Crop Division

Supplemental Coverage Option (SCO)

An area-based endorsement to supplement a grower's MPCI policy.

for all the great you do®

Our GREAT story

With over **100 crop and livestock offerings**, we understand American agriculture.

Coverages available in **over 40 states**.

Great American is the only **American Owned AIP** in the top 5.

We are backed by the strength of “A” or better rating by AM Best for **115 years or more.**

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SCO Overview

The Supplemental Coverage Option (SCO) is a crop insurance option that provides additional coverage for a portion of an underlying crop insurance policy deductible. SCO may be purchased with any of the underlying policy types and must be elected by the sales closing date of the underlying policy with the same insurance company.

- Yield Protection
- Revenue Protection
- Revenue Protection with the Harvest Price Exclusion
- Actual Production History policy for crops that don't have revenue protection available

Premium and Subsidy Levels

The exact premium cost depends on the crop, county, coverage level and type of coverage chosen, such as Yield Protection or Revenue Protection. The Federal Government pays 80% of the premium.

SCO and Other Programs

- ✓ SCO coverage is unaffected by participating in Agriculture Risk Coverage (ARC) for the same crop, on the same acres. Producers may elect SCO regardless of farm program election.
- ✓ Producers can select SCO on all acres covered by ECO, but are not required to elect ECO to purchase SCO.
- ✓ SCO can be elected with Margin Coverage Option (MCO).
- ✗ SCO cannot be elected with Margin Protection or an Area Risk Protection Insurance policy.
- ✗ The underlying policy for SCO cannot have the Hurricane Insurance Protection – Wind Index Endorsement.
- ✗ SCO coverage cannot attach to any acres that are insured by Stacked Income Protection Policy (STAX). Acres not insured under STAX may be insured under SCO.

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SCO Availability

SCO availability continues to expand into more areas, crops, and to practice-specific crops (for example, irrigated in comparison to non-irrigated). Tools are available on RMA's public website to view availability and other program-related information. A map of SCO availability can be accessed through the Map Viewer tool on the RMA website at:

View map of SCO availability

How Does SCO Work?

SCO follows the coverage of the insured's underlying policy. If Yield Protection is chosen, then SCO covers yield loss. If Revenue Protection is chosen, then SCO covers revenue loss.

The amount of SCO coverage depends on the liability, coverage level, and approved yield for the underlying policy. However, SCO differs from the underlying policy in how a loss payment is triggered. The underlying policy pays a loss on an individual basis and an indemnity is triggered when there is an individual loss in yield or revenue. 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 Endorsement begins to pay when the area yield or revenue falls below the 86% expected trigger level.

The SCO endorsement pays out it's full amount when area yield or revenue falls to the coverage level of the underlying policy.

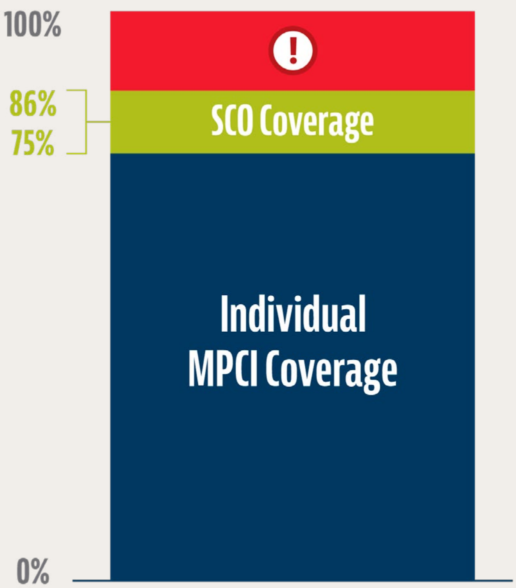
If Yield Protection is the underlying policy, then SCO covers **YIELD** loss. But if Revenue Protection is the underlying coverage, SCO covers a **REVENUE** loss.

SCO Coverage Example

Though an SCO indemnity is triggered based on how an area or county performs, the amount of coverage is determined by the underlying policy's liability.

For example, suppose a grower's corn crop has an expected value of $765.00 per acre (170 bushels at $4.50 per bushel). Assume the grower buys a Revenue Protection policy with a 75-percent coverage level (this is the "underlying policy"). The underlying policy covers 75 percent (or $573.75) of the expected crop value and leaves 25 percent (or $191.25) uncovered as a deductible.

If the grower purchases SCO, they have covered an additional 11% of the crop value (86% to 75%) with $84.15 /ac ($765 x 11%) of area-based coverage.



Area-Based coverage from 86% down to MPCI coverage level

SCO also allows growers to customize their amount of coverage with a coverage percentage. The coverage percentage is elected from a range of 50 percent to 100 percent, and the maximum amount of SCO coverage is multiplied by that percentage. The coverage percentage defaults to 100 percent if the grower chooses not to specify a coverage percentage.

Following from the example above, if the grower chooses an SCO coverage percentage of 50 percent, the SCO policy will cover $42.08 (50 percent x $84.15) of the $191.25 deductible not covered by the underlying policy.

Consider the below scenario to see how an SCO indemnity is triggered and calculated:

MPCI Plan: RP

Crop: Winter Wheat

MPCI Coverage Level: 75%

Approved Yield: 72 bu/acre

Projected Price: $5.90

Harvest Price: $5.50

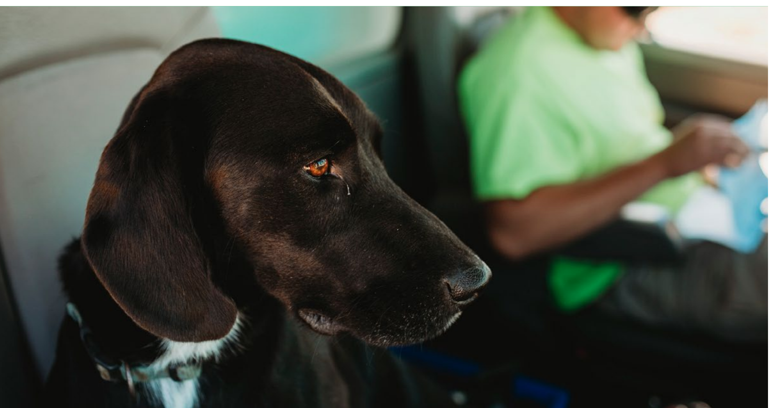
Expected Area Yield: 68.4 bu/ac

Final Area Yield: 60 bu/ac

Expected Area Revenue:
$403.56 (68.4 Expected Area Yield X $5.90 projected price)

Final Area Revenue:
$330/ac (60 Final Area Yield x $5.50 Harvest Price)

SCO Coverage Range:
11% (86% - 75%)



SCO Indemnity Example

SCO Amount of Insurance:
(APH of 72 bu x Projected Price of $5.90) x Coverage Range of 11% **= $46.73/acre**

Loss Percentage:
SCO Coverage Level of 86% - (Final Area Revenue of $330 / Expected Area Revenue of $403.56)= 86% - 81.77% **= 4.22%**

The Payment Factor:
Loss Percentage of 4.22% / Coverage Range of 11% **= 38.4% Payment Factor**

The SCO Indemnity:
Payment Factor of 38.4% x SCO Amount of Insurance of $46.73 **= $17.94/ac SCO Indemnity**

SCO Indemnity Payments

Since SCO expected and final yields are based on RMA data, not individual yields, SCO indemnities are paid the crop year once RMA data is available. SCO and individual coverages trigger independently, so a grower can have:

- Only an SCO indemnity
- Only an individual policy indemnity
- Indemnities from both policies
- No indemnities

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