

Post Application Coverage Endorsement (PACE) Product Overview:

Post Application Coverage Endorsement:

The Post Application Coverage Endorsement (PACE) is an endorsement that can be added to an underlying policy that provides additional coverage in the circumstance a producer is prevented from post/split applying nitrogen in accordance with the policy. Insureds can select a coverage level percent from 75 to 90%, in 5% increments.

Availability:

PACE can be purchased for non-irrigated corn (grain-type, non-organic). It is available in select counties in Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. Contact your NAU Country Marketing Representative for further information about availability.

Eligibility:

In order to be eligible for PACE you must:

- Have an underlying insurance policy of Yield Protection (YP), Revenue Protection (RP), or Revenue Protection with the Harvest Price Exclusion (RP-HPE).
- Use and have documentation of a split application of a nitrogen practice. Proper documentation includes records of:
 - o Insured name.
 - o Date of purchase.
 - o Type of fertilizer purchased.
 - o Brand name (if applicable).
 - o Nitrogen, phosphorus, and potassium content.
 - o Total amount of nitrogen purchased.
- Have been physically unable to complete the nitrogen application process due to weather and field conditions to make a claim.

Application:

At the sales closing date, you must elect PACE, select the PACE coverage level, provide the intended split of nitrogen to be applied pre-application and post-application as percentages of the total application (the sum of the percentages must equal 100%), and the intended total nitrogen application rate per acre.

Acreage Reporting:

Insureds that elect PACE should include the following on their Acreage Report for applicable units:

- Intended total nitrogen application pre- and post-apply.
- The actual total nitrogen pre- and post-apply.
- Number of acres in each unit in which a split-application practice was used.
- The actual planting date for each unit.

Insurance Period:

The insurance period is based on the post-application window to approximate the V3-V10 growth stages based on planting date and growing degree day accumulation in specific counties. For calendar dates that the post-application window starts and ends, refer to the actuarial documents for your county.

Claim Submission:

In the event of a loss, you must provide a Notice of Loss (NOL) that you were prevented from applying the post-application nitrogen to an insured crop within 72 hours after the end of the insurance period or within 72 hours of being physically prevented from post-applying nitrogen, whichever is later.

Indemnity Payments:

PACE indemnifies based on your approved yield, share, PACE coverage level percent, and final PACE Loss Factor when you are physically prevented from post-applying nitrogen due to a covered cause of loss. Your final PACE Loss Factor depends on the amount of pre- and post-apply nitrogen. The lower the pre-apply nitrogen percent, the higher the preliminary PACE Loss Factor (and premium). In the event of a claim, your indemnity is equal to your approved yield x your share x PACE coverage level percent x the maximum of the projected price and harvest price x your final PACE Loss Factor x your affected acres.

For example, suppose the approved yield is 200 bu./acre, projected and harvest price is \$5.50, PACE coverage level percent is 90%, final PACE Loss Factor is 15%, share is 100%, and affected PACE loss acres is 100. Your PACE indemnity would be $200 \times \$5.50 \times 90\% \times 100\% \times 15\% = \$149/\text{acre}$, or \$14,900.

Important Dates:

Sales Closing, Cancellation, and Termination Dates: March 15

Acreage Reporting Date: July 15

Premium Billing Date: August 15

Contract Change Date: November 30

PACE Frequently Asked Questions

Source: RMA FAQ - <https://rma.usda.gov/News-Room/Frequently-Asked-Questions/Post-Application-Coverage-Endorsement>

Q Does PACE have a premium subsidy?

A Yes, PACE is eligible for premium subsidy and will vary according to coverage level.

Q Can both PACE and my underlying policy have a claim?

A Yes, you can have a claim on both PACE and your underlying insurance policy. Your total indemnities paid will not exceed 100% of the value of your crop. Therefore, PACE will not pay out more than the deductible on your underlying insurance policy. For example, if the coverage level on your underlying crop is 85%, then PACE will not pay out more than 15% of the value of your crop when you also have a claim on your underlying insurance policy. This is known as the offset. The premiums for PACE are calibrated to these caps so you will not overpay premium. See the actuarial documents for preliminary and final PACE loss factors in your county.

Q What if I am only prevented from post-applying on some acres and not others?

A PACE will indemnify only on those acres in the unit which you are prevented from post-applying.

Q What is the maximum nitrogen that can be applied per acre?

A In the event of a claim, PACE indemnifies based on your final PACE Loss Factor. The preliminary PACE Loss Factor is determined based on your declared pre-apply percent (the percent of nitrogen you plan to apply prior to or at planting). The preliminary PACE Loss Factor and premium rate increases as the declared pre-apply percent decreases. The planned quantities of nitrogen per acre pre-planting and post-planting are determined by multiplying the percentages by your total planned nitrogen. The total nitrogen planned is calculated not to exceed 1.2 times your approved yield for the purposes of PACE calculations. If you pre-apply more nitrogen than declared, then your claim may be reduced. Therefore, you should not purposely declare a lower pre-apply percent than you plan to apply.

For example, if your approved yield is 200 bu./acre, and your elected pre-apply percent is 60%, then you should pre-apply no more than $1.2 \times 200 \times 60\% = 144$ lbs./acre of nitrogen at or before planting. Suppose the preliminary PACE Loss Factor as published is 10% when pre-apply percent is 60%, and 8% when pre-apply percent is 65%. Suppose you actually pre-apply 156 lbs./acre. In the event of a claim, your final PACE Loss Factor will be recalculated in accordance with your actual pre-apply percent of 65% ($156 / (1.2 \times 200)$), and thus your final PACE loss factor if you actually pre-apply more than declared will be 8% (not 10%), and your premium will not be reduced.

In the event that there is no claim, then there is not necessarily any restriction on the amount of nitrogen you may apply. Overapplying nitrogen prior to or at planting, however, may reduce the amount of your claim in the event of a claim.

Q What is the minimum nitrogen that needs to be applied as a pre-application to qualify for PACE?

A The pre-application amount must be at least 20% of your total nitrogen to be applied and not more than 75% of your total nitrogen applied to qualify for the PACE.

Q Is PACE eligible for written agreements?

A No, written agreements for PACE are not permitted and PACE cannot be elected if the underlying insurance policy is modified with a written agreement.

Q What if I have a custom applicator lined up to post-apply my nitrogen and they are unable to apply it due to weather?

A Inability to apply nitrogen due to adverse weather (e.g., flooding) is an insurable cause of loss.

Q If a field/unit has multiple planting dates, which is used to determine the post-application window?

A The planting date used to determine the post-application window for a set of acres is the planting date of those acres. For example, suppose the first half the unit was planted on May 15, and the second half was planted May 20. The post-application window for the acres in the first half of the unit would be determined by looking up the post-application window for a planting date of May 15, and the post-application window in the second half would then be that which corresponds to the May 20 planting date.

Q Can you have the same options on PACE as you can under the Corn policy (e.g., Yield Cup, Yield Exclusion, Trend Adjustment, etc.) and do they need to match between the underlying corn policy and PACE?

A PACE is an endorsement to YP, RP, or RP-HPE. PACE uses the approved yield of your underlying policy which includes APH yield and trend adjustment options.

Q Can you have Supplemental Coverage Option (SCO) and Enhanced Coverage Option (ECO) on this endorsement? If I have SCO or ECO on the underlying policy how does this affect PACE?

A There is no restriction or interaction between PACE and SCO or ECO. Electing SCO or ECO (or not) does not affect PACE in any way.

Q Can you choose a percentage of projected price for PACE?

A No, PACE does not allow you to choose a lower percentage of projected price. However, you can reduce your premium and coverage by electing a lower PACE coverage level percent.

Q Can I elect PACE coverage on some units and not others?

A Yes, you can elect PACE on some units and not others, but elect PACE on all acres that you use post-application practice. 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.

Q Can I elect PACE after the sales closing date on my underlying policy?

A No, you must elect PACE prior to or on the sales closing date, which in the pilot region is March 15.

- Q An insured has a Yield Protection (YP) underlying policy and PACE. The underlying YP policy will use only the projected price for liability, premium, and indemnity calculations. What prices are used to calculate the PACE liability, premium, and indemnity?**
- A PACE premium is calculated using the projected price. PACE indemnity calculations will always use the greater of the projected or harvest price, even when the underlying policy plan is YP or Revenue Protection with Harvest Price Exclusion (RP-HPE).
- Q The PACE actuarial documents and RMA Actuarial Information Browser (AIB) include PACE subsidy factors for Enterprise Units (EU). We understood that Enterprise Units were not allowed on PACE. Are we correct, and if so, will the actuarial information be updated?**
- A Neither the endorsement nor the Insurance Standards Handbook (ISH) prohibits an Enterprise Unit structure. The endorsement and ISH do omit irrigated units (only non-irrigated are eligible), and limit the use of a Whole Farm Unit structure (see ISH paragraph 16, items 1-3).

PACE coverage can follow the same unit structure as the underlying insurance policy, including an Enterprise or Enterprise by Irrigation Practice (for the Non-Irrigated (NI) EU). Or, as allowed within endorsement sections 1(l) and 1(n), PACE can have a 'lower-level' unit structure.

If an insured does not elect specific units for PACE coverage at the Sales Closing Date (SCD), PACE will apply to all planted acres (non-high-risk, no written agreement) in all NI grain corn units in the county, and it will apply using the underlying insurance policy unit structure.