SUPPLEMENTAL COVERAGE OPTION (SCO)

The Supplemental Coverage Option (SCO) is a county-level revenue-based or yield-based optional endorsement that covers a portion of losses not covered by the same crop's underlying crop insurance policy.

It can be elected only when a producer has purchased one of the following underlying plans of insurance:

- · Yield Protection;
- · Revenue Protection: or
- · Revenue Protection with the Harvest Price Exclusion.

It is available in select counties for spring barley, corn, soybeans, wheat, sorghum, cotton, and rice.

IS SCO RIGHT FOR YOU?

When considering SCO, you must first consider whether to elect to participate in the new FSA Agriculture Risk Coverage (ARC) program. Crops for which ARC is elected are not eligible for the SCO endorsement. For those crops and farms eligible for SCO, the type and amount of SCO coverage are determined by the type and coverage level you choose for the underlying policy. You should talk to your crop insurance agent to determine what best meets your individual risk management needs.

Helpful Resources

For more in-depth information, please visit: www.rma.usda.gov/news/currentissues/farmbill

For information about the PLC and ARC programs, please visit:

www.fsa.usda.gov

RMA's Crop Insurance Decision Tool may help compare coverage amounts and estimates. Access the tool here:

prodwebnlb.rma.usda.gov/apps/CIDT



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SUPPLEMENTAL COVERAGE OPTION



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HOW SCO WORKS

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

The amount of SCO coverage depends on the liability, coverage level, and approved yield for your underlying policy. SCO pays a loss on an area basis, and an indemnity is triggered when there is a county level loss in yield or revenue.

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







PURCHASING SCO

First, you must choose an underlying policy:

- · Yield Protection;
- · Revenue Protection: or
- · Revenue Protection with the Harvest Price Exclusion.

Next, you choose SCO as an endorsement to the underlying policy. You must make this choice by the sales closing date for your underlying policy, and with the same insurance company.

Any crop on a farm that you elect to participate in the Agriculture Risk Coverage (ARC) program is not eligible for SCO coverage.

The Federal Government pays 65 percent of the premium.

The exact premium cost depends on the crop, county, coverage level you choose, and the type of coverage you choose, such as Yield Protection or Revenue Protection.

SCO is a continuous option – it must be cancelled by the cancellation date. All applicable CCIP, Crop, and SP provision/dates from the underlying policy will apply to SCO.

SCO does not provide coverage for Prevented Planting or Replanting.

There is an additional administrative fee per crop/county for adding SCO.

SCO Revenue Example Calculation

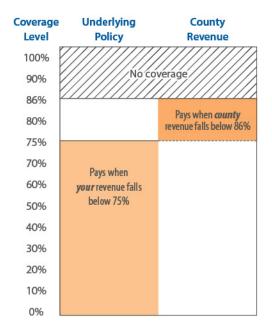
Crop: Corn	Projected Price: \$4.02/bu
APH: 190 bu/ac	Coverage Level: 75%

Determine the Expected Crop Value:

190 bu/ac x \$4.02/bu = \$763.80/ac Expected Crop Value

Determine value and coverage:

\$763.80 x 75% = \$572.85 Covered by Underlying Policy



- The SCO Endorsement begins to pay when county average revenue falls below 86 percent of its expected level (the percent is the same for all SCO policies).
- The full amount of the SCO coverage is paid out when the county average revenue falls to the coverage level of the underlying MPCI policy.

Example MPCI Coverage Level = 75%

 The dollar amount of SCO coverage is based on the percent of crop value covered. Determine the percent covered by calculating the difference between 86 percent and the MPCI coverage level.

Example 86% - 75% = 11% covered by SCO

 Determine the full amount of SCO coverage by multiplying the percent covered by SCO by the Expected Crop Value

Example 11% x \$763.80/ac = \$84.02/ac max SCO coverage

 For the example, the SCO policy can cover up to \$84.02 of the amount not covered by the underlying MPCI policy.

AVAILABILITY

SCO must be elected by crop. It is available in select counties for the following crops:

- Spring Barley
- Corn
- Soybeans
- Wheat
- Sorghum
- Cotton
- Rice

The choice of counties selected for 2015 is based on the availability of county yield data from USDA's National Agricultural Statistics Service (NASS), subject to the following criteria:

- NASS county yield estimates are available for at least 20 of the last 30 years.
- NASS county yield estimates are available for at least 8 of the last 10 years, with an average of at least 10,000 planted acres over those years.
- There are at least 50 or more farming entities for the crop in the county according to the most recent Census of Agriculture.

Will SCO Be Available for More Crops?

RMA will expand the program to more crops and counties as the program continues. RMA will be making greater use of crop insurance data to expand SCO coverage into more areas, more crops, and to make SCO coverage more practice-specific.

