

# Risk Management Agency

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Jackson, MS

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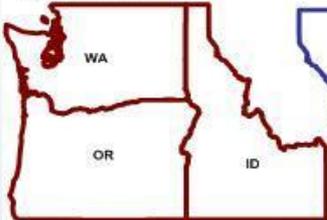
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This presentation highlights features of Risk Management Agency Programs and is not intended to be comprehensive. The information presented neither modifies or replaces terms and conditions of the basic policy, the crop provisions, or the county actuarial documents. Consult a crop insurance agent for further details

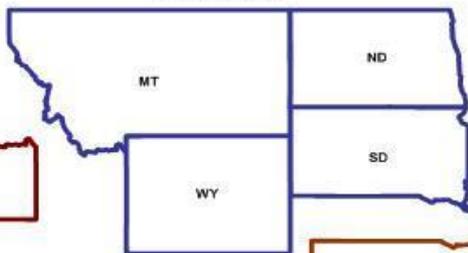
# 10 RMA Regional Offices



RO  
Spokane WA



RO  
Billings MT



RO  
St Paul MN



RO  
Springfield IL



RO  
Raleigh NC



RO  
Topeka KS



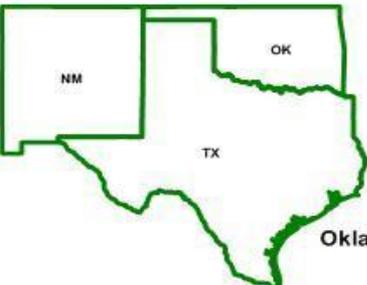
RO  
Jackson MS



RO  
Valdosta GA



RO  
Oklahoma City OK



# Risk Management Agency

## 2013 Crop Insurance by the Numbers:

Total Policies Earning a Premium	1,224,153
Total Policies Indemnified	482,501
Net Acres Insured	296,116,173
Total Premium	\$ 11,805,884,980
Subsidy	\$ 7,295,579,578
Indemnity	\$ 12,061,342,802

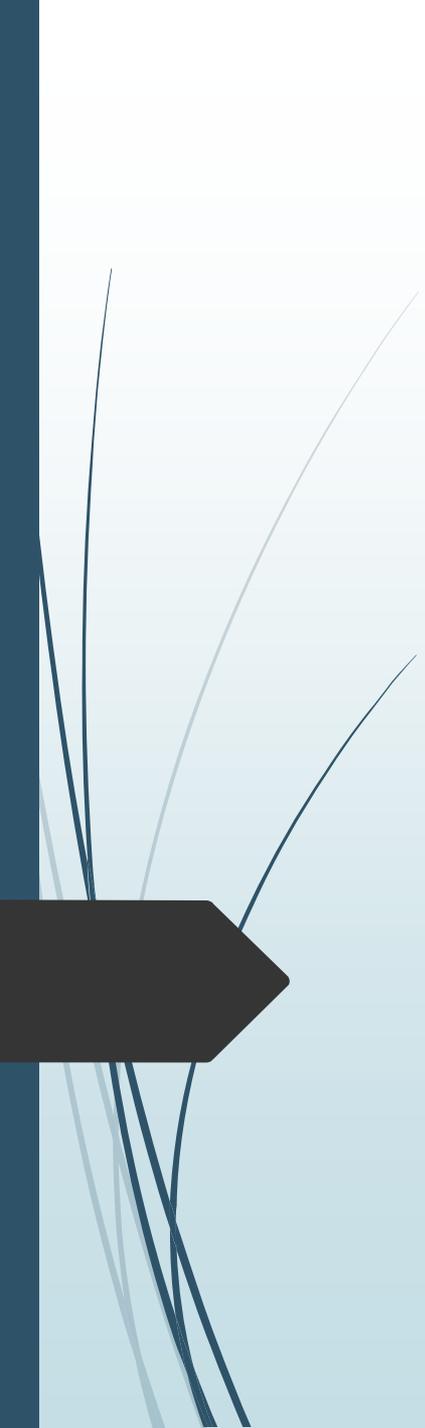
(Source 2013 RMA Summary of Business - 2014 data is not complete)



# Risk Management Agency Arkansas 2013 Crop Insurance Numbers

➤ Total Policies Earning a Premium	17,441
➤ Total Policies Indemnified	6,028
➤ Net Acres Insured	5,334,498
➤ Total Premium	\$ 148,029,745
➤ Subsidy	\$ 108,677,192
➤ Indemnity	\$ 143,617,203
➤ (Source 2013 RMA Summary of Business - 2014 data is not complete)	

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# The Supplemental Coverage Option (SCO)

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# What is SCO?

- ▶ The Supplemental Coverage Option (SCO) is a crop insurance option that provides additional coverage for a portion of your underlying crop insurance policy deductible.
- ▶ Provides area-based coverage for losses above the underlying individual plan's coverage level
- ▶ Must buy a yield protection plan or revenue protection plan
- ▶ 65% of the premium is subsidized

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## How do I obtain an SCO policy

- ▶ First you must have either a Yield Protection, Revenue Protection or Revenue Protection with the Harvest Price Exclusion as your “underlying policy”
- ▶ Next you must choose SCO as an endorsement to the underlying policy
- ▶ Must make your choice by the sales closing date for the underlying policy
- ▶ SCO is not eligible for acreage that is designated as covered by STAX
- ▶ SCO is not eligible on land identified by a FSA farm serial number for which ARC has been elected for the crop

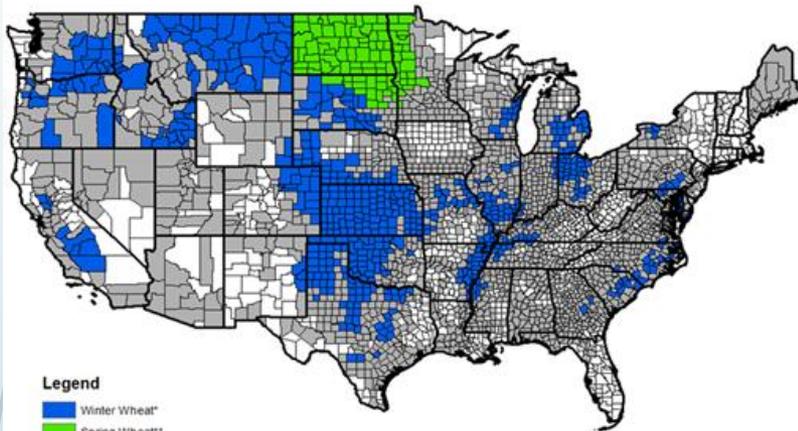
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# SCO Availability

## Maps

### Wheat

Crop Year 2015 Supplemental Coverage Option (SCO) Availability for Wheat

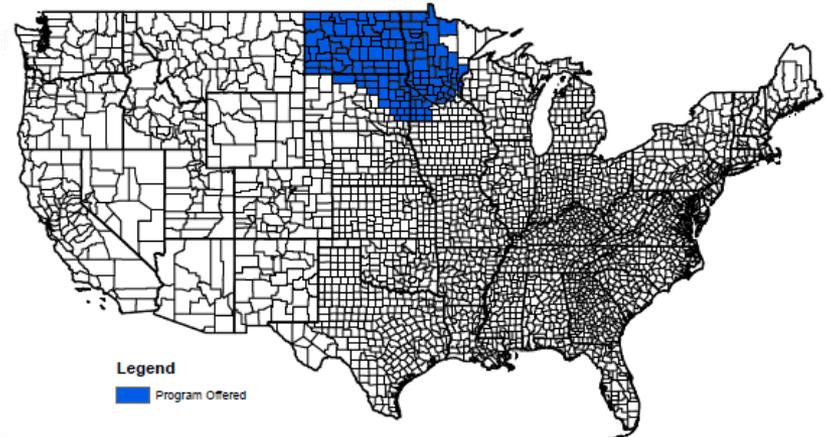


#### Legend

- Winter Wheat\*
- Spring Wheat\*\*
- Individual Coverage Available

\*Includes Spring, Durum, and Khorasan types in counties with a June 30 contract change date.  
 \*\* Includes Durum and Khorasan types in counties with a November 30 contract change date.

Crop Year 2015 Supplemental Coverage Option (SCO) Availability for Spring Wheat  
 For counties with a November 30 contract change date, including Durum and Khorasan types

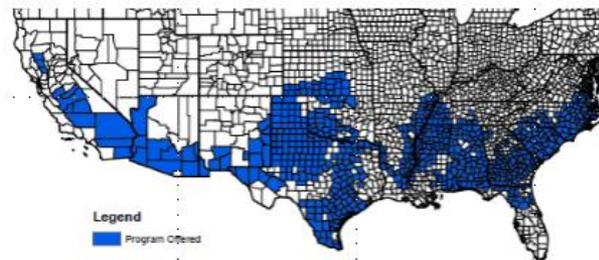


#### Legend

- Program Offered

SCO coverage for spring wheat in MN, ND, and SD (including winter wheat) is estimated to be available for:  
 97% of acreage insured (based on 2013 crop insurance participation)  
 94% of all planted acreage (based on 2013 NASS estimates)

### Cotton

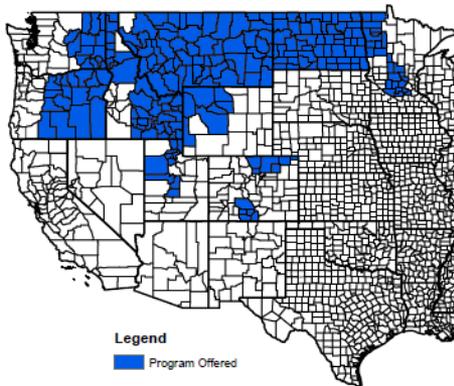


#### Legend

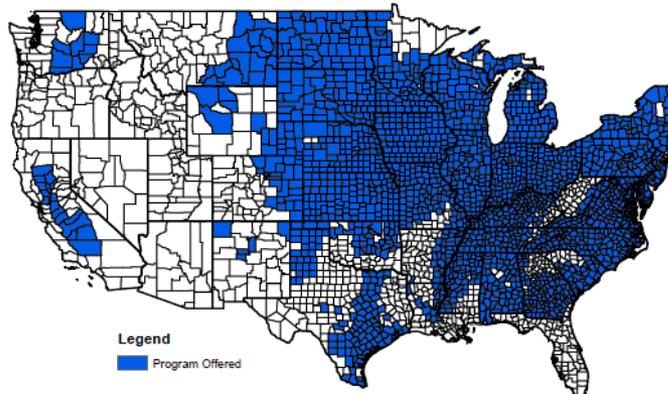
- Program Offered

# SCO Availability

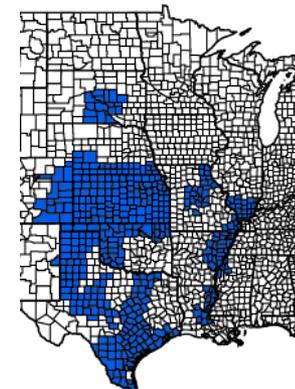
## Barley



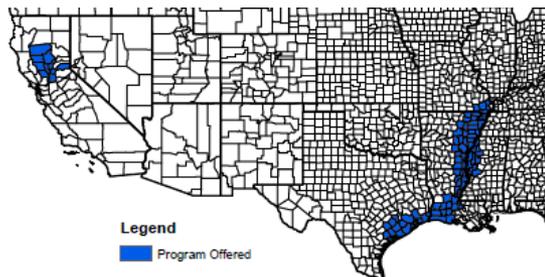
## Corn



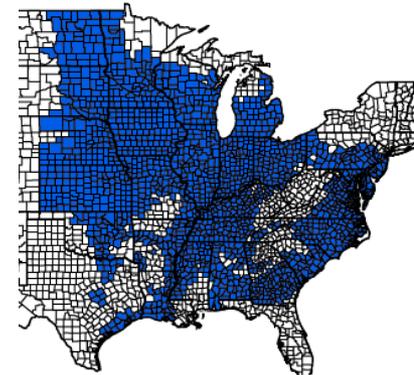
## Grain Sorghum



## Rice



## Soybeans



# How Does SCO Work?

- If you choose Yield Protection, as the underlying policy, then SCO covers yield losses.
- If you choose Revenue Protection, as the underlying policy, then SCO covers revenue losses.
- SCO begins to pay when county average yield revenue falls below 86 percent of its expected level
- SCO payments are not affected by whether you receive a payment from your underlying policy.
- Possible to experience a loss on the underlying policy and not receive an SCO payment, or vice-versa.

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# How Does SCO Work? (continued)

- ▶ Notice of Loss not needed for SCO
- ▶ Payment occurs later than for individual policy
  - ▶ Based on when county data becomes available
  - ▶ Individual farm yields and revenues are not considered when determining the final area yield or final area revenue
  - ▶ Similar to Area Risk Protection Insurance (ARPI)
- ▶ Indemnities will not be paid on acreage that has been determined to have been solely damaged by causes of loss not insured by the underlying policy.

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# SCO Coverage Example

- Assume 170 bu. Corn APH Yield Projected Price \$3.80
- $170 \text{ bu.} \times 3.80/\text{bu.} = \$ 646.00$  per acre of expected crop value
- 75% Coverage level for underlying policy
- The underlying policy covers \$484.50/acre ( $\$646.00 \times 75\%$ )
- The underlying policy covers 75% of the expected crop value, which leaves 25% (\$161.50) uncovered as a deductible
- The grower now has the option to buy SCO coverage

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# SCO Coverage Example (continued)

- If the underlying policy is Revenue Protection, SCO will also provide revenue protection, except payments will be determined at a county level
- SCO begins to pay when the county revenue falls below 86% ( this percent is the same for all SCO policies-set by law)
- SCO pays out its full amount when county revenue falls to the coverage level percent of its expected level (always equal to the coverage level of the underlying policy)
- $86\% - 75\% = 11\%$  Percent of expected crop value covered by SCO
- $\$646.00 \times 11\% = \$71.06$  (Amount of SCO Protection per acre)



# What happens if you Choose SCO and Sign Up for ARC

- ▶ If you choose SCO and ARC on the same crop on a farm, your SCO coverage for that farm will be cancelled.
- ▶ You will forfeit 20 percent of your SCO premium on that crop and farm to cover administrative expenses.
- ▶ Your underlying policy will still be in effect.



# Conservation Compliance for Crop Insurance

- The Agricultural Act of 2014 (2014 Farm Bill) applies conservation compliance to Federal crop insurance **premium subsidy** eligibility requirements.

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# Conservation Compliance for Crop Insurance

All persons must provide a certification of compliance (Form AD-1026) on or before June 1 to be eligible for premium subsidy for the following reinsurance year (beginning July 1). Additional forms and documents may be required depending on the operation and whether the person has an interest in land that produces or could produce an agricultural commodity.

For conservation compliance purposes, an agricultural commodity is defined as a crop which is planted and produced by annual tilling of the soil, including tilling by one-trip planters; or sugarcane. Vegetable crops that are annually tilled are considered agricultural commodities.

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# Conservation Compliance for Crop Insurance

Form AD-1026, also called a “certification of compliance,” is the form completed to certify compliance with the Highly Erodible land Conservation and Wetland Conservation provisions, and is used by FSA to make referrals to NRCS for highly erodible land and wetland determinations.

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## Conservation Compliance for Crop Insurance

A person must have an AD-1026 on file by **June 1, 2015** and be in compliance with the conservation compliance provisions to be eligible for 2016 crop insurance premium subsidies.

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# Conservation Compliance for Crop Insurance

If an AD-1026 is already on file and the information is still current, no further action is necessary.

Once filed, Form AD-1026 does not have to be refiled or updated unless the person makes changes to their land/operation that changes their certification.

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## Conservation Compliance for Crop Insurance

Again , Very Important:

A person must have an AD-1026 on file by **June 1, 2015** and be in compliance with the conservation compliance provisions to be eligible for 2016 crop insurance premium subsidies.

# Website Information

- ▶ Risk Management Agency Website: [www.rma.usda.gov](http://www.rma.usda.gov)
- ▶ RMA Regional Offices:
  - ▶ Program questions, concerns, and information
  - ▶ [www.rma.usda.gov/aboutrma/fields/rsos.html](http://www.rma.usda.gov/aboutrma/fields/rsos.html)
- ▶ Compliance Offices:
  - ▶ Policy discrepancies, fraud, and abuse
  - ▶ [www.rma.usda.gov/aboutrma/fields/cfos.html](http://www.rma.usda.gov/aboutrma/fields/cfos.html)
- ▶ Texas A & M Decision Tool:  
*<https://afpc.tamu.edu/models/decisionaid.php>*
- ▶ Farm Bill Info: [www.rma.usda.gov/news/currentissues/farmbill/](http://www.rma.usda.gov/news/currentissues/farmbill/)
  - ▶ SCO and STAX Tool: <http://prodwebnlb.rma.usda.gov/apps/CIDT/>