

PACE is a new endorsement offered in 2022 for non-irrigated corn. PACE stands for Post-Application Coverage Endorsement. It is designed for producers who plan to apply nitrogen both before and after planting and are unable to apply during the V3 to V10 stage of the corn crop. Before going any farther in the explanation, I should tell you that very few counties in the area I sell insurance will be eligible for this endorsement in 2022. Those counties in my sales area which are eligible in 2022 are Bureau, Carroll, Henry, Jo Daviess, LaSalle, Lee, Livingston, Marshall, Mclean, Ogle, Peoria, Putnam, Rock Island, Stark, Stephenson, and Winnebago. The main area that I sell in Northeast Illinois is not eligible this year.

How does PACE work? There are several components of this endorsement. One is the percentage of nitrogen that you will be applying after planting. This determines the loss factor. For example, in Ogle County, if you will be applying 50% of your nitrogen after planting, your loss factor is 8%. This means that not getting that nitrogen applied will cost you 8% of your yield.

Another component is the PACE coverage level. That can be anywhere from 75% to 90% in 5% increments. This percentage is applied to your APH to determine how many bushels you will be covering in this endorsement. Let's say your APH is 200, the base price is \$5.75, and your PACE coverage level is 90%. Your indemnity would be $200 \times 5.75 \times .90 \times .08$ (loss factor) or \$82.80/acre. The premium for this coverage would be \$3.36/acre for optional units. This premium would be in addition to the premium you pay on the underlying policy.

You may see in the ag press that there is a term called PACE offset. First, to be clear, nothing in this endorsement affects the underlying revenue or yield protection that you purchase. You will get full coverage for all of that. However, if you do collect an indemnity from the underlying policy, your PACE indemnity is limited to the amount of the deductible of the underlying policy. For example, if the underlying policy is 80%, then the deductible would be 20% of 200×5.75 or \$230/acre. Unless you are applying most of your fertilizer after planting (say 80%), the chances of the PACE offset occurring are pretty low.

A final component to this endorsement is when the V3 to V10 stages for corn are. The RMA has published a chart showing the estimated range of dates that can be used depending on when the field was planted. For example, in Ogle County, if the corn is planted on April 28, the V3 stage is estimated to start June 6 and V10 will be over June 29. If a claim is filed, the adjuster will have some leeway to adjust those dates. You, of course, are free to try to apply the nitrogen after June 29, but if you get it applied, you are not eligible for an indemnity from this endorsement and you will have wasted your premium.

Unlike the underlying multi-peril policy, you do not have to insure every acre of non-irrigated corn on this endorsement. You can pick and choose. But you will have to keep meticulous records. In the event of a claim, you will need to provide purchase receipts for all your fertilizer, contemporaneous records showing dates, locations, and rates of application for both pre-planting and post-planting applications, and possibly spraying maps or fertilizer plans.

The sales closing for this endorsement is the same as the underlying multi-peril policy - March 15. At that time, you must declare a post-application percent and select a PACE coverage level. As stated earlier, very few of my customers have policies in the counties that PACE is available. In addition, a few of my customers have told me that if they cannot get nitrogen applied with a pull-behind applicator, they get it done with a Haigie or even by air. I'm not sure, with prices so high that this endorsement will compensate you enough for the loss you may have if the nitrogen is not post-applied. If you have questions, please call me at 815-593-0926 and we can go over your individual situation.