

## Stacked Income Protection Policy (STAX)

Producers may elect both the SCO Endorsement and STAX for upland cotton if they meet the eligibility requirements of both programs. However, the producer cannot insure the same acreage under both the SCO Endorsement and STAX. No later than the STAX sales closing date, the producer must designate the acres of upland cotton in the county that will be covered by STAX and which acres will be covered by SCO. If no designation is made, acreage will be covered under the SCO Endorsement.



## The Rain and Hail Difference

The Rain and Hail Difference is what sets us apart from other agricultural insurance providers. Our commitment to always provide the best service possible to the American farmer and rural America, and our belief in a strong safety net for America's agricultural communities, make us a leader in the industry.

### Unmatched Claims Service

Response in a loss situation brings out the true character of the company. Time and time again, Rain and Hail is there for our customers when they need us by providing:

- Tools to quickly and easily submit claims
- Prompt and accurate claims adjustment
- Expedited claim payments

### Full Range of Products and Services

Rain and Hail offers the agricultural insurance products you need to properly protect your operation, including:

- Multiple Peril
- Crop-Hail
- Specialty Crop Lines

For more information, visit [www.RainHail.com](http://www.RainHail.com) or contact your local Rain and Hail Insurance Professional.

### About Us

Chubb is the world's largest publicly traded property and casualty insurer. With operations in 54 countries, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. The company is distinguished by its extensive product and service offerings, broad distribution capabilities, exceptional financial strength, underwriting excellence, superior claims handling expertise and local operations globally.

Chubb's core operating insurance companies maintain financial strength ratings of AA from Standard & Poor's and A++ from A.M. Best.

### Corporate Headquarters

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## Supplemental Coverage Option (SCO)

RP



**Rain and Hail**  
A Chubb Company

## What Is The Supplemental Coverage Option (SCO)?

The Supplemental Coverage Option (SCO) provides additional coverage for a portion of your underlying crop insurance policy deductible. SCO is an endorsement to either a Yield Protection (YP), Revenue Protection (RP) or Revenue Protection with the Harvest Price Exclusion (RPHPE) policy. For crops that do not have revenue protection plans, SCO is also available as an endorsement to the Actual Production History (APH) policy.

SCO must be elected on an application by the applicable sales closing date for the crop. The endorsement must be written with the same Approved Insurance Provider (AIP). Any crop on a farm that is enrolled in the Agriculture Risk Coverage (ARC) program is not eligible for SCO coverage.

### How Does SCO Work?

SCO follows the coverage of the underlying policy. If the underlying policy is YP, then SCO covers yield loss. If the underlying policy is RP, then SCO covers revenue loss. The amount of SCO coverage will be dependent on the liability, coverage level and approved yield for your underlying policy.

Although the value of the SCO coverage is based upon the individual policy, SCO losses are based upon county-level yield or revenue information. The underlying policy pays a loss on an individual basis, and an indemnity is triggered when you have an individual yield or revenue loss. The SCO trigger percentage (86 percent) is established by law and is the same for all SCO policies. SCO pays a loss on an area basis, and an indemnity is triggered when there is a county level loss in yield or revenue. It is possible to experience an individual loss but to not receive an SCO payment or vice-versa.

### Premiums and Fees

The exact premium cost depends on the crop, county, coverage level you choose and the type of coverage you choose, such as YP or RP. The premium is in addition to the premium of the underlying policy. Premiums for SCO are subsidized by the Federal Government at a rate of 65 percent.

SCO will also carry an additional administrative fee on top of the administrative fee for the underlying policy. This fee is \$30 per crop policy. Waiver of the SCO administrative fee is applicable for insureds who qualify as a limited resource farmer or beginning farmer/rancher. Contact your local Rain and Hail Insurance Professional for more information regarding premiums.

### Eligibility

Producers who have elected to participate in the ARC program at FSA are not eligible to add SCO to their policy. Producers must have an underlying YP, RP, RPHPE or APH policy for crops that don't have revenue protection.

## Availability

SCO is available on numerous crops in select counties across the US. RMA utilizes yield data from the USDA National Agricultural Statistics Services (NASS) to develop an actuarially sound program and maintain program integrity. If the necessary quantity of yield data is available to properly develop and rate the Endorsement, it will be listed in the actuarial documents. Consult your local Rain and Hail Insurance Professional to check availability in your area.

## Continuous Endorsement

SCO is a continuous endorsement and will remain in effect until cancelled by the insured or AIP on or before the cancellation date. If the underlying policy for the crop is cancelled or terminated, coverage under the SCO Endorsement is automatically cancelled. Other changes to the underlying policy do not cancel the SCO Endorsement but may impact the coverage of the supplemental policy. Consult your local Rain and Hail Insurance Professional to evaluate your risk management choices.

## Coverage Determination

The Endorsement triggers an indemnity when the final county yield or revenue falls below 86 percent of the expected county revenue. To determine the SCO coverage you must first use the data on the underlying policy.

For example, a grower has an underlying RP policy with 70 percent coverage. The crop has an APH yield of 175, and the RP projected price is \$4.10. The value of the crop is \$717.50 (175 bushels at \$4.10 per bushel). The underlying policy covers 70 percent (or \$502.25) of the expected crop value and leaves 30 percent (or \$215.25) uncovered as a deductible. The coverage provided by SCO is the difference between 86 percent and the coverage election on the underlying policy (70 percent) multiplied by the value of the crop. For this example that equates to \$114.80 [(86% - 70%) x \$717.50]. Given the underlying policy is RP, if the harvest price is higher than the projected price, the RP coverage value will increase as will the SCO coverage. If the example price increases to \$4.45, the SCO coverage will increase to \$124.60 [175 x \$4.45 x (86% - 70%)].

## Indemnity Calculation

Continuing the example from above, assume the Expected County Yield is 185, and the Actual County Yield was determined to be 150. Using the prices above, the expected county revenue would be the expected county yield multiplied by the higher of the projected price or the harvest price (185 x \$4.45 = \$823.25). The harvest revenue would be the actual county yield multiplied by the harvest price (150 x \$4.45 = \$667.50). The harvest revenue is equal to 81.1 percent of the expected county revenue (\$667.50 ÷ \$823.25).

The SCO Endorsement begins to pay when county average revenue falls below 86 percent of its expected level. To determine the indemnity for SCO, an indemnity payment factor must be calculated. The factor is the difference between the trigger percentage minus the percentage of the expected county revenue divided by the SCO coverage percentage. [(86% - 81.1%) ÷ (86% - 70%) = 30.6%]. Finally, the indemnity payment factor is multiplied by the SCO coverage to determine the indemnity (30.6% x 124.60 = \$38.13).

SCO Coverage Calculation	
Unit APH	175
Projected Price/Harvest Price	\$4.10/\$4.45
Unit Revenue (175 x \$4.45)	\$778.75
Coverage Level	70%
Revenue Coverage (\$778.75 x .70)	\$545.13
Deductible amount (\$778.75 x .30)	\$233.63
SCO Coverage Percent (86% - Coverage Level)	16%
SCO Coverage value (\$778.75 x .16)	\$124.60
County-Based Data	
Expected County Yield	185
Projected Price	\$4.10
Minimum Expected County Revenue (185 x \$4.10)	\$758.50
Final Expected County Revenue (185 x \$4.45)	\$823.25
Actual County Yield	150
Harvest Price	\$4.45
Actual County Revenue (150 x \$4.45)	\$667.50
Indemnity Calculations	
Percent of Expected County Revenue	81.1%
Amount below Trigger	4.9%
Indemnity Payment Factor	30.6%
SCO Indemnity (30.6% x \$124.60)	\$38.13

Example is simplified and does not reflect any particular crop, region or historical year. Example is for training purposes only.

