Product Fact Sheet

Margin Coverage Option (MCO)

NAU Country
A QBE Insurance Company

Margin Coverage Option overview

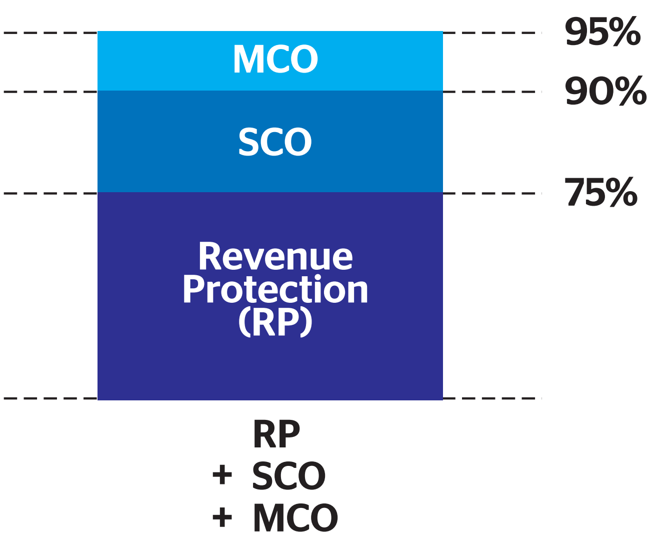
Margin Coverage Option (MCO) helps protect your Profit Margin - not just your yield or price. It works by comparing your Expected Margin (revenue minus input costs) to your Actual Margin at harvest. MCO pays when the Harvest Margin for the county* is lower than the Trigger Margin. Since MCO is an area-based* option, it may not reflect your individual experience.

**Margin Coverage Option is based on Production Area, which many times is equivalent to the county. However, it is important to remember that they can differ.*

How does MCO work?

As an endorsement, MCO offers a 5% coverage band, starting at the 90% coverage level and extending up to 95%.

MCO will establish coverage based on the county crop data for Area Yield History, Expected Area Yield, and Final Area Yield that the Risk Management Agency (RMA) publishes for the Enhanced Coverage Option (ECO), Supplemental Coverage Option (SCO), and Margin Protection (MP).



Availability

MCO is available in select counties for corn, cotton, grain sorghum, rice, soybeans, and spring wheat in the states listed below:

Corn and Soybeans: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin

Cotton: Kansas, Oklahoma, and Texas

Grain Sorghum: Kansas, Oklahoma, and Texas

Rice: Arkansas, California, Louisiana, Mississippi, Missouri, and Texas

Spring Wheat: California, Idaho, Minnesota, Montana, North Dakota, Oregon, South Dakota, and Washington

Eligible Insurance Plans

MCO must be purchased as an endorsement to an underlying policy, including Yield Protection (YP), Revenue Protection (RP), or Revenue Protection with the Harvest Price Exclusion (RP-HPE). The underlying policy must be purchased from the same Approved Insurance Provider (AIP) and agent.

Important Dates

Sales Closing Date:

- September 30: Corn, cotton, grain sorghum, soybeans, and spring wheat
- Rice: Follows the underlying policy

Indemnity Payments:

Indemnity payments are issued after the Final County Yields are published in the summer of the following year.

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Determining the Margin

MCO is area-based, using county-level data to determine:

Expected Margin (EM):
Expected Area Revenue - Expected Input Costs

Harvest Margin (HM):
Area Revenue - Final Input Costs

If the Harvest Margin falls below the Trigger Margin, a payment is made on the loss within the selected coverage band.

When determining the margin, the following inputs are included:

Corn: diesel, natural gas, diammonium phosphate, urea, and potash

Cotton: diesel, natural gas, diammonium phosphate, urea, and potash

Grain Sorghum: diesel, natural gas, diammonium phosphate, urea, and potash

Soybeans: diesel, natural gas, diammonium phosphate, and potash

Rice: diesel, natural gas, urea, diammonium phosphate, and potash

Wheat: diesel, natural gas, urea, diammonium phosphate, and potash

Insurable Types and Practices

You may choose any coverage level shown on the actuarial documents for each crop and irrigated or non-irrigated practice.

Coverage levels cannot vary by type.

Loss Payments

MCO begins to pay (triggers) when the Area Margin falls below 95% of the Expected Margin.

The Trigger Margin is calculated by subtracting the deductible of 5% of the Expected Area Revenue from the Expected Area Margin.

The amount of Area Margin loss is calculated by subtracting the Harvest Margin from the Trigger Margin.

A payment factor is calculated by dividing the amount of Area Margin loss by the band of area coverage value.

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.