

## Swine – Livestock Risk Protection (LRP)

### Premium Calculation Instructions

The premium calculation for LRP is based on daily actuarial documents. Coverage is available electronically at the RMA web site from the time prices and rates are published on the RMA website and ending on the following day at 9:00 a.m. Central Time, or as otherwise specified in the Special Provisions. Coverage will be available Saturday mornings until 9:00 Central Time. Coverage is not available for purchase on Sundays, Monday mornings, or with an effective date of a Federal or a market holiday, or if the website or premium calculator are not operational, or if sales are halted by FCIC under section 4 of the Basic Provisions. Coverage purchased during this time will have an effective date based on the date that rates and coverage prices are published.

The two main components of LRP premiums are the coverage price and the premium rate. Information based on a producer’s operation, such as the number of weeks until the livestock are ready for sale, is necessary.

#### **A. INSURANCE PERIOD / COVERAGE PRICE / RATE / TARGET WEIGHT / SHARE**

1. Determine the date the livestock is expected to be ready for market, and count the number of weeks until that date.
2. Choose an insurance period (either 13, 17, 21, or 26 weeks): The insurance period should be within 30 days of the number of days that the livestock are expected to be ready for market.
3. Based on the chosen insurance period determine the Ending Date of the policy. The end date is the day that the policy ends, and is calculated by counting the weeks of the policy length from the “Effective” date, the publication date of the actuarial information. The Ending Date is always the same day of the week as the Effective Date.
4. Choose a Coverage Price from the options shown based on the chosen policy length. There is a premium rate associated with this coverage price and policy length.
5. Calculate the Target Weight per head: Multiply the expected market weight in cwt. by the Lean Weight Conversion Factor of .74. This converts the live weight to lean weight and is the Target Weight. The Target Weight should fall within the range of 1.50 and 2.25 cwt (this equates to a head weighing from about 203 to 304 lbs. on a live basis).
6. Determine the number of head of livestock that will be ready for market within this time frame.
7. Determine your ownership share in the livestock to be insured.

#### **B. INSURED VALUE AND PREMIUM COMPUTATION**

1. The Insured Value = Number of Head multiplied by the Target Weight (lean weight, in cwt.) multiplied by the Coverage Price multiplied by Ownership Share. The Insured Value is rounded to the nearest whole dollar.

Number of Head (Whole number)	x	Target Weight At End Date (Cwt. per head)	x	Coverage Price (as shown on Actuarial Document)	x	Insured Share (x.xxx)	=	Insured Value (Dollar)
	x		x		x		x	

2. The Total Premium = Insured Value multiplied by the Rate. Total Premium is rounded to the nearest whole dollar.

Insured Value (Dollar)	x	Rate (.xxxxxx)	=	Rounded Total Premium (Dollar)
	x		=	

3. The Subsidy = Total Premium multiplied by the Subsidy Rate. The subsidy percent is 13 percent. Subsidy is rounded to the nearest whole dollar.

Rounded Total Premium	x	Subsidy (Percent)	=	Rounded Subsidy (Dollar)
	x	.130	=	

4. The Producer Premium = Total Premium minus the Subsidy. Producer Premium will always be a whole number.

Rounded Total Premium	-	Rounded Subsidy	=	Producer Premium (Dollar)
	-		=	