

## **LIVESTOCK GROSS MARGIN FOR DAIRY CATTLE INSURANCE POLICY UNDERWRITING RULES**

The Livestock Gross Margin for Dairy Cattle Insurance Policy provides insurance against the loss of gross margin (market value of milk minus feed costs) on the milk and feed described on the application or target marketings report.

### **A. Basic Principles**

1. These underwriting rules (“Rules”) govern the Livestock Gross Margin For Dairy Cattle Insurance Policy as offered by the Federal Crop Insurance Corporation (FCIC) under the authority of Section 523(b) of the Federal Crop Insurance Act, as amended (7 U.S.C. 1523(b)).
2. The Livestock Gross Margin for Dairy Cattle Insurance Policy is a livestock insurance product under the federal crop insurance program and is reinsured by the Federal Crop Insurance Corporation (“FCIC”).
3. The provisions of the policy may not be waived or varied in any way by the crop insurance agent, field representative, or any other agent or employee of FCIC or us.
4. If any portion of these rules is inconsistent with the Livestock Gross Margin Insurance Policy, the rights and obligations of the insured and of the Company will be determined in accordance with the Livestock Gross Margin for Dairy Cattle Insurance Policy.

### **B. Eligibility**

1. Only agricultural producers (“Producers”) of milk in Alabama, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming are eligible for the Livestock Gross Margin for Dairy Cattle Insurance Policy.
2. Eligibility for the Livestock Gross Margin for Dairy Cattle Insurance Policy is determined exclusively by federal law and regulations promulgated, and as interpreted, by the FCIC and its Administrator, the United States Department of Agriculture-Risk Management Agency.
3. The producer’s target marketings may not be more than the producer’s approved target marketings. Approved target marketings will be the lesser of the capacity of the producer’s dairy operation for the 11-month insurance period as determined by the insurance provider and the underwriting capacity limit as stated in the special provisions.

### **C. Coverage**

1. The livestock gross margin policy provides insurance only for the difference between the gross margin guarantee and the actual total gross margin based on a producer's target marketings and futures prices prior to and during the insurance period. This policy does not insure against death or other loss or destruction of dairy cattle, production loss of milk, or unexpected changes in feed rations.
2. There are twelve insurance periods in each calendar year. Each insurance period runs 11 months and no milk can be insured the first month of any insurance period. Coverage begins on your milk one full calendar month following the sales closing date, unless otherwise specified in the Special Provisions, provided premium for the coverage has been paid in full. For example for the contract with a sales closing date in January, coverage will begin on March 1.
3. This is a continuous policy and will remain in effect following the acceptance of the original application unless cancelled by the insured or the company in accordance with the terms of the policy. After the initial insurance period the producer must complete a target marketings report by the sales closing date of the next insurance period to be eligible for coverage in that insurance period.
4. The producer must elect the number of hundredweight of milk to be insured and the number of tons of corn and soybean meal to be fed during the insurance period (with the exception of the first month of any insurance period). This will be the producer's target marketings and feed. Round target marketings to the nearest whole number. The number of tons of corn per month is restricted to be between 0.00364 and 0.02912 tons per hundredweight of milk. The number of tons of soybean meal per month is restricted to be between 0.000805 and 0.006425 tons per hundredweight of milk. Default values of 0.014 tons (0.5 bushels) of corn and 0.002 tons (4 pounds) of soybean meal per hundredweight of milk can be used if producers do not wish to choose feed amounts.
5. All milk will be insured at 100 percent share.
6. The Date of End of Insurance is 11 months after sales closing.
7. The producer may choose deductible amounts from \$0 per hundredweight to \$1.50 per hundredweight in \$0.10 increments to apply to all target marketings.
8. The producer's premium is due with the signed application for coverage in the initial insurance period and with the completed target marketings report in any subsequent insurance period.
9. Coverage may not be available in instances of a news report, announcement, or other event that occurs during or after trading hours that is believed by the Secretary of Agriculture, Manager of the Risk Management Agency, or other designated staff of the Risk Management Agency, to result in market conditions significantly different than those used to rate the LGM program. In these cases, coverage will no longer be offered for sale on the RMA Website. LGM sales will resume, after a halting or suspension in sales, at the discretion of the Manager of RMA.