

UNITED STATES DEPARTMENT OF AGRICULTURE
Federal Crop Insurance Corporation
POST-APPLICATION COVERAGE ENDORSEMENT (PACE)



(This is a continuous endorsement. Refer to section 2 of the Common Crop Insurance Policy Basic Provisions.)

In return for the payment of the administrative fee and premium for the coverage contained herein, the Post-Application Coverage Endorsement (PACE or Endorsement) will be attached to and made part of the Common Crop Insurance Policy Basic Provisions (Basic Provisions) and the Coarse Grains Crop Provisions, subject to the terms and conditions described herein. The Endorsement provides supplemental coverage for non-irrigated corn when a producer plans on post-applying nitrogen but is physically prevented from doing so in accordance with these provisions.

1. Applicability

- (a) This Endorsement operates only in those counties where coverage for the insured crop is offered in the actuarial documents.
- (b) You must have the Basic Provisions and Coarse Grains Crop Provisions in force to elect this Endorsement.
- (c) Your underlying insurance policy must be Yield Protection, Revenue Protection, or Revenue Protection with Harvest Price Exclusion.
- (d) You must elect this Endorsement in writing, by unit, on or before the sales closing date for the underlying insurance policy if you wish to insure your split nitrogen application under this Endorsement.
- (e) Except when in conflict with this Endorsement, all provisions of the Basic Provisions and the Coarse Grains Crop Provisions apply.
- (f) Prevented planting acres are not eligible to be insured under this Endorsement. This Endorsement applies only to insured planted acres which are planted within the planting dates specified in the actuarial documents.
- (g) You are not eligible for this Endorsement if you have elected Catastrophic Risk Protection coverage.
- (h) To be eligible for coverage, you must purchase this Endorsement from the same insurance provider that provides you the underlying insurance policy.
- (i) Acreage designated by FCIC with a high-risk classification is not insurable under this Endorsement.
- (j) Only non-irrigated corn is insurable under this Endorsement.
- (k) If you elect this Endorsement, all insurable acreage within the unit(s) you elect under the Coarse Grains Crop Provisions must be insured. You can choose to insure some units and not others, but within an insured unit you must insure all acres, unless those acres are uninsurable or uninsured or do not qualify for coverage under this Endorsement. For example, if there are 100 insured acres in an insured optional or basic unit on the underlying insurance policy, and PACE is elected on that optional or basic unit, all 100 acres must be insured under this Endorsement.

- (l) Notwithstanding 1(k), if you have historical records at the basic unit and/or optional unit level (as applicable) sufficient to calculate an approved yield on such units, then you may elect PACE on an optional or basic unit basis if your underlying policy uses enterprise, enterprise by practice, or whole farm units. In addition, you may elect optional units for PACE if your underlying policy uses basic units.
- (m) You may elect PACE coverage on some eligible units and not others, provided sufficient records exist to fulfill the requirements of Section (1)(l), but you must elect PACE on all units where the post-application nitrogen practice is used on a majority of the acreage in the unit when optional or basic units are elected for PACE.
- (n) If you do not declare PACE insured units on or prior to the sales closing date, all eligible acres and units on the underlying policy will be insured and premium will be due on such acres, even if the final post-application percent is deemed to be zero percent.

2. Definitions

Actual planting date – The date that planting is completed on the acreage for the insured crop.

Actual nitrogen applied per acre – The average rate of nitrogen applied on PACE loss acres, measured in pounds per acre, before or at time of planting.

Declared post-application percent – The percent of nitrogen you intend to apply after planting that must be a value between 25 percent and 80 percent, stated in 5 percent increments.

Final PACE loss factor – If your actual nitrogen applied per acre on any PACE loss acres is less than the maximum nitrogen per acre multiplied by the pre-apply percent, then the final PACE loss factor equals your preliminary PACE loss factor. If your actual nitrogen applied per acre on any PACE loss acres is greater than the result of maximum nitrogen per acre multiplied by the pre-apply percent, then the final PACE loss factor will be equal to the PACE loss factor corresponding to your final post-application percent as published in the actuarial documents. If the final post-application percent is less than twenty five percent, then the final PACE loss factor will equal zero.

Final post-application percent – If your actual nitrogen applied per acre on any PACE loss acres is less than the maximum nitrogen per acre multiplied by

the pre-apply percent, then the final post-application percent equals the declared post-application percent. Otherwise, the final post-application percent will equal one minus the actual nitrogen applied per acre divided by the maximum nitrogen per acre, rounded down to the nearest 5 percent increment; unless that calculated amount is less than zero, then the final post-application percent will be zero. For example, suppose that the maximum nitrogen per acre is 200 lbs./acre, the declared post-application percent is 25 percent, and the actual nitrogen applied per acre is 180 lbs./acre on PACE loss acres, then the final post-application percent will be equal to $(1 - 180 / 200) = 10$ percent.

Insured acres – The acres of the crop for each insured unit you elect under this Endorsement.

Maximum nitrogen per acre – The maximum amount of nitrogen to be applied to the insured crop for the growing season on the insured acres, equal to 1.2 pounds multiplied by your approved yield and expressed in pounds per acre. This quantity is determined by us and is presumed accurate.

Nitrogen stress – Stress that occurs to the insured crop caused by lack of nitrogen when it is needed by the plant resulting in a yield decline for the insured crop.

PACE coverage level percent – An election made by you between 75 percent and 90 percent stated in 5 percent increments for coverage under this Endorsement.

PACE insured unit – A unit as elected by you from insured units specified by your underlying insurance policy to be covered under this Endorsement.

PACE loss acres – The land upon which you are physically unable to post-apply nitrogen due to an insurable cause of loss. The PACE loss acres may be less than the total insured acres in the unit.

PACE offset – An adjustment made to a claim payment under this Endorsement in the event an indemnity payment is also owed to you on your underlying insurance policy, and the payment under this Endorsement exceeds the deductible on your underlying insurance policy as outlined in section 11(d).

PACE premium rate – The premium rate in the actuarial documents corresponding to your declared post-application percent for the state, county, and insured crop covered by the underlying insurance policy.

Pre-apply percent – Percent of the total amount of nitrogen you intend to apply before or at the time of planting; equal to one minus declared post-application percent. Pre-apply rate and declared post-application percent must add up to 100 percent.

Preliminary PACE loss factor – The percent estimated yield decline in the event you are prevented from post-applying nitrogen due to a covered cause of loss, established based on your declared post-application percent, as published in the actuarial documents for your state, county, and insured crop.

Post-application window – The time period in which the post-application of nitrogen would normally be applied as published in the actuarial documents. To account for in-season climatic events, the post-application window can be moved forward or backward up to the amount of variance published in the actuarial

documents, in accordance with the PACE loss adjustment standards handbook.

Prevented post-application – The physical inability to apply nitrogen during the post-application window due to an insured cause of loss.

Underlying insurance policy – A plan or plans of insurance covering the insured crop for which this Endorsement is elected consisting of the Basic Provisions and Coarse Grains Crop Provisions published at 7 CFR Part 457, and either Yield Protection, Revenue Protection, or Revenue Protection with Harvest Price Exclusion.

Split application – Application of nitrogen in two or more steps: before and/or during planting; and after planting.

3. Insurance Guarantees, Coverage Levels, and Prices for Determining Indemnities

- (a) You must report the declared post-application percent on your application.
- (b) In lieu of section 2(b)(4)(I) of the Basic Provisions, you may select a PACE coverage level percent that is different than the one selected for your underlying insurance policy.
- (c) The projected price and harvest price applicable to this Endorsement will be established according to sections 3(c) through 3(e) of the Basic Provisions.

4. Contract Changes

The contract change date will be in accordance with section 4 of the Basic Provisions.

5. Cancellation and Termination Dates

- (a) This Endorsement may be cancelled in accordance with the Basic Provisions section 2, and Coarse Grain Crop Provisions section 5.
- (b) If at any time your underlying insurance policy is cancelled or terminated, this Endorsement is automatically canceled or terminated as of the same date.

6. Report of Acreage

In addition to the provisions in section 6(c) of the Basic Provisions, your acreage report must include, by insured unit:

- (a) The intended total nitrogen application rates for both pre-apply and post-apply;
- (b) The actual total nitrogen application rates for both pre-apply and post-apply;
- (c) The number of acres in each unit in which a split-application practice was used; and
- (d) The actual planting date for each unit.

7. Insurance Period

In lieu of section 11 of the Basic Provisions, the insurance period begins on the calendar date stated in the actuarial documents that corresponds to the start of the post-application window and ends on the calendar date in the actuarial documents for the end of the post-application window, subject to the variance window.

8. Causes of Loss

- (a) In addition to section 12 of the Basic Provisions, insurance under this Endorsement is provided only against the actual physical inability to post-apply nitrogen during the insurance period, due to insurable causes of loss specified within the underlying insurance policy.
- (b) This Endorsement does not cover mechanical failure of equipment unless the failure, breakdown,

or inability is specifically due to an insured cause of loss.

- (c) You must take reasonable efforts to limit the PACE loss acres.

9. Exclusions

Insurance is provided only to protect against unavoidable naturally occurring events. All other causes of loss, including, but not limited to, the following, are excluded:

- (a) Failure to follow recognized good farming practices for the insured crop;
- (b) Fertilizer price risk;
- (b) Application of nitrogen after the post-application window on insured acreage; and
- (c) Any other exclusions identified in the underlying insurance policy that are not in conflict with this Endorsement.
- (d) Supply chain disruptions or inability to purchase fertilizer, equipment, or services.

10. Premium

- (a) Your premium due will be calculated by:

- (1) Multiplying the PACE premium rate by your insured planted acres in a PACE insured unit;
- (2) Multiplying the result of (1) by your approved yield;
- (3) Multiplying the result of (2) by your share;
- (4) Multiplying the result of (3) by your PACE coverage level percent;
- (5) Multiplying the result of (4) by your preliminary PACE loss factor;
- (6) Multiplying the result of (5) by the projected price; and
- (7) Multiplying the result of (6) by the difference of one minus the subsidy percent identified in the actuarial documents.

- (b) In the event your final post-application percent is different than your declared post-application percent, the premium amount will not be reduced or increased. Your premium will be calculated based on your declared post-application percent, not your final post-application percent. The declared post-application percent must be declared by the sales closing date.

- (c) The administrative fee for this Endorsement is determined in accordance with the provisions in section 7(e) of the Basic Provisions.

- (d) Premium will be charged on all acres in a PACE insured unit where the crop is eligible even if the final post-application percent is deemed to be zero percent on any given acreage in the unit. In the event a unit contains acreage that is not eligible, those acres that are not insurable will be excluded from PACE coverage, and no premium will be due on those acres.

11. Settlement of Claim

- (a) When you submit a notice of loss, you must provide:

- (1) Purchase receipts or similar documents that show your name, the date of purchase, the type of fertilizer purchased, the brand name (if applicable), the nitrogen, phosphorus, and potassium content, and the total amount of fertilizer purchased.
- (2) Contemporaneous records showing each date,

location, number of acres that the pre-planting fertilizer was applied, the rate of application, the brand name, the nitrogen, phosphorus, potassium content, and the total amount of fertilizer applied; and

- (3) Other information as requested by us which may include fertilizer application and spraying maps, evidence of split application nitrogen plans or prescriptions, and/or evidence of nitrogen stress to the insured crop.
- (b) We will determine your loss on a PACE insured unit basis. A PACE loss is only paid on affected PACE loss acres within a PACE insured unit, therefore the unit structure does not change the total indemnity payment on insured acres.
- (c) In addition to the settlement of claims provisions in the underlying policy, we will determine the indemnity under this Endorsement by:
 - (1) Multiplying the final PACE loss factor by your approved yield;
 - (2) Multiplying the result of (1) by your PACE loss acres;
 - (3) Multiplying the result of (2) by your PACE coverage level percent;
 - (4) Multiplying the result of (3) by your share; and
 - (5) Multiplying the result of (4) by the greater of the harvest price or projected price.
- (d) The amount of indemnity payment owed under this Endorsement may be reduced by a PACE offset in the event an indemnity payment is also owed to you on your underlying insurance policy and the indemnity calculated in (c) above exceeds the deductible on your underlying insurance policy. Whether a PACE offset is required and how it is calculated is as follows:
 - (1) Multiplying your approved yield by the number of insured acres;
 - (2) Multiplying the result of (1) by the greater of the projected price or harvest price;
 - (3) Multiplying the result of (2) by your share;
 - (4) Multiplying the result of (3) by the deductible percent of your underlying insurance policy; and
 - (5) Subtracting the result of (4) from your PACE indemnity.
 - (6) If the result of (5) is greater than zero, and your underlying insurance policy has paid an indemnity on those PACE loss acres, then the PACE offset is equal to the lesser of (5) or the indemnity on your underlying insurance policy.
 - (7) Subtract any PACE offset from the PACE indemnity calculated under (c) to arrive at the payable PACE indemnity.

Examples of Indemnity Calculations

You have a corn Yield Protection underlying plan of insurance with this Endorsement. You have 100 acres in the unit. Your approved yield is 200 bushels per acre and the projected price determined under the Commodity Exchange Price Provisions (CEPP) for the underlying insurance policy for corn is \$4.00 per bushel. You selected a 90 percent PACE coverage level election and 85 percent coverage level on your

underlying insurance policy. Your share is 100 percent. The final PACE loss factor is 10 percent. You intend to apply a total of 200 pounds of nitrogen and your declared post-application percent is 40 percent. The harvest price is less than the projected price.

Example 1:

You are physically prevented from post-applying nitrogen during the post-application window due to weather conditions and an insured cause of loss on all 100 acres. You harvest 180 bushels per acre. This exceeds the guarantee on your underlying insurance policy (200 bu./acre x 85 percent coverage level = 170 bushels), so no indemnity is due under the underlying insurance policy. The PACE indemnity is calculated as follows:

- (1) $0.10 \times 200 \text{ bushels} = 20 \text{ bushels}$
- (2) $20 \text{ bushels} \times 100 \text{ PACE loss acres} = 2,000 \text{ bushels}$
- (3) $2,000 \times .90 \text{ PACE coverage level} = 1,800 \text{ bushels}$
- (4) $1,800 \times 1.0 \text{ share} = 1,800 \text{ bushels}$
- (5) $1,800 \times \$4.00 \text{ projected price} = \$7,200 \text{ indemnity under PACE.}$

No PACE offset is required.

Example 2:

Same scenario as Example 1, but you harvest 100 bushels per acre and are physically prevented from post-applying nitrogen during the post-application window. Your indemnity under PACE is \$7,200 as in the previous example. Your indemnity under your underlying insurance policy is:

- (1) $100 \text{ acres} \times (200 \text{ bushels per acre} \times 0.85 \text{ coverage level}) = 17,000 \text{ bushel guarantee}$
- (2) $17,000 \times \$4.00 \text{ projected price} = \$68,000 \text{ guarantee}$
- (3) $100 \text{ bushels} \times 100 \text{ acres} = 10,000 \text{ bushels production to count}$
- (4) $10,000 \text{ bushels} \times \$4.00 \text{ projected price} = \$40,000$
- (5) $\$68,000 - \$40,000 = \$28,000 \text{ underlying insurance policy indemnity}$

To determine the PACE offset, calculate the difference between the PACE indemnity and the value of the underlying insurance policy deductible, which is equal to $100 \text{ acres} \times 200 \text{ bushel approved yield} \times 0.15 \text{ underlying insurance policy deductible} \times \$4.00 \text{ projected price} = \$12,000$. In this scenario, the value of the underlying insurance policy deductible is greater than the PACE indemnity of \$7,200. Therefore, no PACE offset is required.

Example 3:

Using the same calculations as provided in Example 2, assume that your PACE declared post-application percent is equal to 75 percent and your resulting PACE loss factor is 20 percent. You harvest 100 bushels per acre and have a PACE claim. In this scenario, your PACE indemnity will be \$14,400. The underlying insurance policy indemnity remains \$28,000. The value of the underlying insurance policy deductible equals \$12,000, which is less than your PACE

indemnity. Your PACE offset will equal $\$14,400 - \$12,000 = \$2,400$. Your final PACE indemnity will equal $\$14,400 - \$2,400 = \$12,000$.

12. Written Agreements

Written agreements that alter the terms of this Endorsement are not permitted. Additionally, this Endorsement cannot be elected if the underlying insurance policy is modified by a written agreement.