

## LIVESTOCK GROSS MARGIN FOR SWINE 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 FCIC nor the Risk Management Agency has the authority to revise, amend or otherwise alter this policy. In the event the Company cannot pay your loss, your claim will be settled in accordance with the provisions of this Policy and paid by FCIC. 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 of 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 and (2) these Basic Provisions, with (1) controlling (2).

### BASIC PROVISIONS TERMS AND CONDITIONS

#### 1. Definitions

**Act** – Title I of the Federal Crop Insurance Act (7 U.S.C. 1501-1524.)

**Actual Corn Price** - For months in which a CME Group corn futures contract expires, the actual corn price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME Group corn futures contract for that month expressed in dollars per bushel. For months when there is no expiring CME Group corn futures contract, the actual corn price is the weighted average of the prices on the nearest two contract months. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual corn price in April is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the corn futures contracts that expire in March and May. For the month of January, the actual corn price will equal two-thirds times the simple average of the daily settlement prices in the last three trading days prior to expiration of the December CME Group corn futures contract plus one-third times the simple average of the daily settlement prices in the last three trading days prior to expiration of the March CME Group corn futures contract.

**Actual Cost of Feed** - For farrow to finish operations, the actual cost of feed for each month equals 12 bushels times the actual corn price for that month plus 138.55 pounds divided by 2000 pounds per ton times the actual soybean meal price for that month, or as stated in the Special Provisions. For feeder pig finishing operations, the actual feed cost for each month equals 9 bushels times the actual corn price for that month plus 82 pounds divided by 2000 pounds per ton times the actual soybean meal price for that month, or as stated in the Special Provisions. For SEW pig finishing operations, the actual cost of feed for each

month equals 9.05 bushels times the actual corn price for that month plus 91 pounds divided by 2000 pounds per ton times the actual soybean price for that month, or as stated in the Special Provisions.

**Actual Gross Margin Per Month** - The actual gross margin per swine for a particular month multiplied by the actual marketings for that month.

**Actual Gross Margin Per Swine** - For farrow to finish operations, the actual swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the actual cost of feed three months prior to that month. For feeder pig and SEW pig finishing operations, the actual swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the actual cost of feed two months prior to that month. For example, the actual gross margin per swine for April for a farrow to finish operation is the actual swine price for April times 0.74, times 2.6 hundredweight, less the actual cost of feed for January. For feeder pig finishing operations or SEW pig finishing operations, the actual gross margin per swine for April is the actual swine price for April times 0.74, times 2.6 hundredweight, less the actual cost of feed for February.

**Actual Marketings** - The total number of slaughter-ready swine sold by you for slaughter for human or animal consumption in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of swine and determine approved target marketings.

**Actual Soybean Meal Price** - For months in which a CME Group soybean meal futures contract expires, the actual soybean meal price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME Group

soybean meal futures contract for that month expressed in dollars per ton. For months when there is no expiring CME Group soybean meal futures contract, the actual soybean meal price is the weighted average of the prices on the nearest two contract months. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual soybean meal price in April is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the soybean meal futures contracts that expire in March and May.

**Actual Swine Price** - For months in which a CME Group lean hog futures contract expires, the actual swine price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date for the CME Group lean hog futures contract for that month expressed in dollars per hundredweight. For months when there is no expiring CME Group lean hog futures contract, the actual swine price is the weighted average of the prices on the nearest two contract months. The weights depend on the time period between the month in question and the nearby contract months. For example, the actual swine price in March is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the lean hog futures contracts that expire in February and April.

**Actual Total Gross Margin** - The target marketings for each month of an insurance period multiplied by the actual gross margin per swine for each month of that insurance period and totaled.

**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 lesser of farm capacity or underwriting capacity for the six-month insurance period as determined by the insurance underwriter.

**Assignment of Indemnity** - A transfer of your policy rights, made on our form, and effective when approved by us whereby you assign your right to an indemnity payment to any party of your choice for the insurance period. 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.

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

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

**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.

**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 gross margin that you elect not to insure. Allowable deductible amounts range from zero to \$20 per swine in \$2 per swine increments.

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

**Expected Corn Price** - Expected corn prices for months in an insurance period are determined using three-day average settlement prices on CME Group corn futures contracts.

- (a) For months with unexpired corn futures contracts, the expected corn price is the simple average of the CME Group corn futures contract for that month during the expected price measurement period expressed in dollars per bushel. For example, for a sales closing month of February, the expected corn price for July equals the simple average of the daily settlement prices on the CME Group July corn futures contract during the expected price measurement period in February.
- (b) For months with expired corn futures contracts, the expected corn price is the simple average of daily settlement prices for the CME Group corn futures contract for that month expressed in dollars per bushel in the last three trading days prior to contract expiration. For example, for a sales closing month of March, the expected corn price for March is the simple average of the daily settlement prices on the CME Group March corn futures contract for the three trading days prior to sales closing.
- (c) For months without a corn futures contract, the futures prices used to calculate the expected corn price are the weighted average of the futures prices used to calculate the expected corn prices for the two surrounding months which have futures contract. The weights are based on the time difference between the month and the contract months. For example, for the March sales closing date, the expected corn price for June equals one-half times the simple average of the daily settlement prices on the CME Group May corn futures contract during the expected price measurement period in March plus one-half times the simple average of the daily settlement prices on the CME Group July corn futures contract during

the expected price measurement period in March. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Cost Of Feed** - For farrow to finish operations, the expected cost of feed for each month equals the sum of 12 bushels times the expected corn price for that month, plus 138.55 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month. For feeder pig finishing operations the expected cost of feed for each month equals the sum of 9 bushels times the expected corn price for that month, plus 82 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month. For SEW pig finishing operations the expected cost of feed for each month equals the sum of 9.05 bushels times the expected corn price for that month, plus 91 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month.

**Expected Gross Margin Per Month** - The expected gross margin per swine multiplied by the target marketings for each month of an insurance period.

**Expected Gross Margin Per Swine** - For farrow to finish operations, expected gross margin per swine is equal to the expected swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the expected cost of feed three months prior to that month. For feeder pig finishing operations or SEW pig finishing operations, the expected gross margin per swine is equal to the expected swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the expected cost of feed two months prior to that month. For example, the expected gross margin per swine for April for a farrow to finish operation is the expected swine price for April times 0.74, times 2.6 hundredweight, less the expected cost of feed for January. For a finishing operation, expected gross margin per swine for April is the expected swine price for April times 0.74, times 2.6 hundredweight, less the expected cost of feed for February.

**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** - Expected soybean meal prices for months in an insurance period are determined using three-day average settlement prices on CME Group soybean meal futures contracts.

(a) For months with unexpired soybean meal futures contracts, the expected soybean meal price is the simple average of the CME Group soybean meal futures contract for that month during the expected price measurement period in the month of the sales closing date expressed in dollars per ton. For example, for a sales closing date in February, the expected soybean meal price for July equals the simple

average of the daily settlement daily settlement prices on the CME Group July soybean meal futures contract during the expected price measurement period in February.

(b) For months with expired soybean meal futures contracts, the expected soybean meal price is the simple average of daily settlement prices for the CME Group soybean meal futures contract for that month expressed in dollars per ton in the last three trading days prior to sales closing. For example, for a sales closing date in March, the expected soybean meal price for March is the simple average of the daily settlement daily settlement prices on the CME Group March soybean meal futures contract over the last three trading days prior to sales closing.

(c) For months without a soybean meal futures contract, the futures prices used to calculate the expected soybean meal price are the weighted average of the futures prices used to calculate the expected soybean meal prices for the two surrounding months which have futures contracts. The weights are based on the time difference between the month and the contract months. For example, for the March sales closing date, the expected soybean meal price for June equals one-half times the simple average of the daily settlement prices on the CME Group May soybean meal futures contract during the expected price measurement period plus one-half times the simple average of the daily settlement prices on the CME Group July soybean meal futures contract during the expected price measurement period in March. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Swine Price** - Expected swine prices for months in an insurance period are determined using three-day average settlement prices on CME Group lean hog futures contracts.

(a) For months with unexpired lean hog futures contracts, the expected swine price is the simple average of the CME Group lean hog futures contract for that month during the expected price measurement period expressed in dollars per hundredweight. For example, for a sales closing date in February, the expected swine price for July equals the simple average of the daily settlement prices on the CME Group July lean hog futures contract during the expected price measurement period in February.

(b) For months without a lean hog futures contract, the futures prices used to calculate the expected swine price are the weighted average of the futures prices used to calculate the expected swine prices for the two

surrounding months which have futures contracts. The weights are based on the time difference between the month and the contract months. For example, for the March sales closing date, the expected swine price for September equals one-half times the simple average of the daily settlement prices on the CME Group August lean hog futures contract during the expected price measurement period in March plus one-half times the simple average of the daily settlement prices on the CME Group October lean hog futures contract during the expected price measurement period in March. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Total Gross Margin** - The target marketings times the expected gross margin per swine for each month of an insurance period and totaled.

**Farrow to Finish Operation** - A type of farm operation that covers all aspects of breeding, farrowing and raising swine to slaughter.

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

**Feeder Pig Finishing Operation** - A type of farm operation that specializes in the feeding of swine (feeder pigs) from a weight of approximately 50 pounds to slaughter.

**Gross Margin Guarantee** - The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible times the total of target marketings.

**Insurance Period** - The six-month period designated in the summary of insurance to which this policy is applicable. Swine are not insurable in the first month of any insurance period. See the LGM for Swine 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.

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

**Notice of Probable Loss** - Our notice to you of a probable loss on your insured swine.

**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 summary of insurance, the Commodity Exchange Endorsement, 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.

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

**Sales Closing Date** - The last day of the sales period 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 review of prices and rates and ends at 8:00 PM Central Time of the following day.

**SEW Pig Finishing Operation** - A type of farm operation that specializes in the feeding of swine (Segregated Early Weaned pigs) from the age of approximately 12 to 21 days to slaughter.

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

**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 swine owned is in a totally separate farming operation in accordance with FCIC procedures and the spouse derives no benefit from the swine farming operation of the insured or applicant.

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

**Swine** - Any species of domesticated mammal of the family *Suidae* commonly grown for pork production. Also referred to as hog or pig.

**Target Marketings** - Your determination as to the number of swine you elect to insure in each month during the insurance period. You can only report the number of swine in which you have a share.

**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.

**UCM** - FCIC's Underwriting Capacity Manager (UCM) web site. This is a facility through which FCIC manages underwriting capacity for livestock.

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

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

**Yield Factor** - The factor used to convert lean hog price, carcass price, to live hog price. The factor equals 0.74.

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

(a) Unless we are notified by FCIC that underwriting capacity for this plan of insurance is available, we will not accept your application or extend insurance for additional insurance periods. Sales for the year will be suspended or terminated if there is insufficient underwriting capacity.

(b) Your agent does not have authority to bind coverage under this policy. Coverage for the swine 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 there is sufficient underwriting capacity and we issue a written summary of insurance to you.

(2) This policy will be available for sale only on business days when FCIC's UCM web site is operational.

(c) 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 Swine Commodity Exchange Endorsement for additional detail on sales closing dates.

(d) 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.

(e) 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 4, FCIC may change the coverage provided from year to year.

(f) 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(f)(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 commodities 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(b)(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(b)(4) or (5):
    - (i) You must repay any indemnity, prevented planting payment or replant 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(b)(7)(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, prevented planting payment or replant payment 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(b)(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(b)(10)(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(b)(10)(i), the amount of coverage for all crops on the application will be reduced proportionately by the percentage interest of such person in you.
  - (g) 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.
  - (h) 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(m).
  - (i) 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).
  - (j) 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(j)(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(j)(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, prevented planting payment or replanting payment, if you fail to pay the amount owed, including any related interest owed, as applicable, by such due date;
        - (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; or
- (D) The termination date the policy was or would have been terminated under sections 2(j)(2)(i)(A), (B) or (C) if your bankruptcy petition is dismissed before discharge.
- (ii) If you are ineligible and a policy has been terminated in accordance with section 2(j)(2), you will not receive any indemnity, prevented planting payment or replanting payment, if applicable, and such ineligibility and termination of the policy may affect your eligibility for benefits under other USDA programs. Any indemnity, prevented planting payment or replanting 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(e), unless your policy was terminated in accordance with sections 2(j)(2)(i)(A), (B), (D) or (E).
- (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, prevented planting or replant 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, prevented planting or replant 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;
- (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, 2011, your policy will terminate on November 30, 2010, for the 2011 crop year); or
- (E) For dismissal of a bankruptcy petition before discharge, the termination date the policy was or would have been terminated under sections 2(j)(2)(i)(A), (B) or (C).
- (ii) For all policies terminated under sections 2(j)(2)(i)(A), (B), (D) or (E), 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 the termination was in error. Failure to timely pay because of illness, bad weather, or other such extenuating circumstances is not grounds for reinstatement in the current year.
- (3) To regain eligibility, you must:
- (i) Repay the delinquent debt in full;
- (ii) Execute a written payment agreement and make payments in accordance with the agreement (We will not enter into a written payment agreement with you if you have previously failed to make a scheduled payment under the terms of any other payment agreement with us or any other insurance provider); or
- (iii) File a petition to have your debts discharged in bankruptcy (Dismissal of the bankruptcy petition before discharge will terminate all policies in effect retroactive to the date your policy would have been terminated in accordance with section 2(j)(2)(i)).
- (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 replant 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 file a petition to discharge the debt in bankruptcy.
- (6) If you are determined to be ineligible under section 2(j), persons with a substantial beneficial interest in you may also be ineligible until you become eligible again.
- (k) 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(k)(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(k)(1) are not met, dies, disappears, or is judicially declared incompetent.

- (3) If section 2(k)(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(k)(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(k)(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(k)(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.

- (l) We may cancel your policy if no premium is earned for 3 consecutive years.
- (m) The cancellation date is June 30 for all insurance periods.
- (n) When obtaining additional coverage, you must provide information regarding crop insurance coverage on any commodity 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.
- (o) 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 6(g), and any other applicable consequences, if any information has been misreported.

### **3. Insurance Coverages**

- (a) Your gross margin guarantee, deductible amount, and maximum premium for the insurance period are as shown on your summary of insurance.
- (b) You must select a deductible amount by sales closing date.
- (c) You may only select one deductible amount 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) Under no circumstance will the total number of swine insured exceed 15,000 head in any insurance period, or 30,000 head in any insurance year.
- (h) Sales of LGM for Swine may be suspended if extraordinary events occur that interfere with the effective functioning of the corn, soybean meal, or lean hogs commodity markets as determined by FCIC. Evidence of such events may include, but is not limited to, consecutive limit down moves in the lean hog futures markets or consecutive limit up moves in the corn and soybean meal futures markets.

### **4. Causes of Loss Covered**

This policy provides insurance only for the difference between the actual gross margin and the gross margin guarantee caused by unavoidable natural occurrences, as required by the Act. This policy does not insure against the death or other loss or destruction of your swine, or against any other loss or damage of any kind whatsoever.

### **5. Premium**

- (a) The premium is earned and payable at the time coverage begins.
- (b) 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 swine under this policy.
- (c) The premium amount is shown on your summary of insurance.
- (d) 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.

### **6. Insurance Period**

- (a) Coverage begins on your swine on the first day of the second calendar month following the month of the sales closing date. 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 swine, 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 lean hog futures price established at the beginning of the insurance period multiplied by the assumed weight of the swine multiplied by the yield factor.
- (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 targeted 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 XVII) of the Food Security Act of 1985 (Pub. L. 99-198) and the regulations published at 7 CFR part 400, subpart F. 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, or any portion thereof, 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 of 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 for each insurance period in which the concealment, fraud or misrepresentation occurred; and
  - (2) You may be subject to remedial sanctions in accordance with 7 U.S.C. 1515(h) and 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 for which the voidance was effective.
- (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 20 percent of the premium that you would otherwise be required to pay 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 number of your swine 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**

You may assign to another party your right to an indemnity for the insurance period. The assignment must be on our form and will not be effective until approved in writing by us. The assignee will have the right to submit all loss notices and forms as required by the policy. If you have suffered a loss from an insurable cause and fail to file a marketing report within 15 days after you receive a notice of probable loss, the assignee may submit the marketing report not later than 15 days after the 15-day period 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 notices and communications required to be sent by us to you will be mailed to the address contained in the summary of insurance. Notice sent to such address will be conclusively presumed to have been received by you. You should advise us immediately of any change of address.

### **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 swine. If we determine that more than one policy on the swine 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 Swine and Records, and Record Retention**

- (a) We, and any employee of USDA, reserve the right to examine the insured swine, and all records relating to the breeding, farrowing, feeding, finishing, and sale of the swine 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, shipment, sale, or other disposition of all the insured swine. 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 swine 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 swine 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 which 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(g). 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 (f), 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 policy provision is considered a determination that is a matter of general applicability.
  - (iv) 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 31. 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) After the contract change date, all changes specified in section 4(b) will also be available upon request from your crop insurance agent. 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.