses.
 - A Revenue Protection coverage means ECO covers revenue losses.
- There will be separate premium and administrative fees for ECO by crop/county.

Example: 95% ECO Trigger	
Deductible (no coverage)	100% - 95%
ECO coverage range	95% - 90%
SCO coverage range	90% - MPCI coverage level
MPCI coverage level	up to 85%

Coverage details

- The amount of ECO coverage depends on the liability, coverage level, and approved yield of your underlying policy.
 - If there are multiple types or practices for the insured crop in the county, the supplemental protection will be determined separately for each coverage level, type, and practice.
- Producers have the ability to reduce their ECO liability by a "coverage percentage" elected on or before the Sales Closing Date. The range is from 50%-100%.
 - Adjusting the "coverage percent", allows producers the ability to reduce coverage and cost by 50%.

Important dates

- ECO Sales Closing Date matches the underlying individual coverage.
- ECO is continuous and remains in effect for the insured crop until canceled.

Availability

ECO is available for the crops in most counties where the crops below are grown.

- Alfalfa Seed
- Almonds
- Apples
- Barley
- Blueberries
- Buckwheat
- Burley Tobacco
- Canola
- Cigar Binder Tobacco
- Citrus
- Corn
- Cotton
- Cotton - Ex. Long Staple
- Cultivated Wild Rice
- Dark Air Tobacco
- Dry Beans
- Dry Peas
- Fire Cured Tobacco
- Flax
- Flue Cured Tobacco
- Forage Production
- Grain Sorghum
- Grapes
- Grass Seed
- Hybrid Corn Seed
- Hybrid Seed Rice
- Hybrid Sorghum Seed
- Millet
- Oats
- Peanuts
- Popcorn
- Rice
- Rye
- Safflower
- Sesame
- Silage Sorghum
- Soybeans
- Sugar Beets
- Sugarcane
- Sunflowers
- Walnuts
- Wheat

Eligibility details

- ECO is not impacted by Farm Program decisions, including Price Loss Coverage (PLC) and Agriculture Risk Coverage (ARC).
- If a producer buys ECO, the producer may not:
 - Purchase Margin Coverage Option (MCO), Margin Protection (MP), Margin Protection with the Harvest Price Option (MP-HPO), Area Revenue Protection Insurance (ARPI), or Hurricane Insurance Protection-Wind Index (HIP-WI).

- Producers may purchase the Supplemental Coverage Option (SCO) along with ECO.
 - Producers are not required to purchase SCO, they can leave a gap in coverage.
- Example of how ECO and SCO Coverage would work together:

ECO (95%) with SCO Coverage Example		
Percent of Expected Grower Revenue	Individual Loss	Area-Based Loss
100%		
95%		ECO Revenue (95% to 90%)
90%		
86%		SCO Revenue (86% to 75%)
80%		
75%		
70%	Individual Revenue Policy (75% coverage)	
65%		
60%		
55%		
50%		
45%		
40%		
35%		
30%		
25%		
20%		
15%		
10%		
5%		
0%		

Example: A grower purchases an individual revenue policy at 75% coverage. They add the SCO and ECO (95%) endorsements.

High Risk Land Acreage

- Acres insured by the underlying policy are insured under ECO.
- Excluded from an underlying policy under the High Risk Land Exclusion Option (HRLEO) and insured under a separate policy at a buy up level of coverage, must have ECO elected on the separate High Risk Policy if it is elected on the base policy.



Indemnity overview

- The ECO liability (maximum payout) will be based on the expected crop value (the insured's APH) for the individual grower. Since there are no units for ECO, policy protection is based on all planted acres of the crop in the county insured by the underlying policy.
- Projected and harvest prices for ECO will match the individual coverage.
- ECO expected and final yields are based on Risk Management Agency (RMA) data, NOT producer yields.
- ECO indemnities will be paid in the summer following the crop year, NOT at harvest time.
- ECO and individual coverage trigger independently, so it is possible for a grower to have:
 - An ECO indemnity, but no individual indemnity.
 - An individual indemnity, but no ECO indemnity.
 - Indemnities from both programs.
 - No indemnities.

Loss Example - Revenue Protection policy

The Expected Area Yield is 200 bu./acre and the Projected Price is \$5.00/bu.

The Coverage Range is:

- $95\% - 90\% = 5\%$

The producer has an Approved Yield of 210 bu./acre.

The **ECO Amount of Insurance** is determined as the **Expected Crop Value** (using the insured's APH) is **multiplied by the Coverage Range**:

- $(\$5.00 \times 210 \text{ bu./acre}) \times 5\% = \$52.50/\text{acre}$

For illustrative purpose, suppose the **Premium Rate is 45%**.

Total Premium is calculated by **multiplying the ECO Amount of Insurance and Premium Rate**:

- $\$52.50/\text{acre} \times 45\% = \$23.63/\text{acre}$

Premium Subsidies are determined by **multiplying Total Premium by the Subsidized Rate**:

- $\$23.63/\text{acre} \times 80\% = \$18.90/\text{acre}$

Producer Premium is determined by **subtracting the Premium Subsidy from the Total Premium**:

- $\$23.63/\text{acre} - \$18.90/\text{acre} = \$4.73/\text{acre}$

The Harvest Price is \$4.80/bu. and the Final Area Yield is 190 bu./acre.

Multiply these numbers to find the **Final Area Revenue**:

- $\$4.80/\text{bu.} \times 190 \text{ bu./acre} = \$912/\text{acre}$

The **Loss Percentage** is determined by taking the **Loss Trigger (95%) less the Final Area Revenue divided by the Expected Area Revenue**:

- $95\% - (\$912/\text{acre} \div \$1,000/\text{acre} = 3.80\%)^{**}$

The **Payment Factor** is determined as the **Loss Percentage divided by the Coverage Range**:

- $3.80\% \div 5\% = 76\%$

The **Payment Factor** is then **multiplied by the ECO Amount of Insurance to determine the ECO indemnity**:

- $\$52.50/\text{acre} \times 76\% = \$39.90/\text{acre}$

***This value cannot be less than zero or greater than 5%.*

This fact sheet is only an overview of these described products. It does not include all features, exclusions, or limitations. Consult your agent or the policy provisions for further details.

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