

## LIVESTOCK GROSS MARGIN FOR DAIRY CATTLE INSURANCE POLICY

Throughout the policy, “you” and “your” refer to the named insured shown on the summary of insurance and “we”, “us”, and “our” refer to the Company. Unless the context indicates otherwise, use of the plural form of a word includes the singular and use of the singular form of the word includes the plural.

This policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the authority of sections 508(h) and 523(b) of the Federal Crop Insurance Act, as amended (7 U.S.C. §§ 1508(h) and 1523(b)). The provisions of the policy may not be waived or varied in any way by any crop insurance agent of the Company. Neither we, our employees or contractor, FCIC nor the Risk Management Agency has the authority to revise, amend, or otherwise alter this policy. In the event we cannot pay your loss, your policy will revert to one insured by FCIC and your claim will be settled and paid by FCIC in accordance with the provisions of this Policy. No state insurance guarantee fund will be liable to pay your loss.

Agreement to Insure: In return for the payment of the premium, and subject to all the provisions of this policy, we agree to pay you the difference between the gross margin guarantee and the actual total gross margin, as determined by policy provisions, for the insurance period identified in your Summary of Insurance. If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Special Provisions; 2) actuarial documents; (3) Commodity Exchange Endorsement for Dairy Cattle ; and (4) these Basic Provisions, with (1) controlling (2), etc.

### BASIC PROVISIONS TERMS AND CONDITIONS

#### 1. Definitions

**Act** - The Federal Crop Insurance Act (7 U.S.C. 1501 et seq.).

**Actual corn price** – For months in which a CME Group corn contract expires, the simple average of the daily settlement prices for the CME Group corn futures contract for the month during the actual price measurement period. For other months, the weighted average of the immediately surrounding months’ simple average of the daily settlement prices during the actual price measurement period. (See the Commodity Exchange Endorsement for more information.)

**Actual cost of feed** - The actual cost of feed for each month equals the target corn (or corn equivalent) to be fed times 2,000/56 (to convert tons to bushels) times the actual corn price for that month, plus the target protein meal (or protein meal equivalent) to be fed times the actual soybean meal price for that month.

**Actual gross margin per month** - Actual revenue less the actual cost of feed for the month.

**Actual marketings** - The total amount of milk sold by you in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of milk and determine approved target marketings.

**Actual milk price** – The simple average of the daily settlement prices of the CME Group Class III milk futures contract for the month during the actual price measurement period. (See the Commodity Exchange Endorsement for more information.)

**Actual milk revenue** – The actual milk price for a month times target marketings for the month.

**Actual price measurement period** – The last three trading days prior to the last trading day for the futures contract.

**Actual soybean meal price** - For months in which a CME Group soybean meal contract expires, the simple average of the daily settlement prices for the CME

Group soybean meal contract for the month during the actual price measurement period. For other months, the weighted average of actual soybean meal prices in the immediately surrounding months. (See the Commodity Exchange Endorsement for more information.)

**Actual total gross margin** - The sum of actual gross margins per month across all months of the insurance period.

**Actuarial documents** – The information for the crop year which is available for public inspection in your agent’s office and published on RMA’s website which shows available crop insurance policies, coverage levels, information needed to determine amounts of insurance, prices, premium adjustment percentages, practices, particular types of the insurable crop, and other related information regarding crop insurance in the state.

**Application** - The form required to be completed by you and accepted by us before insurance coverage will commence.

**Approved target marketings** - The maximum target marketings allowed for the designated months of the applicable insurance period. The producer’s target marketings for any month may not be more than the producer’s approved target marketings. Approved target marketings will be based on the farm capacity for the ten-month insurance period as determined by the insurance underwriter.

**Assignment of indemnity** - A transfer of policy rights, made on our form, and effective when approved in writing by us. It is the arrangement whereby you assign your right to an indemnity payment for the crop year but such assignment can only be made to creditors or other persons to whom you have a financial debt or other pecuniary obligation

**Beginning farmer or rancher** – An individual who has not actively operated and managed a farm or ranch in any state, with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant, or sharecropper for more than

five crop years, as determined in accordance with FCIC procedures. Any crop year's insurable interest may, at your election, be excluded if earned while under the age of 18, while in full-time military service of the United States, or while in post-secondary education, in accordance with FCIC procedures. A person other than an individual may be eligible for beginning farmer or rancher benefits if there is at least one individual substantial beneficial interest holder and all individual substantial beneficial interest holders qualify as a beginning farmer or rancher.

**CME Group** - The Chicago Mercantile Exchange Group.

**Company** - The insurance company reinsured by FCIC that is identified on, and issuing, your summary of insurance.

**Commodity Exchange Endorsement for Dairy Cattle** - A endorsement that contains the exchange prices that is used to set the expected and actual prices for LGM Dairy Cattle.

**Consent** - Approval in writing by us allowing you to take a specific action.

**Contract change date** - The calendar date by which we make any policy changes available for inspection in the agent's office.

**Corn equivalent** - The amount of corn equivalent to the energy content of the dairy ration used by the producer. Suggested conversion rates for dairy feeds are given in the Commodity Exchange Endorsement.

**Coverage** - The insurance provided by this policy, against insured loss of gross margin as shown on your summary of insurance.

**Crop year** - The twelve-month period, beginning July 1 and ending the following June 30, which is designated by the calendar year in which it ends.

**Date coverage begins** - the calendar date the insurance provided by this policy begins.

**Days** - Calendar days.

**Deductible** - The portion of the expected total gross margin that you elect not to insure. Per hundredweight deductible amounts range from zero to \$2.00 per cwt in 10 cent increments. The deductible equals the selected per hundredweight deductible times the sum of target marketings across all months of the insurance period.

**Delinquent debt** - Has the same meaning as the term defined in 7 CFR part 400, subpart U.

**End of insurance period, date of** - The date the insurance provided by this policy ceases.

**Expected corn price** - For months in which a CME Group corn contract expires, the simple average of the settlement prices for the CME Group corn futures contract for the month during the expected price measurement period. For other months, the weighted average of the immediately surrounding months' simple average of the daily settlement prices during the expected price measurement period. (See the Commodity Exchange Endorsement for more information.)

**Expected cost of feed** - The expected cost of feed for each month equals the target corn (or corn equivalent) to be fed times 2000/56 (to convert tons to bushels) times the expected corn price for that month, plus the target protein meal (or protein meal equivalent) to be fed times the expected soybean meal price for that month.

**Expected gross margin per month** - Expected revenue less the expected cost of feed for the month.

**Expected milk price** - The simple average of the daily settlement prices of the CME Group Class III milk futures

contract for the month during the expected price measurement period. (See the Commodity Exchange Endorsement for more information.)

**Expected milk revenue** - The expected milk price for a month times target marketings for the month.

**Expected price measurement period** - The three trading days prior to and including the last Friday of the month that is a business day on which sales takes place.

**Expected soybean meal price** - For months in which a CME Group soybean meal contract expires, the simple average of the daily settlement prices of the CME Group soybean meal futures contract for the month during the expected price measurement period. For other months, the weighted average of the immediately surrounding months' simple average of the daily settlement prices during the expected price measurement period. (See the Commodity Exchange Endorsement for more information.)

**Expected total gross margin** - The sum of expected gross margins per month across all months of the insurance period.

**FCIC** - The Federal Crop Insurance Corporation, a wholly owned government corporation and agency within USDA.

**Gross margin guarantee** - The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible.

**Insurance period** - The eleven-month period designated in the summary of insurance to which this policy is applicable. See the Commodity Exchange Endorsement for additional detail on insurance periods.

**Insured** - The person as shown on the summary of insurance as the insured. This term does not extend to any other person having a share or interest in the animals (for example, a partnership, landlord, or any other person) unless also specifically indicated on the summary of insurance as the insured.

**Livestock acceptance system** - A computer system that accepts livestock applications and endorsements.

**Marketing report** - A report submitted by you on our form showing for each month your actual marketings for that month of milk insured under this policy. The marketing report must be accompanied by copies of sales receipts that provide records of the actual marketings shown on the marketing report.

**Milk** - Milk produced from any species of domesticated mammal of the family *Bovidae* commonly grown for production of dairy products, also referred to as dairy cows.

**Notice of probable loss** - Our notice to you of a probable loss on your insured milk.

**Offset** - The act of deducting one amount from another amount.

**Person** - An individual, partnership, association, corporation, estate, trust, or other legal entity.

**Policy** - The agreement between you and us consisting of these provisions, the Special Provisions, the Commodity Exchange Endorsement, the Actuarial Documents, the summary of insurance, and the applicable regulations published in 7 CFR chapter IV.

**Premium** - The amount you owe us for this insurance coverage based on your target marketings in accordance with section 5.

**Premium billing date** - The earliest date upon which you will be billed for insurance coverage based on your target

marketing report. The premium billing date is the first business day of the month following the last month of the insurance period in which you have target marketings.

**Producer premium** - The total premium minus the premium subsidy paid by FCIC.

**RMA** - Risk Management Agency, an agency within USDA.

**RMA's website** - A website hosted by RMA and located at <http://www.rma.usda.gov/> or a successor website.

**Sales closing date** - A date by which your completed application must be received by us. Also, the last date by which you may change your insurance coverage for an insurance period.

**Sales period** - The period that begins on the last business Friday of the month after validation of prices and rates and ends at 8:00 PM Central Time of the following day.

**Share** - The lesser of your percentage interest in the insured milk as an owner at the time insurance attaches and at the time of sale. Persons who lease or hold some other interest in the milk other than as an owner are not considered to have a share in the milk.

**Soybean meal equivalent** - The amount of soybean meal equivalent to the protein content of the dairy ration used by the producer. Suggested conversion rates for dairy feeds are given in the Commodity Exchange Endorsement.

**Special Provisions** - The part of the policy that contains specific provisions of insurance for each insured crop.

**Substantial beneficial interest** - An interest held by a person of at least 10 percent in the applicant or insured. All spouses that reside in the household will be considered to have a substantial beneficial interest in the applicant or insured unless the spouse can prove that the milk owned is in a totally separate farming operation in accordance with FCIC procedures and the spouse derives no benefit from the dairy operation of the insured or applicant.

**Summary of insurance** - Our statement to you, based upon your application, specifying the insured, the milk, the target marketings, gross margin guarantee, and the premium for an insurance period.

**Target corn to be fed** - Your determination as to the number of tons of corn or corn equivalent that you will feed for each month.

**Target protein meal to be fed** - Your determination as to the number of tons of soybean meal or protein meal equivalent you will feed each month.

**Target marketings** - Your determination as to the number of hundredweight of milk you elect to insure in each month during the insurance period.

**Target marketings report** - A report submitted by you on our form showing for each month your target marketings for that month.

**Termination date** - The calendar date upon which your insurance ceases to be in effect because of nonpayment of any amount due us under the policy, including premium.

**USDA** - The United States Department of Agriculture.

**Veteran Farmer or Rancher** - An individual who has served in the [active military, naval, or air service](#) in the Armed Forces, and was discharged or released under conditions other than dishonorable in the Armed Forces,

and; has not operated a farm or ranch; has operated a farm or ranch for not more than five years; or is a veteran who has first obtained status as a veteran during the most recent five-year period. A person other than an individual may be eligible for veteran farmer or rancher benefits if there is at least one individual substantial beneficial interest holder and all substantial beneficial interest holders qualify as a veteran farmer or rancher, unless the substantial beneficial interest holder is a spouse. A spouse's veteran farmer or rancher status does not impact whether an individual is considered a veteran farmer or rancher.

**Void** - When the Policy is considered not to have existed for an insurance period as a result of concealment, fraud, or misrepresentation.

## 2. Life of Policy, Cancellation, and Termination

- (a) Your agent does not have authority to bind coverage under this policy. Coverage for the milk described in the application will only become effective when we notify you in writing that your application has been accepted and approved by us, and we issue a written summary of insurance to you.
  - (1) For subsequent insurance periods, coverage will only be effective if issue a written summary of insurance to you.
  - (2) This policy will be available for sale only on business days when RMA livestock acceptance system is operational.
- (b) The application must be completed by you and received by us not later than the sales closing date of each insurance period for which insurance coverage is requested. See the LGM for Dairy Cattle Commodity Exchange Endorsement for additional detail on sales closing dates.
- (c) Insurance coverage will not be provided if you are ineligible under the contract or under any Federal statute or regulation or if you do not have a share in the livestock or livestock products to be insured.
- (d) This is a continuous policy and will remain in effect for each crop year following the acceptance of the original application until canceled by you in accordance with the terms of the policy or terminated by operation of the terms of the policy or by us. In accordance with section 2, FCIC may change the coverage provided from year to year.
- (e) With respect to your application for insurance:
  - (1) You must include your social security number (SSN) if you are an individual (if you are an individual applicant operating as a business, you may provide an employer identification number (EIN) but you must also provide your SSN); or
  - (2) You must include your EIN if you are a person other than an individual;
  - (3) In addition to the requirements of section 2(e)(1) or (2), you must include the following for all persons who have a substantial beneficial interest in you:
    - (i) The SSN for individuals; or
    - (ii) The EIN for persons other than individuals and the SSNs for all individuals that comprise the person with the EIN if such individuals also have a substantial beneficial interest in you;
  - (4) Your application will not be accepted and no

- insurance will be provided for the year of application if the application does not contain your SSN or EIN. If your application contains an incorrect SSN or EIN for you, your application will be considered not to have been accepted, no insurance will be provided for the year of application and for any subsequent crop years, as applicable, and such policies will be void if:
- (i) Such number is not corrected by you; or
  - (ii) You correct the SSN or EIN but:
    - (A) You cannot prove that any error was inadvertent (Simply stating the error was inadvertent is not sufficient to prove the error was inadvertent); or
    - (B) It is determined that the incorrect number would have allowed you to obtain disproportionate benefits under the crop insurance program, you are determined to be ineligible for insurance or you could avoid an obligation or requirement under any State or Federal law;
- (5) With respect to persons with a substantial beneficial interest in you:
- (i) The insurance coverage for all crops included on your application will be reduced proportionately by the percentage interest in you of persons with a substantial beneficial interest in you (presumed to be 50 percent for spouses of individuals) if the SSNs or EINs of such persons are included on your application, the SSNs or EINs are correct, and the persons with a substantial beneficial interest in you are ineligible for insurance;
  - (ii) Your policies for all commodities included on your application, and for all applicable crop years, will be void if the SSN or EIN of any person with a substantial beneficial interest in you is incorrect or is not included on your application and:
    - (A) Such number is not corrected or provided by you, as applicable;
    - (B) You cannot prove that any error or omission was inadvertent (Simply stating the error or omission was inadvertent is not sufficient to prove the error or omission was inadvertent); or
    - (C) Even after the correct SSN or EIN is provided by you, it is determined that the incorrect or omitted SSN or EIN would have allowed you to obtain disproportionate benefits under the crop insurance program, the person with a substantial beneficial interest in you is determined to be ineligible for insurance, or you or the person with a substantial beneficial interest in you could avoid an obligation or requirement under any State or Federal law; or
  - (iii) Except as provided in sections 2(e)(6)(ii)(B) and (C), your policies will not be voided if you subsequently provide the correct SSN or EIN for persons with a substantial beneficial interest in you and the persons are eligible for insurance;
- (6) When any of your policies are void under sections 2(e)(4) or (5):
    - (i) You must repay any indemnity payment that may have been paid for all applicable commodities and crop years;
    - (ii) Even though the policies are void, you will still be required to pay an amount equal to 20 percent of the premium that you would otherwise be required to pay; and
    - (iii) If you previously paid premium or administrative fees, any amount in excess of the amount required in section 2(e)(6)(ii) will be returned to you;
  - (7) Notwithstanding any of the provisions in this section, if you certify to an incorrect SSN or EIN, or receive an indemnity and the SSN or EIN was not correct, you may be subject to civil, criminal or administrative sanctions;
  - (8) If any of the information regarding persons with a substantial beneficial interest in you changes after the sales closing date for the previous crop year, you must revise your application by the sales closing date for the current crop year to reflect the correct information. However, if such information changed less than 30 days before the sales closing date for the current crop year, you must revise your application by the sales closing date for the next crop year. If you fail to provide the required revisions, the provisions in section 2(e)(6) will apply; and
  - (9) If you are, or a person with a substantial beneficial interest in you is, not eligible to obtain a SSN or EIN, whichever is required, you must request an assigned number for the purposes of this policy from us:
    - (i) A number will be provided only if you can demonstrate you are, or a person with a substantial beneficial interest in you is, eligible to receive Federal benefits;
    - (ii) If a number cannot be provided for you in accordance with section 2(e)(9)(i), your application will not be accepted; or
    - (iii) If a number cannot be provided for any person with a substantial beneficial interest in you in accordance with section 2(e)(9)(i), the amount of coverage for all crops on the application will be reduced proportionately by the percentage interest of such person in you.
  - (f) After acceptance of the application, you may not cancel this policy for the initial crop year. Thereafter, the policy will continue in force for each succeeding crop year unless canceled or terminated as provided below.
  - (g) Either you or we may cancel this policy after the initial crop year by providing written notice to the other on or before the cancellation date in accordance with section 2(l).
  - (h) Any amount due to us for any policy authorized under the Act will be offset from any indemnity or prevented planting payment due you for this or any other crop insured with us under the authority of the Act.

- (1) Even if your claim has not yet been paid, you must still pay the premium on or before the termination date for you to remain eligible for insurance.
  - (2) If we offset any amount due us from an indemnity or prevented planting payment owed to you, the date of payment for the purpose of determining whether you have a delinquent debt will be the date that you submit the claim for indemnity in accordance with section 14(e) (Your Duties).
- (i) A delinquent debt for any policy will make you ineligible to obtain crop insurance authorized under the Act for any subsequent crop year and result in termination of all policies in accordance with section 2(i)(2).
- (1) With respect to ineligibility:
    - (i) Ineligibility for crop insurance will be effective on:
      - (A) The date that a policy was terminated in accordance with section 2(i)(2) for the commodity for which you failed to pay premium, an administrative fee, or any related interest owed, as applicable;
      - (B) The payment due date contained in any notification of indebtedness for any overpaid indemnity if you fail to pay the amount owed, including any related interest owed, as applicable, by such due date; or
      - (C) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a written payment agreement if you fail to pay the amount owed by any payment date in any agreement to pay the debt.
    - (ii) If you are ineligible and a policy has been terminated in accordance with section 2(i)(2), you will not receive any indemnity payment and such ineligibility and termination of the policy may affect your eligibility for benefits under other USDA programs. Any indemnity payment that may be owed for the policy before it has been terminated will remain owed to you, but may be offset in accordance with section 2(h), unless your policy was terminated in accordance with sections 2(i)(2)(i)(A), (B) or (D).
  - (2) With respect to termination:
    - (i) Termination will be effective on:
      - (A) For a policy with unpaid administrative fees or premiums, the termination date immediately subsequent to the billing date for the crop year (For policies for which the sales closing date is prior to the termination date, such policies will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the sales closing date and no insurance will be considered to have attached for the crop year and no indemnity payment will be owed);
      - (B) For a policy with other amounts due, the termination date immediately following the date you have a delinquent debt (For policies for which the sales closing date is prior to the termination date, such policies will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the sales closing date and no insurance will be considered to have attached for the crop year and no indemnity payment will be owed);
      - (C) For all other policies that are issued by us under the authority of the Act, the termination date that coincides with the termination date for the policy with the delinquent debt or, if there is no coincidental termination date, the termination date immediately following the date you become ineligible; or
      - (D) For execution of a written payment agreement and failure to make any scheduled payment, the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment (for this purpose only, the crop year will start the day after the termination date and end on the next termination date, e.g., if the termination date is November 30 and you fail to make a payment on November 15, 2018, your policy will terminate on November 30, 2017, for the 2018 crop year).<sup>201</sup>
    - (ii) For all policies terminated under sections 2(i)(2)(i)(A), (B), or (D), any indemnities paid subsequent to the termination date must be repaid.
    - (iii) Once the policy is terminated, it cannot be reinstated for the current crop year unless:
      - (A) The termination was in error.
      - (B) The Administrator of the Risk Management Agency, at his or her sole discretion, determines that the following are met:
        - (1) In accordance with 7 CFR part 400, subpart U, and FCIC issued procedures, you provide documentation that your failure to pay your debt is due to an unforeseen or unavoidable event or an extraordinary weather event that created an impossible situation for you to make timely payment;
        - (2) You remit full payment of the delinquent debt owed to us or FCIC with your request submitted in accordance with section 2(i)(2)(iii)(B)(3); and
        - (3) You submit a written request for reinstatement of your policy to us no later than 60 days after the termination date or the missed payment date of a

- previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date the due date specified in the notice to you of the amount due, if applicable.
- (i) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined ineligible, and you will be entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and
  - (ii) There is no evidence of fraud or misrepresentation; or
- (C) We determine that, in accordance with 7 CFR part 400, subpart U, and FCIC issued procedures, the following are met:
- (1) You can demonstrate:
    - (i) You made timely payment for the amount of premium owed but you inadvertently omitted some small amount, such as the most recent month's interest or a small administrative fee;
    - (ii) The amount of the payment was clearly transposed from the amount that was otherwise due (For example, you owed \$892 but you paid \$829); or
    - (iii) You timely made the full payment of the amount owed but the delivery of that payment was delayed and was postmarked no more than seven calendar days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date the due date specified in a notice to you of a the notice to you of an amount due, as applicable.
  - (2) You remit full payment of the delinquent debt owed to us; and
  - (3) You submit a written request for reinstatement of your policy to us in accordance with 7 CFR part 400, subpart U and applicable procedures no later than 30 days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in the notice to you of the amount due, if applicable; and
  - (4) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined ineligible, and you will be entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and
  - (5) There is no evidence of fraud or misrepresentation.
    - (iv) A determination made in section 2(i)(2)(iii)(B) exhausts all administrative remedies for purposes of termination.
- (3) To regain eligibility, you must:
- (i) Repay the delinquent debt in full;
  - (ii) Execute a written payment agreement, in accordance with 7 CFR, part 400, subpart U, or successor regulation, and make payments in accordance with the agreement; or
  - (iii) Have your debts discharged in bankruptcy.
- (4) After you become eligible for crop or livestock insurance, if you want to obtain coverage for your crops or livestock, you must submit a new application on or before the sales closing date for the commodity (Since applications for crop insurance cannot be accepted after the sales closing date, if you make any payment after the sales closing date, you cannot apply for insurance until the next crop year).
- (5) For example, for the 2011 crop year, if crop A, with a termination date of October 31, 2010, and crop B, with a termination date of March 15, 2011, are insured and you do not pay the premium for crop A by the termination date, you are ineligible for crop insurance as of October 31, 2010, and crop A's policy is terminated as of that date. Crop B's policy does not terminate until March 15, 2011, and an indemnity for the 2010 crop year may still be owed. If you enter into a written payment agreement on September 25, 2011, the earliest date by which you can obtain crop insurance for crop A is to apply for crop insurance by the October 31, 2011, sales closing date and for crop B is to apply for crop insurance by the March 15, 2012, sales closing date. If you fail to make a payment that was scheduled to be made on April 1, 2012, your policy will terminate as of October 31, 2011, for crop A, and March 15, 2012, for crop B, and no indemnity, prevented planting payment or replanting payment will be due for that crop year for either crop. You will not be eligible to apply for crop insurance for any crop until after the amounts owed are paid in full or you have your debts discharged in bankruptcy.
- (6) If you are determined to be ineligible under section 2(i), persons with a substantial beneficial interest in you may also be ineligible until you become eligible again.
- (7) A determination made under:
- (i) Section 2(i)(2)(iii)(B) may only be appealed to the National Appeals Division in accordance

with 7 CFR part 11; and

(ii) Section 2(i)(2)(iii)(C) may only be appealed in accordance with section 20.

(j) In cases where there has been a death, disappearance, judicially declared incompetence, or dissolution of any insured person:

(1) If any married individual insured dies, disappears, or is judicially declared incompetent, the named insured on the policy will automatically convert to the name of the spouse if:

(i) The spouse was included on the policy as having a substantial beneficial interest in the named insured; and

(ii) The spouse has a share of the commodity/crop.

(2) The provisions in section 2(j)(3) will be applicable if:

(i) Any partner, member, shareholder, etc., of an insured entity dies, disappears, or is judicially declared incompetent, and such event automatically dissolves the entity; or

(ii) An individual, whose estate is left to a beneficiary other than a spouse or left to the spouse and the criteria in section 2(j)(1) are not met, dies, disappears, or is judicially declared incompetent.

(3) If section 2(j)(2) applies and the death, disappearance, or judicially declared incompetence occurred:

(i) More than 30 days before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or

(ii) Thirty days or less before the cancellation date, or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:

(A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and

(B) Any indemnity, will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.

(4) If any insured entity is dissolved for reasons other than death, disappearance, or judicially declared incompetence:

(i) Before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or

(ii) On or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the

cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:

(A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and

(B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.

(5) If section 2(j)(2) or (4) applies, a remaining member of the insured person or the beneficiary is required to report to us the death, disappearance, judicial incompetence, or other event that causes dissolution not later than the next cancellation date, except if section 2(j)(3)(ii) applies, notice must be provided by the cancellation date for the next crop year. If notice is not provided timely, the provisions of section 2(j)(2) or (4) will apply retroactive to the date such notice should have been provided and any payments made after the date the policy should have been canceled must be returned.

(k) We may cancel your policy if no premium is earned for 3 consecutive years.

(l) The cancellation date is June 30 for all insurance periods.

(m) When obtaining additional coverage, you must provide information regarding crop insurance coverage on any crop previously obtained at any other local FSA office or from an approved insurance provider, including the date such insurance was obtained and the amount of the administrative fee.

(n) Any person may sign any document relative to crop insurance coverage on behalf of any other person covered by such a policy, provided that the person has a properly executed power of attorney or such other legally sufficient document authorizing such person to sign. You are still responsible for the accuracy of all information provided on your behalf and may be subject to the consequences in section 12, and any other applicable consequences, if any information has been misreported.

### 3. Insurance Coverages

(a) Your gross margin guarantee, deductible, and maximum premium for the insurance period are as shown on your summary of insurance.

(b) You must select a deductible by the sales closing date.

(c) You may only select one deductible that is applicable for all target marketings.

(d) Target marketings must be submitted on our form by the sales closing date for each insurance period in which you desire coverage. If target marketings are not submitted by the sales closing date, your target marketings for the insurance period will be zero.

(e) Target marketings for any month of an insurance period cannot be greater than the approved target

marketings for that insurance period. Your target marketings are due at the time of application in the initial insurance period and your target marketings report is due by the sales closing date in subsequent insurance periods.

- (f) No indemnity will be owed, but you will still be responsible for any premiums owed, if we find that your marketing report:
  - (1) Is not supported by written verifiable records in accordance with the definition of marketing report; or
  - (2) Fails to accurately report actual marketings or other material information.
- (g) Coverage can be purchased from the time during the sales period or as otherwise specified in the Special Provisions. Coverage is not available for purchase if expected milk and feed prices are not available on the RMA website.
- (h) Sales of LGM may be suspended for the next sales period if unforeseen and extraordinary events occur that interfere with the effective functioning of the corn, soybean meal, or milk commodity markets. Evidence of such events may include, but is not limited to, consecutive limit down moves in the milk futures markets or limit up moves in the corn and soybean meal contracts.

#### 4. Causes of Loss Covered

This policy provides insurance only for the difference between the actual gross margin and the gross margin guarantee due to natural occurrences. This policy does not insure against the death or other loss or destruction of your dairy cattle, or against any unexpected decline in milk production, or in other loss or damage of any kind whatsoever.

#### 5. Premium

- (a) The premium (gross premium less premium subsidy paid on your behalf by FCIC) is earned and payable at the time coverage begins.
- (b) You are only eligible for premium subsidy if you target market in two (2) or more months of an insurance period.
- (c) Payment of premium with a check that has been returned for insufficient funds will result in your target marketings being reduced to zero for each month of the insurance period and you will have no coverage for milk under this policy.
- (d) The premium amount is shown on your summary of insurance.
- (e) Premium owed by you will be offset from an indemnity due you. The date of payment for the purpose of determining whether you have a delinquent debt will be the date that you submit the claim for indemnity.
- (f) If you qualify as a beginning farmer or rancher; or Veteran Farmer or rancher, your premium subsidy will be 10 percentage points greater than the premium subsidy that you would otherwise receive, unless otherwise specified in the Special Provisions.
- (g) You will be ineligible for any premium subsidy paid on your behalf by FCIC for any policy issued by us if:
  - (1) USDA determines you have committed a violation of the highly erodible land conservation or wetland conservation provisions of 7 CFR part 12 as

- amended by the Agricultural Act of 2014; or
- (2) You have not filed form AD-1026 with FSA for the reinsurance year by the premium billing date.
  - (i) Notwithstanding section 5(g)(2), you may be eligible for premium subsidy without having a timely filed form AD-1026:
    - (A) For the initial reinsurance year if you certify by the premium billing date for your policy that you meet the qualifications as outlined in FCIC approved procedures for producers who are new to farming, new to crop insurance, a new entity, or have not previously been required to file form AD-1026; or
    - (B) If FSA approves relief for failure to timely file due to circumstances beyond your control or failure to timely provide adequate information to complete form AD-1026 in accordance with the provisions contained in 7 CFR part 12.
  - (ii) To be eligible for premium subsidy paid on your behalf by FCIC, it is your responsibility to assure you meet all the requirements for:
    - (A) Compliance with the conservation provisions specified in section 5(g)(1) of this section; and
    - (B) Filing form AD-1026, or successor form, to be properly identified as in compliance with the conservation provisions specified in section 5(g)(1) of this section.

#### 6. Insurance Period

- (a) Coverage begins on your milk on the first day of the second calendar month following the month of the sales closing date, unless otherwise specified in the Special Provisions. For example for the contract with a sales closing date in January, coverage will begin on March 1.
- (b) Coverage ends at the earliest of:
  - (1) The last month of the insurance period in which you have target marketings.
  - (2) As otherwise specified in the policy.
  - (3) If the end date is on a Saturday, Sunday, or federal holiday or, if for any reason the relevant report is not available to us for that day or any other day of the ending period, then the actual ending value will be based on the most recent reports made prior to that date.

#### 7. Determining Indemnities

- (a) In the case of a payable loss on insured milk, we will send you a notice of probable loss approximately ten days after all actual gross margins applicable for the insurance period are released by RMA. You must submit a marketing report, within 15 days of your receipt of the notice of probable loss.
- (b) In the event of loss covered by this policy, we will settle your claim by subtracting the actual total gross margin from the gross margin guarantee. If the result is greater than zero, an indemnity will be paid. Under no circumstances will the indemnity be greater than your total target marketings multiplied by the three-day average CME Group Class III milk futures price established at the beginning of the insurance period.
- (c) In the event that the total of actual marketings are

less than 75 percent of the total of targeted marketings for the insurance period, indemnities will be reduced by the percentage by which the total of actual marketings for the insurance period fell below the total of target marketings for the period.

#### **8. Conformity to Food Security Act**

Although your violation of a number of federal statutes, including the Act, may cause cancellation or termination of the policy or may cause the policy to become void, you should be specifically aware that your policy will be canceled if you are determined to be ineligible to receive benefits under the Act due to violation of the controlled substance provisions (title XVIII) of the Food Security Act of 1985 (Pub. L. 99-198) and the regulations promulgated under the Act by USDA. . Your policy will be canceled if you are determined, by the appropriate agency, to be in violation of these provisions. We will recover any and all monies paid to you or received by you during your period of ineligibility, and your premium will be refunded, less a reasonable amount for expenses and handling not to exceed 20 percent of the total premium.

#### **9. Amounts Due Us**

- (a) Interest will start to accrue on the premium billing date if the check for premium is returned for insufficient funds at the rate of 1.25 percent simple interest per calendar month, on any unpaid amount due us.
- (b) For the purpose of any other amounts due us, such as repayment of indemnities found not to have been earned, interest will start to accrue on the date that notice is issued to you for the collection of the unearned amount. Amounts found due under this paragraph will not be charged interest if payment is made within 30 days of issuance of the notice by us. The amount will be considered delinquent if not paid within 30 days of the date the notice is issued by us.
- (c) All amounts paid will be applied first to expenses of collection, if any, second, to the reduction of accrued interest, and then to the reduction of the principal balance.
- (d) If we determine that it is necessary to contract with a collection agency or to employ an attorney to assist in collection, you agree to pay all the expenses of collection.
- (e) Amounts owed to us by you may be collected in part through administrative offset from payments you receive from United States government agencies in accordance with 31 U.S.C. chapter 37.

#### **10. Legal Action Against Us**

- (a) You may not bring legal action against us unless you have complied with all of the policy provisions.
- (b) If you do take legal action against us, you must do so within 12 months after denial of your claim. Suit must be brought in accordance with the provisions of 7 U.S.C. 1508(j).
- (c) Under no circumstances will we be liable for the payment of damages (compensatory, punitive, or other), attorneys' fees, or other charges in connection with any claim for indemnity, whether we approve or disapprove such claim.

#### **11. Payment and Interest Limitations**

We will pay simple interest computed on the net indemnity ultimately found to be due by us or by a final judgment of a court of competent jurisdiction, from and including the 61st day after the date you sign, date, and submit to us the properly completed marketing report. Interest will be paid only if the reason for our failure to timely pay is **NOT** due to your failure to provide information or other material necessary for the computation or payment of the indemnity. The interest rate will be that established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) and published in the Federal Register semiannually on or about January 1 and July 1 of each year, and may vary with each publication.

#### **12. Concealment, Misrepresentation or Fraud**

- (a) If you have falsely or fraudulently concealed the fact that you are ineligible to receive benefits under the Act or if you or anyone assisting you has concealed or misrepresented any material fact relating to this Policy:
  - (1) This policy will be void; and
  - (2) You may be subject to remedial sanctions in accordance with 7 CFR part 400, subpart R.
- (b) Voidance of this policy will result in you having to reimburse all indemnities paid for the insurance period.
- (c) Voidance will be effective on the first day of the insurance period for the crop year in which the act occurred and will not affect the policy for subsequent insurance periods unless a violation of this section also occurred in such insurance periods.
- (d) Even though this policy is void, you will still be required to pay the administrative and operating expenses contained on your premium statement to offset costs incurred by us in the service of this policy.
- (e) If you are convicted of a felony for knowingly defrauding the government in connection with this policy, you will be permanently debarred from participation of any program administered by the U.S. Department of Agriculture. The Secretary may reduce the period of debarment to not less than 10 years.

#### **13. Transfer of Coverage and Right to Indemnity**

If you transfer any of your milk during the insurance period, you may transfer your coverage rights, if the transferee is eligible for crop or livestock insurance.

- (a) We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred.
- (b) The transfer of coverage rights must be on our form and will not be effective until approved by us in writing.
- (c) Both you and the transferee are jointly and severally liable for the payment of the premium.
- (d) The transferee has all rights and responsibilities under this policy consistent with the transferee's interest.
- (e) If the transferee is not eligible for livestock insurance for any reason, and the transfer occurs

before the final 30 days of the insurance period, then the transferred portion of the coverage will be terminated and no premium for that portion will be refunded.

#### 14. Assignment of Indemnity

- (a) You may assign your right to an indemnity for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation. You may be required to provide proof of the debt or other pecuniary obligation before we will accept the assignment of indemnity.
- (b) All assignments must be on our form and must be provided to us. Each assignment form may contain more than one creditor or other person to whom you have a financial debt or other pecuniary obligation.
- (c) Unless you have provided us with a properly executed assignment of indemnity, we will not make any payment to a lienholder or other person to whom you have a financial debt or other pecuniary obligation even if you may have a lien or other assignment recorded elsewhere. Under no circumstances will we be liable:
  - (1) To any lienholder or other person to whom you have a financial debt or other pecuniary obligation where you have failed to include such lienholder or person on a properly executed assignment of indemnity provided to us; or
  - (2) To pay to all lienholders or other persons to whom you have a financial debt or other pecuniary obligation any amount greater than the total amount of indemnity owed under the policy.
- (d) If we have received the properly executed assignment of indemnity form:
  - (1) Only one payment will be issued jointly in the names of all assignees and you; and
  - (2) Any assignee will have the right to submit all loss notices and forms as required by the policy.
- (e) If you have suffered a loss from an insurable cause and fail to file a claim for indemnity within the period specified in section 7(a), the assignee may submit the claim for indemnity not later than 15 days after the period for filing a claim has expired. We will honor the terms of the assignment only if we can accurately determine the amount of the claim. However, no action will lie against us for failure to do so.

#### 15. Descriptive Headings

The descriptive headings of the various policy provisions are formulated for convenience only and are not intended to affect the construction or meaning of any of the policy provisions.

#### 16. Notices

- (a) All notices required to be given by you must be in writing and received by the insurance agent identified in your application within the designated time unless otherwise provided by the notice requirement. Notices required to be given immediately may be by telephone or in person and confirmed in writing. Time of the notice will be determined by the time of our receipt of the written notice. If the date by which you are required to submit a report or notice falls on Saturday, Sunday,

or a federal holiday, or if your agent's office is, for any reason, not open for business on the date you are required to submit such notice or report, such notice or report must be submitted on the next business day.

- (b) All policy provisions, notices and communications required to be sent by us to you will be:
  - (1) Provided by electronic means, unless:
    - (i) We do not have the ability to transmit such information to you by electronic means; or
    - (ii) You elect to receive a paper copy of such information;
  - (2) Sent to the location specified in your records with your crop insurance agent; and
  - (3) Will be conclusively presumed to have been received by you.

#### 17. Applicability of State and Local Statutes

If the provisions of this policy conflict with statutes of the state or locality in which this policy is issued, the policy provisions will prevail. State and local laws and regulations in conflict with federal statutes or regulations do not apply to this policy.

#### 18. Other Insurance

You must not obtain any other livestock insurance issued under the authority of the Act on the insured milk. If we determine that more than one policy on the milk is intentional, you may be subject to the sanctions authorized under this policy, the Act, or any other applicable statute. If we determine that the violation was not intentional, the policy with the earliest date of application will be in force and all other policies will be void. Nothing in this paragraph prevents you from obtaining other insurance not issued under the Act.

#### 19. Access to Insured Milk and Records, and Record Retention

- (a) We, and any employee of USDA, reserve the right to examine the dairy herd of the insured producer, and all records relating to sale of the milk as often as we reasonably require during the record retention period.
- (b) For three years after the end of the insurance period, you must retain, and provide upon our request, or the request of any USDA employee, complete records of the purchase, feeding (used to determine capacity only), shipment, sale, or other disposition of all the insured milk. This requirement also applies to the records to establish the basis for the marketing report for each insurance period. You must also provide upon our request, or the request of any USDA employee, separate records showing the same information from any milk not insured. We may extend the record retention period beyond three years by notifying you of such extension in writing. Your failure to keep and maintain such records will result in no indemnity being due and since the denial of indemnity is based on a breach of the policy for the insurance period, you will still be required to pay all premiums owed.
- (c) Any person designated by us, and any employee of USDA, will, at any time during the record retention period, have access:

- (1) To any records relating to this insurance at any location where such records may be found or maintained; and
- (2) To the farm.
- (d) By applying for insurance under the authority of the Act or by continuing insurance for which you previously applied, you authorize us, or any person acting for us, to obtain records relating to the insured milk from any person who may have custody of those records including, but not limited to, packers, banks, shippers, sale barns, terminals, cooperatives, associations, and accountants. You must assist us in obtaining all records that we request from third parties.

## 20. Arbitration

- (a) If you and we fail to agree on any determination made by us, the disagreement may be resolved through mediation in accordance with section 20(f). If resolution cannot be reached through mediation, or you and we do not agree to mediation, the disagreement must be resolved through arbitration in accordance with the rules of the American Arbitration Association (AAA), except as provided in sections 20(c) and (e), and unless rules are established by FCIC for this purpose. Any mediator or arbitrator with a familial, financial or other business relationship to you or us, or our agent or loss adjuster, is disqualified from hearing the dispute.
  - (1) All disputes involving determinations made by us are subject to mediation or arbitration. However, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, either you or we must obtain an interpretation from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC.
    - (i) Any interpretation by FCIC will be binding in any mediation or arbitration.
    - (ii) Failure to obtain any required interpretation from FCIC will result in the nullification of any agreement or award.
    - (iii) An interpretation by FCIC of a procedure may be appealed to the National Appeals Division in accordance with 7 CFR part 11.
  - (2) Unless the dispute is resolved through mediation, the arbitrator must provide to you and us a written statement describing the issues in dispute, the factual findings, the determinations and the amount and basis for any award and breakdown by claim for any award. The statement must also include any amounts awarded for interest. Failure of the arbitrator to provide such written statement will result in the nullification of all determinations of the arbitrator. All agreements reached through settlement, including those resulting from mediation, must be in writing and contain at a minimum a statement of the issues in dispute and the amount of the settlement.

- (b) Regardless of whether mediation is elected:
  - (1) The initiation of arbitration proceedings must occur within one year of the date we denied your claim or rendered the determination with which you disagree, whichever is later;
  - (2) If you fail to initiate arbitration in accordance with section 20(b)(1) and complete the process, you will not be able to resolve the dispute through judicial review;
  - (3) If arbitration has been initiated in accordance with section 20(b)(1) and completed, and judicial review is sought, suit must be filed not later than one year after the date the arbitration decision was rendered; and
  - (4) In any suit, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, an interpretation must be obtained from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC. Such interpretation will be binding.
- (c) Any decision rendered in arbitration is binding on you and us unless judicial review is sought in accordance with section 20(b)(3). Notwithstanding any provision in the rules of the AAA, you and we have the right to judicial review of any decision rendered in arbitration.
- (d) If you disagree with any determination made by FCIC or any claim where FCIC is directly involved in the claims process or directs us in the resolution of the claim, you may obtain an administrative review in accordance with 7 CFR part 400, subpart J (administrative review) or appeal in accordance with 7 CFR part 11 (appeal).
  - (1) If you elect to bring suit after completion of any appeal, such suit must be filed against FCIC not later than one year after the date of the decision rendered in such appeal.
  - (2) Such suit must be brought in the United States district court for the district in which the insured acreage is located.
  - (3) Under no circumstances can you recover any attorney fees or other expenses, or any punitive, compensatory or any other damages from FCIC.
- (e) In any mediation, arbitration, appeal, administrative review, reconsideration or judicial process, the terms of this policy, the Act, and the regulations published at 7 CFR chapter IV, including the provisions of 7 CFR part 400, subpart P, are binding. Conflicts between this policy and any state or local laws will be resolved in accordance with section 17. If there are conflicts between any rules of the AAA and the provisions of your policy, the provisions of your policy will control.
- (f) To resolve any dispute through mediation, you and we must both:
  - (1) Agree to mediate the dispute;
  - (2) Agree on a mediator; and

- (3) Be present or have a designated representative who has authority to settle the case present, at the mediation.
- (g) Except as provided in section 20(h), no award or settlement in mediation, arbitration, appeal, administrative review or reconsideration process or judicial review can exceed the amount of liability established or which should have been established under the policy, except for interest awarded in accordance with section 11.
- (h) In a judicial review only, you may recover attorneys fees or other expenses, or any punitive, compensatory or any other damages from us only if you obtain a determination from FCIC that we, our agent or loss adjuster failed to comply with the terms of this policy or procedures issued by FCIC and such failure resulted in you receiving a payment in an amount that is less than the amount to which you were entitled. Requests for such a determination should be addressed to the following: USDA/RMA/Deputy Administrator of Compliance/ Stop 0806, 1400 Independence Avenue, SW., Washington, D.C. 20250-0806.

## 21. Contract Changes

- (a) We may change the terms of your coverage under this policy from year to year.
- (b) Any changes in policy provisions, amounts of insurance, premium rates, and program dates will be provided by us to your crop insurance agent not later than the contract change date. You may view the documents or request copies from your crop insurance agent.
- (c) You will be notified, in writing, of changes to the Basic Provisions and Special Provisions not later than 30 days prior to the cancellation date. Acceptance of changes will be conclusively presumed in the absence of notice from you to change or cancel your insurance coverage.
- (d) The contract change date is April 30.

## 22. Multiple Government Benefits

- (a) If you are eligible to receive an indemnity under this policy and are also eligible to receive benefits for the same loss under any other USDA program, you may receive benefits under both programs, unless specifically limited by the insurance contract or by law.
- (b) The total amount received from all such sources may not exceed the amount of your actual loss. The total amount of the actual loss is the difference between the fair market value of the insured commodity before and after the loss, based on your records and the highest amount of insurance available for the commodity.
- (c) FSA will determine and pay the additional amount due you for any applicable USDA program after first considering the amount of any insurance indemnity.

## 23. Correction of Errors

- (a) In addition to any other corrections allowed in your policy subject to section 23(b), we may correct:
  - (1) Within 60 days after the sales closing date, any incorrect information on your application or provided by the sales closing date, including

- identification numbers for you and any person with an substantial beneficial interest in you, to ensure that the eligibility information is correct and consistent with information reported by you to any USDA agency;
  - (2) Within 30 days after the acreage reporting date, information reported to reconcile errors in the information with correct information that has been determined by any USDA agency;
  - (3) Within 30 days of any subsequent correction of data by FSA, erroneous information corrected as a result of verification of information; and
  - (4) At any time, any incorrect information if the incorrect information was caused by electronic transmission errors by us or errors made by any agency within USDA in transmitting the information provided by you for purposes of other USDA programs.
- (b) Corrections may be made but will not take effect for the current crop year if the correction would allow you to:
- (1) Avoid ineligibility requirements for insurance or obtain a disproportionate benefit under the crop insurance program or any related program administered by the Secretary;
  - (2) Obtain, enhance, or increase an insurance guarantee or indemnity if a cause of loss exists or has occurred before any correction has been made, or avoid premium owed if no loss is likely to occur; or
  - (3) Avoid an obligation or requirement under any Federal or State law.