ENHANCED COVERAGE OPTION (ECO)

NEW INCREASED SUBSIDY OF 65%

The Enhanced Coverage Option (ECO) is a crop insurance option designed to provide additional area-based coverage for a portion of your underlying crop insurance policy deductible. ECO can be purchased as an endorsement to the following policies:

- Yield Protection
- Revenue Protection
- Revenue Protection with Harvest Price Exclusion
- Actual Production History
- Yield-Based Dollar Amount of Insurance

ECO allows producers to select a trigger level of either 95% or 90%. A trigger level represents the percentage of expected yield or revenue at which a loss becomes payable.

HOW ECO WORKS

ECO coverage aligns with the underlying crop insurance policy you choose:

- Yield Protection or Yield-Based Policies: ECO covers yield losses.
- Revenue Protection Policies: ECO covers revenue losses.

Unlike the underlying policy, which triggers payments based on individual losses, ECO payments are triggered by county-level losses in yield or revenue. Coverage levels include a band from the chosen trigger level (95% or 90%) down to 86%. If county-level yield or revenue drops below your trigger level, an ECO payment will be triggered. A total loss is paid if county yield or revenue drops below 86%.

BENEFITS OF ECO FOR YOUR FARM

1. Higher Coverage Levels: Federal crop insurance limits individual coverage to 85%. ECO extends coverage to 95% at a county level.
2. Flexibility: ECO works alongside other farm programs like Agriculture Risk Coverage (ARC). Unlike SCO, ECO coverage is unaffected by ARC participation.
3. Customizable Protection: ECO complements your underlying policy and can be paired with other endorsements (e.g., Supplemental Coverage Option).

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EXAMPLE SCENARIO:

Suppose you grow corn with an expected value of $800 per acre (200 bushels at $4.00 per bushel). You purchase Revenue Protection at 75% coverage, leaving 25% ($200) of the expected value uncovered. If you add ECO at the 95% trigger level, it provides coverage for the band from 95% to 86%, or 9% of the crop's value. In this case, ECO would cover $72 per acre (9% of $800).

If county revenue drops to 89% of the expected value, the loss within the ECO coverage band is calculated as:

1. **Trigger Loss:** 95% - 89% = 6%
2. **Percent of ECO Band Loss:** 6% / 9% = 66.67%
3. **Indemnity:** 66.67% of $72 = $48 per acre

COST:

ECO covers a portion of your deductible, where losses are more frequent. Premiums reflect the higher risk and are shared between you and the government:

- The government pays 65% of the premium for yield and revenue policies.
- Premiums depend on factors such as crop type, county, coverage level, and market conditions.

EXCLUSIONS:

ECO cannot be paired with the following:

- Margin Protection policies
- Area Risk Protection Insurance policies
- Hurricane Insurance Protection – Wind Index Endorsement
- Stacked Income Protection Policy (STAX) (for acres covered by STAX)

EXAMPLE 1: 95% ECO TRIGGER

Deductible (no coverage)	100-95%
ECO Coverage range	95-86%
SCO or ARC Coverage range	86-75%
MCPI coverage range	75%

EXAMPLE 2: 90% ECO TRIGGER

Deductible (no coverage)	100-90%
ECO Coverage range	90-86%
SCO or ARC Coverage range	86-75%
MCPI coverage range	75%

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