



United States Department of Agriculture

Farm and Foreign Agricultural Services
Risk Management Agency

August 31, 1999

INFORMATIONAL MEMORANDUM: R&D-99-036.1

TO: All Reinsured Companies
All Risk Management Agency Field Offices

FROM: Tim B. Witt /s/ Tim B. Witt
Deputy Administrator

SUBJECT: Pilot Coverage Enhancement Option (CEO) Question and Answer

BACKGROUND:

The Risk Management Agency (RMA) has received a question concerning the new grape crop provisions for the 2000 crop year and how the Pilot Coverage Enhancement Option (CEO) will be applied in the State of Washington if producers elect different multiple peril crop insurance (MPCI) coverage levels for different varietal groups of grapes. RMA has developed the following question and answer, which will be added to the CEO Questions and Answers recently posted on the RMA WebSite/Reporting Organization (RO) Server. This file is available in both Acrobat PDF, and WordPerfect WPD formats at <http://www.act.fcic.usda.gov/policies/2000policy.html>, or through the Reporting Organization (RO) Server under the /Policies/2000/crops directory.

Question: If an MPCI crop policy allows the producer to elect different MPCI coverage levels by varietal group, will the producer also be allowed to elect different CEO coverage levels by varietal group?

Answer: Yes. CEO attaches to the underlying MPCI policy. If the MPCI crop provisions allow the producer to elect different MPCI coverage levels by varietal group, the producer may also elect different CEO coverage levels by varietal group. The CEO coverage level need only be 5 percentage points greater than the MPCI coverage level elected. Because CEO coverage applies to all acreage of the crop insured under the MPCI policy, the producer must elect CEO coverage on all insured varietal groups.



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Example: A producer with three varietal groups insured under the MPCCI crop policy may elect for varietal group "A" MPCCI coverage of 50/100 and CEO of 65/100; for varietal group "B" MPCCI coverage of 65/100 and CEO of 70/100; and for varietal group "C" MPCCI coverage of 55/100 and CEO of 85/100.

DISPOSAL:

This Informational Memorandum is for the purpose of transmitting information and the expiration date is December 31, 1999.