



Supplemental Coverage Option (SCO)

Supplemental Coverage Option (SCO) is a county level or yield based optional endorsement that covers a portion of losses not covered by the same crop's underlying crop insurance policy. SCO is purchased as an endorsement to your yield or revenue policy. Individual amounts will depend upon coverage levels selected.

If a producer has ARC (from the FSA), they are not eligible for SCO. In some situations, you can purchase a SCO and a STAX policy. Talk with an agent for specifics in your area.

SCO is a continuous endorsement and will remain in effect until canceled by the insured or AIP on or before the cancellation date. If the underlying policy for the crop is canceled or terminated, the SCO endorsement is automatically canceled. Any other changes to the policy do not cancel the endorsement; however, those changes may affect the coverage of SCO. Be sure to discuss all your options with your DCIS Agent.

SCO Example: Lubbock County, Texas – Irrigated Cotton

Step 1. Underlying Revenue Policy Liability and Expected Crop Value

$$\begin{matrix} \text{Higher} \\ \text{of} \end{matrix} \begin{matrix} 1 \\ \$ 0.60 \\ \text{Projected Price} \end{matrix} \text{ or } \begin{matrix} 2 \\ \$ 0.69 \\ \text{Harvest Price} \end{matrix} \times \begin{matrix} 3 \\ 1,100.0 \\ \text{APH or TA APH} \end{matrix} = \begin{matrix} 4 \\ \$ 759 /ac \\ \text{Expected Crop Value} \end{matrix}$$

Step 2. Coverage Range

$$\begin{matrix} 5 \\ 86\% \\ \text{SCO Area Loss Trigger} \end{matrix} - \begin{matrix} 6 \\ 70\% \\ \text{Underlying RP Policy Coverage Level} \end{matrix} = \begin{matrix} 7 \\ 16\% \\ \text{SCO Coverage Range} \end{matrix}$$

Step 3. SCO Policy Protection

$$\begin{matrix} 8 \\ \$ 759 /ac \\ \text{Expected Crop Value} \end{matrix} \times \begin{matrix} 9 \\ 16\% \\ \text{SCO Coverage Range} \end{matrix} = \begin{matrix} 10 \\ \$ 121 /ac \\ \text{SCO Protection} \end{matrix}$$

Step 4. SCO Loss (if any)

$$\begin{matrix} 11 \\ 700.0 /ac \\ \text{Final Area Yield} \end{matrix} \times \begin{matrix} 12 \\ \$ 0.69 \\ \text{Harvest Price} \end{matrix} = \begin{matrix} 13 \\ \$ 483 /ac \\ \text{Final Area Revenue} \end{matrix}$$

$$\begin{matrix} 14 \\ 852.0 /ac \\ \text{Expected Area Yield} \end{matrix} \times \begin{matrix} 15 \\ \$ 0.69 \\ \text{Higher of Projected or Harvest Price} \end{matrix} = \begin{matrix} 16 \\ \$ 588 /ac \\ \text{Expected Area Revenue} \end{matrix}$$

$$\begin{matrix} 17 \\ \$ 483 /ac \\ \text{Final Area Revenue} \end{matrix} / \begin{matrix} 18 \\ \$ 588 /ac \\ \text{Expected Area Revenue} \end{matrix} = \begin{matrix} 19 \\ 82.14\% \\ \text{\% of Expected Area Revenue} \\ \text{(CAN'T BE UNDER UNDERLYING POLICY COVERAGE LEVEL)} \end{matrix}$$

If % of Expected Revenue is less than 86% go to Step 5. ↗

Step 5. Payment Factor

$$\begin{matrix} 20 \\ 86\% \\ \text{SCO Area Loss Trigger} \end{matrix} - \begin{matrix} 21 \\ 82.14\% \\ \text{\% of Expected Area Revenue} \\ \text{(CAN'T BE UNDER UNDERLYING POLICY COVERAGE LEVEL)} \end{matrix} = \begin{matrix} 22 \\ 3.86\% \\ \text{\% of Revenue Loss} \end{matrix}$$

$$\begin{matrix} 23 \\ 16\% \\ \text{SCO Coverage Range} \end{matrix} / \begin{matrix} 24 \\ 0.241 \\ \text{SCO Payment Factor} \\ \text{(CAN'T BE OVER 1)} \end{matrix}$$

Step 6. Indemnity

$$\begin{matrix} 25 \\ \$ 121 /ac \\ \text{SCO Protection} \end{matrix} \times \begin{matrix} 26 \\ 0.241 \\ \text{SCO Payment Factor} \\ \text{(CAN'T BE OVER 1)} \end{matrix} = \begin{matrix} 27 \\ \$ 29.16 /ac \\ \text{\$ per Acre SCO Payment} \end{matrix}$$

Contact your DCIS Representative for more information.

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