



**UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
PILOT COVERAGE ENHANCEMENT OPTION**

This option is available for the 2000 through the 2002 crop years (or for Florida and Texas Citrus Fruit, the 2001 through 2003 crop years) for only those crops, counties, and plans identified in the actuarial documents. If you elect this option for one or more crops it will remain in effect for the 2001 and 2002 crop years (or 2002 and 2003 crop years for Florida and Texas Citrus Fruit) unless you or we cancel it in writing on or before the crop cancellation date shown in the crop provisions. This option will terminate at the end of the insurance period for the 2002 crop year (or the 2003 crop year for Florida and Texas Citrus Fruit), unless extended by us in writing before that date.

1. Definitions.

MPCI - Multiple peril crop insurance, the plan of insurance offered by the Federal Crop Insurance Corporation as published at 7 CFR Part 457.

MPCI Coverage Level - The coverage level percentage you selected in the underlying MPCI policy to which this option is attached.

MPCI Dollar Amount of Insurance - The value of the insurance coverage for the unit provided under the MPCI portion of this policy.

MPCI Indemnity - The indemnity determined for each unit under the MPCI portion of the policy to which this option is attached, not including replant and prevented planting indemnities or any indemnity payable under this option.

MPCI Indemnity Factor - A factor determined by dividing the MPCI indemnity by the MPCI policy dollar amount of insurance for the same unit.

Option Dollar Amount of Insurance - The value of the additional insurance coverage for the unit provided by this option, which is the dollar amount of coverage provided under the MPCI portion of this policy for the same unit multiplied by the option coverage factor.

Option Coverage Level - The coverage level percentage selected under this option.

Option Coverage Factor - A factor determined by dividing the option coverage level by the MPCI coverage level, minus 1.

2. To be eligible for this coverage, you must have an MPCI policy in force for the insured crop (or for citrus fruit, citrus trees, and stone fruit, the insured type) in accordance with the applicable Crop Provisions for the insured crop. You must choose an option coverage level percentage that is shown in the actuarial documents.
3. You must elect this option in writing on or before the crop sales closing date for the crop insured.
4. This option is not available if you have chosen the catastrophic risk protection level of coverage or a price election less than 100 percent.
5. If you elect this option, your MPCI coverage level for any unit on which a MPCI indemnity is paid will be increased retroactively and an additional indemnity paid. The amount of the additional indemnity and related terms and conditions are described below:
 - (a) All acreage of the insured crop for your policy under the MPCI coverage will be covered under this option;
 - (b) The amount of any replant or prevented planting payment that is payable under the MPCI portion of this policy will not be affected by this option.
 - (c) The total indemnity for each unit (MPCI coverage plus this option) cannot exceed the combined MPCI and option dollar amounts of insurance.

- (d) Your premium will be determined by multiplying the total dollar amount of insurance provided under the MPCI and option portions of this policy by the premium rate applicable to your MPCI coverage level.

6. In addition to the settlement of claim section for the applicable Crop Provisions, your indemnity will be computed on a unit basis as follows:

- (a) Determine the MPCI indemnity factor;
- (b) Determine the option coverage factor;
- (c) Determine the option dollar amount of insurance;
- (d) Multiply the MPCI indemnity factor times the option dollar amount of insurance to determine the indemnity under this option.

Example:

Assume a policy with one unit; a MPCI coverage level of 50 percent and an option coverage level of 85 percent; a \$120,000 MPCI dollar amount of insurance; and a \$40,000 payable indemnity under the MPCI portion of the policy.

Your indemnity would be calculated for each unit as follows:

- (a) $\$40,000 \text{ loss} \div \text{by } \$120,000 \text{ MPCI dollar amount of insurance} = .33333 \text{ MPCI indemnity factor.}$
- (b) $85\% \text{ option coverage level} \div \text{by } 50\% \text{ MPCI coverage level, minus } 1 = .7000 \text{ option coverage factor.}$
- (c) $\$120,000 \text{ MPCI dollar amount of coverage} \times .7000 \text{ option coverage factor} = \$84,000 \text{ option dollar amount of insurance.}$
- (d) $.33333 \text{ MPCI indemnity factor} \times \$84,000 \text{ option dollar amount of insurance} = \$28,000 \text{ indemnity under this option.}$

NOTE: The total unit indemnity is \$68,000 (\$40,000 MPCI indemnity plus \$28,000 option indemnity).