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SUPPLEMENTAL COVERAGE OPTION (SCO) ENDORSEMENT STANDARDS HANDBOOK

2015 and Succeeding Crop Years

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REASON FOR ISSUANCE

This handbook provides the official FCIC-approved standards for administering the Supplemental Coverage Option (SCO) Endorsement for the 2015 and succeeding crop years.

SUPPLEMENTAL COVERAGE OPTION ENDORSEMENT STANDARDS HANDBOOK

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PART 1 GENERAL INFORMATION AND REQUIREMENTS

1 General Information

This handbook provides the FCIC approved procedures for administering the SCO Endorsement. The SCO Endorsement provides protection against widespread loss of yield or revenue in a county.

The SCO Endorsement guarantee is established using information from the underlying policy. Since there are no units for SCO, policy protection is based on all planted acreage of the crop in the county insured by the underlying policy excluding acreage insured under STAX, see Paragraph 13, or acreage/FN(s) covered by the ARC, see Paragraph 10. If there are multiple coverage levels, types or practices for the insured crop in the county, the SCO supplemental protection will be determined separately for acreage insured at each coverage level, type and practice.

Since the SCO supplemental protection is based on the underlying policy, any premium and/or indemnity reduction made on the underlying policy will apply to the SCO Endorsement. For example, when the underlying policy premium and indemnity is reduced due to first and second insured crop limitations (see CIH Para. 202 C and D) the protection under the endorsement will similarly be reduced. The SCO Endorsement must be purchased from the same AIP as the underlying policy.

2 Endorsement Availability

The SCO Endorsement is available when provided in the actuarial documents.

3 Eligibility Requirements

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

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

(2) elect the SCO Endorsement on or before the SCD for the underlying crop policy; and

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

4 SCO Plans of Insurance

When elected, the SCO Endorsement establishes a separate plan code for the SCO Endorsement coverage for IT processing purposes only. The SCO Endorsement has three plan of insurance codes which are based on the underlying policy's plan of insurance. The table below provides the applicable SCO Endorsement plan of insurance codes based on underlying policy's plan of insurance.

4 SCO Endorsement Plans of Insurance (continued)

Underlying Policy Plan of Insurance Code	SCO Endorsement Plan of Insurance Code
YP - 01	31
RP - 02	32
RP-HPE - 03	33

Example: If the insured has elected the SCO Endorsement and has Yield Protection 01 for their underlying policy, the insured's policy would be submitted to RMA as the SCO Endorsement plan of insurance code 31

Although the SCO Endorsement creates an insurance plan for processing to RMA, the actuarial documents identify SCO Endorsement availability as additional tabs, for the underlying policy's plan of insurance, in the actuarial documents.

5 Continuous Endorsement

The SCO Endorsement is a continuous endorsement and will remain in effect until cancelled by the insured or the AIP on or before the cancellation date.

Exception: For fall planted wheat for the 2015 crop year only, an insured who applies for SCO and later elects to participate in ARC for winter wheat has until the earlier of the acreage reporting date or December 15, 2014 for any fall-planted wheat with an acreage reporting date after December 15, 2014 to withdraw SCO coverage on winter wheat on the farm for which ARC was elected for winter wheat and owe no premium. This is a one-time exemption that will only be allowed for 2015 crop year for fall planted wheat, to recognize that the ARC program rules may not yet be available to the public.

6 Cancellation or Policy Change

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

(2) Other changes made to the underlying policy do not cancel the SCO Endorsement. The SCO Endorsement will provide supplemental coverage based on the changes to the coverage level or plan of insurance of the underlying policy.

Example: The insured changes their coverage level on their underlying policy from 80 percent to 70 percent. Their SCO Endorsement coverage will change from covering 80 to 86 percent to covering 70 to 86 percent, increasing SCO coverage from 6 percent to 16 percent.

7 Administrative Fees

An administrative fee and premium for the crop covered by each SCO Endorsement will be due in addition to any administrative fee(s) and/or premium(s) of the underlying policy [CIH paragraphs 208-210]. However, waivers of the SCO administrative fee is applicable for insureds who qualify as a limited resource farmer [see CIH Para. 210] or a beginning farmer/rancher.

8 Written Agreements

(1) A written agreement to add the SCO Endorsement to an underlying policy when the SCO Endorsement is not provided in the actuarial documents for the crop/county is not authorized.

Example: The insured has a XC written agreement (which allows insurance for a crop when insurance is not available in that county for that crop) for corn, which references another state/county where the SCO endorsement is available. SCO does not apply to the county where the XC insurance offer was issued because SCO is only available in counties where it is listed in the actuarial documents.

(2) If the SCO Endorsement is available in the actuarial documents for the crop/county where the crop is physically located, the SCO Endorsement may be elected when a written agreement applies to the underlying policy.

Example: The insured has a written unit agreement on their underlying policy in the crop/county and the SCO endorsement is available for the crop/county. Since the SCO Endorsement is available for the crop/county the written agreement is applicable to the SCO Endorsement.

9 Impact of High-Risk Land

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

(2) Any high-risk acreage excluded from an underlying policy under the High Risk Land Exclusion Option is not insured under SCO, unless the high-risk acreage is insured under a CAT policy. If the high-risk acreage is insured under a CAT policy the insured may elect to insure their high-risk acreage under the SCO Endorsement.

(3) When high-risk acreage is insured under a separate policy by the HRACE, the SCO Endorsement must be elected on the HRACE policy when the insured elects the SCO Endorsement on their base policy.

10 Impact of Agriculture Risk Coverage Program (ARC)

ARC is a program administered by the FSA. ARC is elected on a FSA crop/FN basis and SCO is elected on a crop/county basis. Benefits cannot be received for both ARC and SCO on the same acreage/FN(s) of the crop. If these elections have been made, the insured is required to report which acreage/FN(s) are under the SCO Endorsement and which acreage/FN(s) are under ARC. See paragraph 22 for more information.

11 Impact of Native Sod Acreage

The native sod acreage premium subsidy reduction of 50 percentage points less than the premium assistance identified in the actuarial documents is applicable to the SCO Endorsement premium.

12 Underlying Policy Requirements

The SCO Endorsement can only be elected if the insured has an underlying policy insured under the CCIP-BP with the same AIP as the underlying policy. The SCO Endorsement is not available with ARPI.

13 Stacked Income Protection Policy (STAX)

The insured may elect both the SCO Endorsement and STAX for upland cotton if they meet the eligibility requirements of both programs. However, the insured cannot insure the same acreage under both the SCO Endorsement and STAX.

If the insured has elected both the SCO Endorsement and STAX, then the upland cotton must be insured under the CCIP-BP. If the underlying policy is ARPI or a standalone STAX policy, the SCO Endorsement is not available for the insured's upland cotton.

No later than the STAX SCD, the insured must designate which acres of upland cotton in the county will be covered by STAX and which acres will be covered by SCO:

(1) The insured must provide a production report for the CCIP-BP policy for the preceding year by the STAX SCD. The production report will be used by the AIP to establish the insured's CCIP-BP APH database(s).

  (a) The insured must designate the acreage for SCO and STAX coverage by identifying whether SCO or STAX applies to each CCIP-BP APH database. AIPs will capture the insured's designation by plan codes 31, 32, or 33 for SCO and plan codes 35 or 36 for STAX (see STAX Standards Handbook for explanation of STAX plan codes) in the "Other" field of the APH database. Although an insured's signature is not normally required on an APH database, the insured must sign and date the APH database(s) certification and the AIP must include the Document and Supplemental Standards Handbook required statements on the APH database(s) certification.

Note: An APH database cannot be established lower than the optional unit/practice/type, unless one of the exceptions provided in CIH Paragraph 1205B applies.

(b) An insured is allowed to recertify their production history and the AIP may update the CCIP-BP APH database(s) through the CCIP-BP production reporting date. However, the designation for each APH database as SCO or STAX coverage must not be changed after the SCD.

(2) The insured may identify on the STAX Application whether SCO or STAX coverage applies to any acreage added to the operation that requires a new CCIP-BP APH database. If no designation is made, the acreage is covered under SCO.

14 Duplicate Policy Exceptions

The SCO Endorsement is not considered a duplicate policy when available on the actuarial documents.

15 Uninsured Causes of Loss

Indemnities will not be paid on acreage that has been determined to have been solely damaged by causes of loss not covered by the underlying policy.

16-20 (Reserved)

PART 2 ACREAGE REPORTING

21 Acreage Reporting Requirements for SCO

Because the SCO Endorsement uses the underlying policy's acreage report, an insured is not required to submit an additional acreage report for the SCO Endorsement.

Exception: Additional information is required when an insured elects the SCO Endorsement and ARC in a county for a crop on a FSA FN(s).

The AIP must determine protection provided under the SCO Endorsement, by coverage level, type and practice when applicable. The Summary of Coverage/Schedule of Insurance must provide the protection, premium and administrative fee for the SCO.

22 Acreage Reporting Requirements When Both SCO and ARC Are Applicable

When an insured has elected the SCO Endorsement in a county for the crop and has a share in any acreage in the county for which ARC has been elected for the crop, the insured is required to report which acreage/FN(s) are under the SCO Endorsement and which acreage/FN(s) are under ARC. The same crop cannot have both the SCO Endorsement and ARC on the same acreage/FN(s).

(1) The insured's acreage report must:

(a) identify which acreage/FN(s) of the crop is covered by ARC by reporting all acreage of the crop by FSA farm/tract/field number by the acreage reporting date; and

(b) identify acreage/FN(s) of the crop covered under ARC with the acreage type of "J" ineligible SCO acres due to ARC election.

Example: The insured has elected the SCO Endorsement for soybeans in the county and ARC was elected on FN 1234 and 4512 for soybeans in the county. Because both the SCO Endorsement and ARC were elected for soybeans in the same county, all soybean acreage must be identified by farm/tract/field on the acreage report. Additionally, soybean acreage on FN 1234 and 4512 must be identified with the acreage type of "J".

CY	Crop	Unit #	FSA FN/Tract/Field(s)	Acres	Acreage Type
2015	Soybeans	0001-0001 OU	1234-54321-01	20.0	J
2015	Soybeans	0001-0001 OU	1234-54321-02	15.5	J
2015	Soybeans	0001-0002 OU	1234-67891-01	44.0	J
2015	Soybeans	0002-0001 OU	6789-12345-01	80.0	
2015	Soybeans	0002-0002 OU	6789-54321-03	60.0	
2015	Soybeans	0003-0001 OU	4512-66779-02	55.0	J
2015	Soybeans	0003-0001 OU	4512-54776-01	120.0	J

(2) In addition to any other penalties for incorrect reporting, if the insured has incorrectly reported any information required in (1) above and the correct information results in:

(a) Acreage that is insurable under the SCO Endorsement that was reported as uninsurable, coverage under the SCO Endorsement will not be provided for such acreage;

(b) Acreage that is uninsurable under the SCO Endorsement that was reported as insurable, the SCO Endorsement for the acreage of the insured crop on a FN where ARC has been elected will be revised, no indemnity will be payable, and the insured is required to pay 20 percent of the premium to offset the cost incurred by the AIP in servicing the SCO Endorsement; and

(c) Acreage/FN(s) that had both the SCO Endorsement and ARC elected for the crop, that acreage/FN(s) with both elections will be ineligible for the SCO Endorsement in subsequent crop years.

23-30 (Reserved)

PART 3 DETERMINING SUPPLEMENTAL PROTECTION AND INDEMNITY

31 Supplemental Protection

To calculate the supplemental protection for all planted acres of the crop in the county with the same coverage level, type and practice:

(1) Determine the insured's supplemental coverage range by subtracting the coverage level of the insured's underlying policy from the area loss trigger of 86 percent.

(2) Divide the liability of the underlying policy by the coverage level of the underlying policy to determine the expected crop value. When the underlying policy is RP, the expected crop value may go up at the time of harvest.

(3) Multiply the supplemental coverage range from (1) by the expected crop value from (2) to determine the supplemental protection provided by SCO.

If there are multiple coverage levels, types, or practices for the insured crop in the county, the insured's supplemental protection will be determined separately for the acres at each coverage level, type, and practice.

32 Indemnity

An indemnity will be due under the SCO Endorsement if:

(1) For RP underlying policies, the final area revenue is less than the expected area yield multiplied by the higher of the projected price or harvest price and by the area loss trigger. The payment factor for RP underlying policies for each coverage level, type and practice is calculated as follows:

(a) multiplying the expected area yield by the higher of the projected price or harvest price;

(b) dividing the final area revenue by the result of (a);

(c) subtracting the percent from (b) from the area loss trigger; and

(d) dividing (c) by the supplemental coverage range to determine the payment factor.

(2) For RP-HPE underlying policies, the final area revenue is less than the expected area revenue multiplied by the area loss trigger. The payment factor for RP-HPE underlying policies for each coverage level, type and practice is calculated as follows:

(a) dividing the final area revenue by the expected area revenue;

(b) subtracting the percent from (a) from the area loss trigger; and

(c) dividing (b) by the supplemental coverage range to determine the payment factor.

(3) For all other underlying policies, the final area yield is less than the expected area yield multiplied by the area loss trigger. The payment factor for all other underlying policies for each coverage level, type and practice is calculated as follows:

(a) dividing the final area yield by the expected area yield;

(b) subtracting the percent from (a) from the area loss trigger; and

(c) dividing (b) by the supplemental coverage range to determine the payment factor.

(4) All payment factors are limited to a maximum of 1.000.

(5) Indemnity is calculated by multiplying the supplemental protection by the payment factor for each coverage level, type, and practice. Indemnities will be calculated and paid under the SCO Endorsement within 30 days after final area yield and revenue has been released.

33-40 (Reserved)

Acronyms and Abbreviations

The following table provides the acronyms and abbreviations used in this handbook.

Approved Acronyms/Abbreviations	Term
AIP	Approved Insurance Provider
APH	Actual Production History
ARC	Agriculture Risk Coverage program
ARPI	Area Risk Protection Insurance
CAT	Catastrophic Risk Protection Endorsement
CCIP-BP	Common Crop Insurance Policy-Basic Provisions
CIH	Crop Insurance Handbook
CP	Crop Provisions
FCIC	Federal Crop Insurance Corporation
FN	Farm number
FSA	Farm Service Agency
HRACE	High Risk Alternate Coverage Endorsement
OU	Optional unit
RP	Revenue Protection Plan of Insurance
RP-HPE	Revenue Protection with Harvest Price Exclusion Plan of Insurance
SCD	Sales Closing Date
SCO Endorsement	Supplemental Coverage Option Endorsement
STAX	Stacked Income Protection Plan
YP	Yield Protection Plan of Insurance

Definitions

Area loss trigger is the percent of expected area yield or revenue, as applicable, below which an indemnity is paid. The area loss trigger is 86 percent.

Expected area revenue is the expected area yield multiplied by projected price.

Expected area yield is the yield contained in the actuarial documents for the insured crop, type, and practice in the production area. The expected area yield is used to determine if an indemnity will be due.

Expected crop value is the value of the crop based on the insured's approved yields and the projected price or price election, as applicable. For revenue protection underlying policies only, expected crop value may increase if the harvest price is higher than the projected price.

Final area revenue is the revenue determined by multiplying the final area yield by the harvest price, released by FCIC at the time specified in the actuarial documents. The final area revenue is used to determine if an indemnity will be due for revenue protection underlying policies.

Final area yield is the yield for the insured crop, type and practice in the production area, as determined and released by FCIC at a time specified in the actuarial documents. The final area yield is used to determine if an indemnity will be due.

Payment factor is the factor that represents the production area wide loss as compared to the supplemental coverage range. The payment factor is used to determine the amount of indemnity to be paid under this endorsement.

Production area is the geographical area that the expected and final area yields are based on, designated generally as a county but may be smaller or larger geographical area as specified in the actuarial documents.

Supplemental coverage range is the percent of the insured's expected crop value that can be covered by the SCO Endorsement. It is the difference between the area loss trigger and the coverage level of the underlying policy, expressed as a whole percentage.

Supplemental protection is the dollar amount of insurance provided by the SCO Endorsement for each coverage level, type and practice.

Underlying policy is the CCIP-BP and CP to which the SCO Endorsement is attached.

Supplemental Coverage Option Endorsement

Insureds who wish to insure under the SCO Endorsement may amend their policy by signing and submitting the Supplemental Coverage Option Endorsement (SCO Endorsement) Application, developed according to these standards on or before the SCD for the first crop year the insured wishes to elect the Endorsement. The AIP may combine the SCO Endorsement Application with another form (Document and Supplemental Standards Handbook 4H), if the combined form meets the applicable standards in place for each individual form.

1 Insured Information

A "Insured's Name" (Substantive)

B "Underlying Policy Number" (Substantive)

C "Street or Mailing Address" (Substantive)

D "City, State and Zip Code" (Substantive)

E "Identification Number" (Substantive)

F "Identification Number Type" (Substantive)

2 Crop Information

A "County Name" (Substantive)

B "Crop(s)" (Substantive)

C "Crop Year" (Substantive)

D "Underlying Plan of Insurance" (Substantive)

E "Coverage Level" (Substantive)

F "SCO Plan of Insurance" (Substantive)

G "ARC Coverage □ Yes □ No" (Substantive)

Supplemental Coverage Option Endorsement (continued)

3 Terms and Conditions

"In addition to Section 3B(2) of the Basic Provisions, I hereby elect this Supplemental Coverage Option Endorsement, and by this election I understand:

(1) I must have purchased a policy under the Common Crop Insurance Policy Basic Provisions and applicable Crop Provisions to elect this Endorsement and must also purchase this Endorsement with the same Approved Insurance Provider as my Common Crop Insurance Policy.

(2) I may elect coverage under this Endorsement and the Farm Service Agency's Agriculture Risk Coverage Program, but the same acreage of the crop cannot be covered under both programs.

(3) I may elect coverage under this Endorsement and Stacked Income Protection Plan for the upland cotton, but the same acreage cannot be insured under both.

(4) If at any time my Common Crop Insurance Policy for the crop is cancelled or terminated, coverage under this endorsement is automatically cancelled or terminated.

(5) That by electing this Endorsement, it will continue from year to year unless I or you cancel or change my election by written notice on or before the cancellation date or my coverage is otherwise canceled or terminated under the terms of my policy.

(6) Separate Administrative Fees will be assessed for each crop insured under this Endorsement." (Substantive)

4 Required Signatures

A "Insured's Printed Name, Signature and Date" (Substantive)

B "Agent's Printed Name, Signature, Date, and Code Number" (Substantive)

5 Required Statements

A Certification Statement (Substantive)

B Privacy Act Statement (Substantive)

C Nondiscrimination Statement (Substantive)

SCO Endorsement Calculation Examples

Producer A farms 100 acres in county X with an approved yield of 154.6 bushels per acre and has a 100 percent share in those acres. The actuarial documents in county X show that the expected area yield is 145.0 bushels per acre, the projected price is $4.00, and the expected area revenue is $580.00. From the actuarial documents in county X, Producer A elects the 70 percent coverage level for the underlying policy, which results in a liability for the underlying policy of $43,288 based on the projected price.

At the end of the insurance period, for county X, FCIC releases a harvest price of $4.30, a final area yield for county X of 110.2 bushels, and a final area revenue for county X of $473.86. For the revenue protection example only, the liability for the underlying policy increases to $46,535.

A. SCO Endorsement Calculations Example for Revenue Protection

The example below is the calculations of the supplemental protection, payment factor, and the indemnity for revenue protection with an underlying policy and a revenue SCO Endorsement:

(1) Supplemental protection:

Step 1: Calculate the supplemental coverage range which is area loss trigger minus coverage level of the underlying policy.

Example: County loss trigger = 86%
Insured underlying policy coverage level = 70%
Supplemental coverage range = (86% - 70% = 16%)

Step 2: Calculate the expected crop value by dividing the liability of the underlying policy by the coverage level of the underlying policy.

Example: Underlying policy unit liabilities = $46,535
Underlying policy coverage level = 70%
Expected crop value ($46,535 / 70%) = $66,479

Step 3: Calculate the supplemental protection by multiplying the supplemental coverage range by the expected crop value.

Example: Supplemental coverage range = 16%
Unit 0001-0000: 16% x $66,479 = $10,637
Supplemental protection = $10,637

A. SCO Endorsement Calculations Example for Revenue Protection (continued)

(2) Calculate the indemnity payment factor by:

Step 1: multiplying the expected area yield by the higher of the projected price or harvest price;

Example: (145.0 bushels * $4.30) = $623.50

Step 2: dividing the final area revenue by the result of step 1;

Example: ($473.86 / $623.50) = 0.76

Step 3: subtracting the percent from step 2 from area loss trigger; and

Example: (0.86 – 0.76) = 0.10

Step 4 dividing the result of step 3 by the supplemental coverage range.

Example: (0.10 / 0.16) = 0.625
Payment factor = 0.625

(0.86 – (473.86 / (145.0 bushels * $4.30))) / 0.16 = 0.625

(3) Calculate the indemnity by taking the supplemental protection times the payment factor.

Example: ($10,637* 0.625) = $6,648

B. SCO Endorsement Calculations Example for Revenue Protection with HPE

The example below is the calculations of the supplemental protection, payment factor, and the indemnity for revenue protection with the HPE for an underlying policy and a revenue SCO Endorsement with the HPE:

(1) Supplemental protection:

Step 1: Calculate the supplemental coverage range which is area loss trigger minus coverage level of the underlying policy.

Example: County loss trigger = 86%
Insured underlying policy coverage level = 70%
Supplemental coverage range = (86% - 70% = 16%)

B. SCO Endorsement Calculations Example for Revenue Protection with HPE (continued)

Step 2: Calculate the expected crop value by dividing the liability of the underlying policy by the coverage level of the underlying policy.

Example: Underlying policy unit liabilities = $43,288
Underlying policy coverage level = 70%
Expected crop value ($43,288 / 70%) = $61,840

Step 3: Calculate the supplemental protection by multiplying the supplemental coverage range by the expected crop value.

Example: Supplemental coverage range = 16%
Unit 0001-0000: 16% x $61,840 = $9,894
Supplemental protection = $9,894

(2) Calculate the indemnity payment factor by:

Step 1: dividing the final area revenue by the expected area revenue;

Example: ($473.86 ÷ $580.00) = 0.817

Step 2: subtracting the percent from step 1 from area loss trigger; and

Example: (0.86 – 0.817) = 0.043

Step 3 dividing the result of step 2 by the supplemental coverage range.

Example: (0.043 / 0.16) = 0.269
Payment factor = 0.269

(0.86 – ($473.86 / $580.00)) / 0.16 = 0.269

(3) Calculate the indemnity by taking the supplemental protection times the payment factor.

Example: ($9,894* 0.269) = $2,661

C. SCO Endorsement Calculations Example for Policies Other Than Revenue Protection

The example below is the calculations of the supplemental protection, payment factor, and the indemnity for policies other than revenue protection for an underlying policy and a SCO Endorsement for other than revenue protection:

(1) Supplemental protection:

Step 1: Calculate the supplemental coverage range which is area loss trigger minus coverage level of the underlying policy.

Example: County loss trigger = 86%
Insured underlying policy coverage level = 70%
Supplemental coverage range = (86% - 70% = 16%)

Step 2: Calculate the expected crop value by dividing the liability of the underlying policy by the coverage level of the underlying policy.

Example: Underlying policy unit liabilities = $43,288
Underlying policy coverage level = 70%
Expected crop value ($43,288/ 70%) = $61,840

Step 3: Calculate the supplemental protection by multiplying the supplemental coverage range by the expected crop value.

Example: Supplemental coverage range = 16%
Unit 0001-0000: 16% x $61,840= $9,894
Supplemental protection: $9,894

(2) Calculate the indemnity payment factor by:

Step 1: dividing the final area yield by the expected area yield;

Example: (110.2 bushels / 145.0 bushels) = 0.76

Step 2: subtracting the percent from step 1 from area loss trigger; and

Example: (0.86 – 0.76) = 0.10

C. SCO Endorsement Calculations Example for Policies Other Than Revenue Protection (continued)

Step 3 dividing the result of step 2 by the supplemental coverage range.

Example: (0.10 / 0.16) = 0.625
Payment factor = 0.625

(0.86 – (110.2 bushels / 145.0 bushels)) / 0.16 = 0.625

(3) Calculate the indemnity by taking the supplemental protection times the payment factor.

Example: (9,894 * 0.625) = $6,184