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LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK

2023 and Succeeding Crop Years

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UNITED STATES DEPARTMENT OF AGRICULTURE
FARM PRODUCTION AND CONSERVATION
RISK MANAGEMENT AGENCY
KANSAS CITY, MO 64133

TITLE: LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK	**NUMBER: FCIC - 20060** **OPI: Product Administration & Standards Division**
EFFECTIVE DATE: 2023 and Succeeding Crop Years	**ISSUE DATE: May 27, 2022**
SUBJECT: **Provides the procedures and instructions for administering the Livestock Gross Margin for Cattle (LGM-Cattle) Plan of Insurance**	**APPROVED:** ***/s/ Richard Flournoy*** **Deputy Administrator for Product Management**

REASON FOR ISSUANCE

This handbook is being issued to provide procedures and instructions for administering the Livestock Gross Margin for Cattle Plan of Insurance for the 2023 and succeeding crop years.

SUMMARY OF CHANGES

Listed below are the changes to the 2023 FCIC Livestock Gross Margin for Cattle Handbook with significant content change. All changes, and additions are highlighted. Minor changes and corrections are not included in this listing. *** used throughout the handbook indicate where major deletions occurred.

Reference	Description of Change
LGM-Cattle Handbook	This is a new handbook so no changes noted.

LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK

CONTROL CHART

	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Page(s)	Date	Directive Number
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FILING INSTRUCTIONS

This handbook replaces FCIC-20060 Livestock Gross Margin for Cattle (LGM-Cattle) Handbook, dated June 2021. This handbook incorporates and replaces the Underwriting Rules, LGM Cattle, dated July 2020. This handbook incorporates and replaces the Premium Calculation Instruction, LGM Cattle, dated July 2020. This handbook is effective for the 2023 and succeeding crop years until obsoleted.

LIVESTOCK GROSS MARGIN FOR CATTLE (LGM-CATTLE) HANDBOOK

TABLE OF CONTENTS

PART 1: GENERAL INFORMATION AND RESPONSIBILITIES

1 General Information

A. Purpose and Objective

This handbook provides procedures for administering the LGM plan of insurance in accordance with the LGM Insurance Policy.

If there is a conflict between this handbook and the GSH or other FCIC approved handbook, this handbook controls. If there is a conflict between this handbook and the policy, the policy controls.

B. Source of Authority

The LGM is a privately-developed product submitted and approved by the FCIC Board of Directors in accordance with section 508(h) of the Federal Crop Insurance Act.

C. Title VI of the Civil Rights Act of 1964

The USDA prohibits discrimination against its customers. Title VI of the Civil Rights Act of 1964 provides that “No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.” Therefore, programs and activities that receive Federal financial assistance must operate in a non-discriminatory manner. Also, a recipient of RMA funding may not retaliate against any person because he or she opposed an unlawful practice or policy, or made charges, testified or participated in a complaint under Title VI.

It is the AIPs’ responsibility to ensure that standards, procedures, methods and instructions, as authorized by FCIC in the sale and service of crop insurance contracts, are implemented in a manner compliant with Title VI. Information regarding Title VI of the Civil Rights Act of 1964 and the program discrimination complaint process is available on the USDA public website at www.ascr.usda.gov. For more information on the RMA Non-Discrimination Statement see the DSSH.

D. Program Duration

LGM is available until cancelled by the FCIC Board of Directors.

E. AIP Option to Offer

In accordance with Section II. (a) (3) of the LPRA, AIPs are not required to offer LGM to producers. Accordingly, each AIP must determine whether it will offer the LGM in the approved area. AIPs that elect to offer the LGM must offer all LGM products to all eligible producers in the approved area and must administer the program according to the policies approved and issued by FCIC, procedures in this handbook and the provisions of Section II. (a) (3) of the LPRA.

F. Related Handbooks

The following table provides handbooks related to this handbook.

Handbook	Relation/Purpose
GSH	The duties and responsibilities identified in the GSH apply to LGM except as otherwise noted in Exhibit 3, Exhibit 4, Exhibit 5, Exhibit 6, and Exhibit 7.
DSSH	This handbook provides the official FCIC approved form standards and procedures for use in the sale and service of any eligible Federal crop insurance policy; required statements and disclosures. The duties and responsibilities identified in the DSSH apply to the LGM for applicable forms and procedures except as otherwise noted in Exhibit 3, Exhibit 4, Exhibit 5, Exhibit 6, and Exhibit 7.
ITSH	This handbook provides the official FCIC standards and instructions for use in administering the Ineligible Tracking System, identifying and notifying ineligible persons, and implementing RMA and AIP reinstatement.

2 Responsibilities

A. Insured's Responsibilities

To be eligible for LGM, the insured must comply with all terms and conditions of the LGM policy.

B. AIP Responsibilities

AIPs must use standards, procedures, methods and instructions as authorized by FCIC in the sale and service of crop insurance contracts. Each AIP is responsible for using FCIC approved procedure. AIPs should report any program issues or concerns to the Product Administration and Standards Division of RMA.

3-20 Reserved

PART 2: INSURABILITY

21 LGM for Cattle Underwriting Rules

The LGM for Cattle Insurance Policy provides insurance against the loss of gross margin (market value of cattle minus feed and feeder cattle costs) on the cattle described on the Application or Target Marketings Report.

A. Basic Principles

(1) These underwriting rules ("Rules") govern the LGM for Cattle Insurance Policy as offered by the FCIC under the authority of Section 523(b) of the Federal Crop Insurance Act, as amended (7 U.S.C. 1523(b)).

(2) The LGM for Cattle Insurance Policy is a livestock insurance product under the federal crop insurance program and is reinsured by the FCIC.

(3) The provisions of the Policy may not be waived or varied in any way by the crop insurance agent, field representative, or any other agent or employee of FCIC or the AIP.

(4) If any portion of these Rules is inconsistent with the LGM for Cattle Insurance Policy, then the rights and obligations of the insured and of the Company will be determined in accordance with the LGM for Cattle Insurance Policy.

B. Eligibility

(1) Only agricultural producers ("Producers") of cattle fed in all 50 states are eligible for the LGM for Cattle Insurance Policy.

(2) Eligibility for the LGM for Cattle Insurance Policy is determined exclusively by federal law and regulations promulgated, and as interpreted, by the FCIC and its Administrator, the USDA-RMA.

(3) The producer's Target Marketings may not be more than the producer's Approved Target Marketings. Approved Target Marketings will be the capacity of the producer's cattle operation for the 11-month insurance period as determined by the insurance provider. See Exhibit 4 for instructions to determine Target Marketings.

(4) You may not have any other FCIC reinsured livestock price policy covering the same class of livestock for any month for which the insured has declared target marketing or have any other FCIC reinsured livestock policy covering the same insured livestock at the same time.

C. Coverage

(1) The LGM for Cattle Policy provides insurance only for the difference between the Gross Margin Guarantee and the Actual Total Gross Margin based on a Producer's Target Marketings and futures prices prior to and during the insurance period. This Policy does not insure against death or other loss or destruction of cattle.

C. Coverage (Continued)

(2) There are twelve insurance periods in each calendar year. Each insurance period runs 11 months, and no cattle can be insured during the first month of any insurance period. Coverage begins on the insured's cattle one full calendar month following the SCD, unless otherwise specified in the Special Provisions. For example, for the contract with a SCD in January, coverage will begin on March 1.

(3) This is a continuous policy and will remain in effect following the acceptance of the original Application unless cancelled by the Insured or the Company in accordance with the terms of the Policy. After the initial insurance period, the producer must complete a Target Marketings Report by the SCD of the next insurance period to be eligible for coverage in that Insurance Period.

(4) The producer must elect the number of cattle to be insured during the Insurance Period (with the exception of the first month of any insurance period). This will be the producer's Target Marketings. Round Target Marketings to the nearest whole number.

(5) All cattle will be insured at 100% share.

(6) The Date of End of Insurance is 11 months after sales closing.

(7) The producer may choose deductible amounts from $0 per head to $150 per head in $10 increments. Each target marketings report can have a different deductible.

(8) The producer is only eligible for premium subsidy if they target market two (2) or more months of an insurance period. This is calculated for each target marketings report.

(9) Coverage may not be available in instances of a news report, announcement, or other event that occurs during or after trading hours that is believed by the Secretary of Agriculture, Manager of the RMA, or other designated staff of the RMA to result in market conditions significantly different than those used to rate the LGM for Cattle program. In these cases, coverage will no longer be offered for sale on the RMA Website. LGM for Cattle policy sales will resume, after a halting or suspension in sales, at the discretion of the Manager of RMA.

(10) Cattle insured in a yearling finishing operation are assumed to weigh 750 pounds (7.5 cwt) when they enter the feedlot, to weigh 1,250 pounds at slaughter (12.5 cwt), and to consume 50 bushels of corn. Cattle insured in a calf finishing operation are assumed to weigh 550 pounds (5.5 cwt) when they enter the feedlot, to weigh 1,150 pounds at slaughter (11.5 cwt), and to consume 52 bushels of corn.

D. Offset of Premium Prior to Billing Date

If the producer is entitled to an indemnity under the LGM policy or any other agricultural commodity policy insured with the AIP and it is:

(1) Prior to the premium billing date or for any endorsement that has not yet ended, the producer may request the premium and administrative fees to be offset from any indemnity payment due the producer; or

(2) On or after the premium billing date or for any endorsement that has ended, the producer's premium and administrative fees will be offset from any indemnity payment due to the producer.

E. Indemnity Reduction

In the event that the total of actual marketings are less than 75 percent of the total target 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 target marketings for the period.

F. Marketing Records

Marketing records can only be used for one endorsement.

(1) Example 1: Insured declared target marketings of 500 head of cattle for March 2023 on an endorsement purchased in November 2022. The insured also declared another 500 head of cattle for March 2023 on an endorsement purchased in December 2022. In March 2023, the insured marketed 500 head of cattle. They used those marketing records to prove actual marketings for the endorsement purchased in November 2022. They cannot reuse the same record to prove actual marketings for the endorsement purchased in December.

(2) Example 2: Insured declared target marketings of 500 head of cattle for March 2023 on an endorsement purchased in November 2022. The insured also declared another 500 head of cattle for March 2023 on an endorsement purchased in December 2022. In March 2023, the insured marketed 900 head of cattle. Of the marketed head of cattle, 500 will be considered as actual marketings for the purpose of determining indemnity for the endorsement purchased in November, and 400 head of cattle will be used as actual marketings for the purpose of determining indemnity for the endorsement purchased in December 2022.

A. Step by Step Instructions to Calculate Premium

(1) The premium is calculated by a determinant Monte Carlo simulation procedure. The procedure is determinant because the same random "draws" are used for every insured. Inputs into this simulation are projected monthly gross margin levels, 5,000 monthly gross margin draws, a marketing plan that shows the number of cattle marketed in each of ten months, and a deductible level.

(2) Let p(m) be per-head expected gross margin for month m, m = 2, 3, …, 11. Let h(m) be the number of cattle marketed in each month under the producer's marketing plan, m = 2, 3, …, 11. Let gm(i,m) denote simulated gross margin i, for month m; i = 1, 2, …, 5,000; m = 2, 3, …, 11. Let DL equal the deductible level. Let EMG equal the Expected Total Gross Margin. Let GMG equal the Gross Margin Guarantee for the insurance period. Let SGM equal the Simulated Total Gross Margin.

B. Step 1. Calculate Expected Total Gross Margin (EGM) and Gross Margin Guarantee (GMG)

$$\mathrm{EGM} = \sum_{m=2}^{11} \mathrm{p(m)} * \mathrm{h(m)} \text{(round to dollars and cents)}$$

$$\mathrm{CMG} = \mathrm{EGM} - \mathrm{DL} * \sum_{m=2}^{11} \mathrm{h(m)} \text{(round to dollars and cents)}$$

C. Step 2. Calculate ten month Simulated Total Gross Margins (SGM)

$$\mathrm{SGM(i)} = \sum_{m=2}^{11} \mathrm{gm(i,m)} * \mathrm{h(m)} \text{(round to dollars and cents)}$$

D. Step 3. Calculate simulated losses

loss(i) = max(GMG - SGM(i),0) (round to dollars and cents)

E. Step 4. Calculate premium

$$\text{premium} = \frac{1}{5000} \sum_{i=1}^{5000} \mathrm{loss(i)} \text{(round to dollars and cents)}$$

F. Step 5. Calculate total premium

total premium = 1.03*premium (round to whole dollar amount)

G. Step 6. Look up premium subsidy

Premium subsidy is given in the table below under step six, based on the deductible chosen and the numbers of months with insured marketings. Pooled coverage is when two or more months of an insurance period have insured marketings. Unpooled coverage is when only one month of an insurance period has insured marketings.

H. Step 7. Calculate producer Premium

Producer premium = Total premium*(1-Premium subsidy) (round to whole dollar amount)

I. Worked Example of Premium Calculation

Here are the data for the worked example for a February to December insurance period for yearlings. The deductible level used is $0.00.

Expected Gross Margins ($/head)

Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
p(2)	p(3)	p(4)	p(5)	p(6)	p(7)	p(8)	p(9)	p(10)	p(11)
223.45	240.92	211.39	191.38	160.89	163.84	144.31	165.78	207.88	239.65

Marketing Plan: Number of Insured Cattle

Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
h(2)	h(3)	h(4)	h(5)	h(6)	h(7)	h(8)	h(9)	h(10)	h(11)
100	100	0	0	200	200	0	0	100	100

First 10 rows of Simulated Gross Margins ($/head)

Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
205.37	195.27	142.79	97.53	114.66	166.39	167.11	191.83	206.49	205.08
321.92	392.24	302.19	226.54	183.38	177.96	160.96	203.15	244.06	279.25
263.05	333.50	254.45	183.00	123.76	105.15	149.90	231.11	366.45	502.48
210.06	233.27	190.16	155.14	172.88	240.44	262.79	302.11	362.70	410.95
196.37	225.38	195.71	167.13	125.11	127.18	101.19	125.10	166.66	190.04
331.21	348.83	389.50	432.60	401.84	409.69	399.11	418.66	502.10	577.80
212.36	194.63	119.39	53.76	68.24	117.30	89.74	121.30	90.05	44.64
271.75	365.53	318.38	275.75	145.88	62.66	33.34	88.89	215.26	336.78
190.92	154.99	177.38	211.29	202.91	222.23	195.45	187.58	152.99	103.48
189.70	169.43	160.98	161.36	213.89	303.59	325.81	314.48	313.11	309.09

J. Step 1. Calculate Expected Total Gross Margin and Gross Margin Guarantee

EGM = 223.45 * 100 + 240.92 * 100 + 211.39 * 0 + 191.38 * 0 + 160.89 * 200 + 163.84 * 200 + 144.31 * 0 + 165.78 * 0 + 207.88 * 100 + 239.65 * 100 = $156,136.00

GMG = 156,136.00 - 0.00 * (100 + 100 + 0 + 0 + 200 + 200 + 0 + 0 + 100 + 100) = $156,136.00

K. Step 2. Calculate Ten Month Simulated Total Gross Margins

As an example, for the first row of simulations:

SGM = 205.37 * 100 + 195.27 * 100 + 142.79 * 0 + 97.53 * 0 + 114.66 * 200 + 166.39 * 200 + 167.11 * 0 + 191.83 * 0 + 206.49 * 100 + 205.08 * 100 = $137,431.00

Here the results for the first 10 rows are shown.

Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	SGM
205.37	195.27	142.79	97.53	114.66	166.39	167.11	191.83	206.49	205.08	137,431
321.92	392.24	302.19	226.54	183.38	177.96	160.96	203.15	244.06	279.25	196,015
263.05	333.50	254.45	183.00	123.76	105.15	149.90	231.11	366.45	502.48	192,330
210.06	233.27	190.16	155.14	172.88	240.44	262.79	302.11	362.70	410.95	204,362
196.37	225.38	195.71	167.13	125.11	127.18	101.19	125.10	166.66	190.04	128,303
331.21	348.83	389.50	432.60	401.84	409.69	399.11	418.66	502.10	577.80	338,300
212.36	194.63	119.39	53.76	68.24	117.30	89.74	121.30	90.05	44.64	91,276
271.75	365.53	318.38	275.75	145.88	62.66	33.34	88.89	215.26	336.78	160,640
190.92	154.99	177.38	211.29	202.91	222.23	195.45	187.58	152.99	103.48	145,266
189.70	169.43	160.98	161.36	213.89	303.59	325.81	314.48	313.11	309.09	201,629

L. Step 3. Calculate Simulated Losses

The first 10 rows of calculations are shown.

SGM	Simulated Loss
137,431.00	18,705.00
196,015.00	0.00
192,330.00	0.00
204,362.00	0.00
128,303.00	27,833.00
338,300.00	0.00
91,276.00	64,860.00
160,640.00	0.00
145,266.00	10,870.00
201,629.00	0.00

M. Step 4. Calculate Premium

The average of all simulated losses equals $23,415.01

N. Step 5. Calculate Total Premium

Total premium = 1.03 * $23,415.01 = $24,117.46

O. Step 6. Look Up Premium Subsidy

Deductible	Subsidy for Pooled Coverage	Subsidy for Unpooled Coverage
$0.00	0.18	0.00
$10.00	0.20	0.00
$20.00	0.23	0.00
$30.00	0.27	0.00
$40.00	0.31	0.00
$50.00	0.36	0.00
$60.00	0.43	0.00
$70.00	0.50	0.00
$80.00	0.50	0.00
$90.00	0.50	0.00
$100.00	0.50	0.00
$110.00	0.50	0.00
$120.00	0.50	0.00
$130.00	0.50	0.00
$140.00	0.50	0.00
$150.00	0.50	0.00

In this example, since the producer chose a $0.00 deductible and had pooled coverage, the premium subsidy is 0.18 or 18%.

P. Step 7. Calculate Producer Premium

Producer premium = $24,117.46*(1-0.18) = $19,776.32, which is rounded to $19,776

23-99 (Reserved)

EXHIBITS

Exhibit 1 Acronyms and Abbreviations

The following table provides approved acronyms and abbreviations used in this handbook.

Approved Acronym/Abbreviation	Term
AIP	Approved Insurance Provider
CME	Chicago Mercantile Exchange
CWT	Hundredweight
DSSH	Document and Supplemental Standards Handbook
FCIC	Federal Crop Insurance Corporation
GSH	General Standards Handbook
ITSH	Ineligible Tracking System Handbook
LGM	Livestock Gross Margin
LPRA	Livestock Price Reinsurance Agreement
RMA	Risk Management Agency
SBI	Substantial Beneficial Interest
SCD	Sales Closing Date
USDA	United States Department of Agriculture

Exhibit 2 Definitions

The following are definitions of terms used in this handbook.

Actual cattle price: For the months of February, April, June, August, October, and December, the actual cattle 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 live cattle futures contracts. For the months of January, March, May, July, September, and November, the actual cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract that expire in the immediately surrounding months.

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 yearling finishing operations, the actual cost of feed for each month equals 50 bushels times the actual corn price for that month, or as stated in the Special Provisions. For calf finishing operations, the actual feed cost for each month equals 52 bushels times the actual corn price for that month, or as stated in the Special Provisions.

Actual Feeder Cattle Price: For months in which a CME Group feeder cattle futures contract expires, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date, expressed in dollars per cwt. For other months, the actual feeder cattle price is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the feeder cattle futures contracts that expire in the immediately surrounding months. For example, the actual feeder cattle price in February is the simple average of the daily settlement prices in the last three days prior to the contract expiration date of the feeder cattle futures contracts in January and March.

Actual gross margin per head: For yearling finishing operations, the actual gross margin equals the actual cattle price for the month cattle are marketed times the assumed weight of the cattle at marketing of 12.5 cwt, minus the actual cost of feed two months prior to that month, minus the actual feeder cattle price five months prior to that month times the assumed weight of feeder cattle of 7.5 cwt. For calf finishing operations, the actual gross margin equals the actual cattle price for the month cattle are marketed times the assumed weight of the cattle at marketing of 11.5 cwt, minus the actual cost of feed four months prior to that month, minus the actual feeder cattle price eight months prior to that month times the assumed weight of feeder cattle of 5.5 cwt. For example, the actual gross margin per cattle for April for a yearling finishing operation is the actual cattle price for April times 12.5 cwt, minus the actual cost of feed for February, minus the actual feeder cattle price for November times 7.5 cwt.

Actual gross margin per month: The actual gross margin per head of cattle for a particular month multiplied by the target marketings for that month.

<u>Actual marketings</u>: The total number of slaughter- ready cattle sold by the insured for slaughter for human or animal consumption in each month of the insurance period and for which the insured has proof of sale. Actual marketings are used to verify ownership of cattle and determine approved target marketings.

<u>Actual total gross margin</u>: The target marketings for each month of an insurance period multiplied by the actual gross margin per head for each month of that insurance period and totaled.

<u>Actuarial documents</u>: The information for the crop year which is available for public inspection in the insured's 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.

<u>Application</u>: The form required to be completed by the insured and accepted by the AIP before insurance coverage will commence.

<u>Approved target marketings</u>: 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.

<u>Assignment of indemnity</u>: A transfer of policy rights, made on our form, and effective when approved by us in writing, whereby you assign your right to an indemnity payment for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation.

<u>Beginning farmer or rancher</u>: 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 the insured's 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 SBI holder and all individual SBI holders qualify as a beginning farmer or rancher.

<u>Calf finishing operation</u>: A type of farm operation that purchases 550-pound calves and feeds them until slaughter.

<u>Cancellation date</u>: The calendar date specified in the actuarial documents on which coverage will automatically renew unless canceled in writing by either the insured or the AIP or terminated in accordance with the policy terms.

<u>Cattle</u>: Any species of domesticated mammal of the family *Bovidae* commonly grown for beef production. Also referred to as steer or heifer or cow.

<u>CME group</u>: The Chicago Mercantile Exchange Group.

<u>Commodity Exchange Endorsement for Cattle</u>: An endorsement that contains the exchange prices that is used to set the expected and actual prices for LGM Cattle.

<u>Company</u>: The insurance company identified on, and issuing, the insured's summary of insurance.

<u>Consent</u>: Approval in writing by the AIP allowing the insured to take a specific action.

<u>Contract change date</u>: The calendar date contained in the actuarial documents by which changes to the policy, if any, will be made available in accordance with section 20(d) of the LGM for Cattle Insurance Policy.

<u>Coverage</u>: The insurance provided by this policy against insured loss of gross margin as shown on the insured's summary of insurance.

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

<u>Date coverage begins</u>: The calendar date the insurance provided by this policy begins.

<u>Days</u>: Calendar days.

<u>Deductible</u>: The portion of the expected gross margin that the insured elects not to insure. Allowable deductible amounts range from zero to $150 per head in $10 per head increments.

<u>Delinquent debt</u>: Has the same meaning as the term defined in 7 CFR part 400, subpart U.

<u>End of insurance period, Date of</u>: The date upon which the insured's insurance provided by this policy ceases.

<u>Expected cattle price</u>: Expected cattle prices for months in an insurance period are determined using three-day average settlement prices on CME Group live cattle futures contracts. Given the differences in contract structure for CME Group live cattle futures contracts, only the February, April, June, August, October, and December CME Group live cattle futures are used in LGM price calculations. For months with unexpired live cattle futures contracts, the expected cattle price is the simple average of the daily settlement prices for the CME Group cattle futures contract for that month during the expected price measurement period for the sales period expressed in dollars per cwt. For example, for a sales period beginning on February 28, the expected cattle price for August equals the simple average of the daily settlement prices on the CME Group August live cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including February 28. For months without a live cattle futures contract, the futures prices used to calculate the expected cattle price are the weighted average of the futures prices used to calculate the expected cattle prices for the two surrounding months that have futures contracts. The weights are based on the time difference between the cattle month and the contract months. For example, for a sales period beginning on February 28,, the expected cattle price for November equals one-half times the simple average of the daily settlement prices on the CME Group October live cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including February 28, plus one-half times the simple average of the daily settlement prices on the CME Group December live cattle futures contract during the same expected price measurement period . See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.

<u>Expected corn price</u>: Expected corn prices for months in an insurance period are determined using three-day average settlement prices on CME Group corn futures contracts. For months with unexpired corn futures contracts, the expected corn price is the simple average of the daily settlement prices for the CME Group corn futures contract for that month during the expected price measurement period for the sales period expressed in dollars per bushel. For example, for a sales period beginning on April 28, 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 for the sales period which is the three trading days prior to and including April 28. 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 period beginning on April 28, the expected corn price for March is the simple average of the daily settlement prices on the CME Group March corn futures contract over the last three trading days prior to contract expiration. 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 a sales period beginning on April 28, the expected corn price for April equals one-half times the simple average of the daily settlement prices on the CME Group March corn futures contract over the last three trading days prior to contract expiration plus 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 for the sales period which is the three trading days prior to and including April 28. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.

<u>Expected cost of feed</u>: For yearling finishing operations, the expected cost of feed for each month equals 50 bushels times the expected corn price for that month. For calf finishing operations, the expected cost of feed for each month equals 52 bushels times the expected corn price for that month.

Expected feeder cattle price: Expected feeder cattle prices for months in an insurance period are determined using three-day average settlement prices on CME Group feeder cattle futures contracts. For months with unexpired feeder cattle futures contracts, the expected feeder cattle price is the simple average of the daily settlement prices for the CME Group feeder cattle futures contract for that month during the expected price measurement period for the sales period expressed in dollars per cwt. For example, for a sales period beginning on April 28, the expected feeder cattle price for May for a yearling finishing operation equals the simple average of the daily settlement prices on the CME Group May feeder cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including April 28. For months with expired feeder cattle futures contracts, the expected feeder cattle price is the simple average of daily settlement prices for the CME Group feeder cattle futures contract for that month expressed in dollars per cwt in the last three trading days prior to contract expiration. For example, for a sales period beginning on April 28, the expected feeder cattle price for March for a calf finishing operation is the simple average of the daily settlement prices on the CME Group March feeder cattle futures contract over the last three trading days prior to contract expiration. For months without a feeder cattle futures contract, the futures prices used to calculate the expected feeder cattle price are the weighted average of the futures prices used to calculate the expected feeder cattle prices for the two surrounding months that have futures contract. The weights are based on the time difference between the feeder cattle month and the contract months. For example, for a sales period beginning on April 28, the expected feeder cattle price for July for a calf finishing operation equals two-thirds times the simple average of the daily settlement prices on the CME Group August feeder cattle futures contract during the expected price measurement period for the sales period which is the three trading days prior to and including April 28 plus one-third times the simple average of the daily settlement prices on the CME Group May feeder cattle futures contract during the same expected price measurement period. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on exchange prices.

Expected gross margin per head: For yearling finishing operations, expected gross margin per head is equal to the expected cattle price for the month cattle are marketed times the assumed weight of the cattle at marketing of 12.5 cwt, or as stated in the Special Provisions, minus the expected cost of feed two months prior to that month, less the expected feeder cattle price five months prior to that month times the assumed weight of feeder cattle of 7.5 cwt. For calf finishing operations, expected gross margin per head is equal to the expected cattle price for the month cattle are marketed times the assumed weight of the cattle at marketing of 11.5 cwt, or as stated in the Special Provisions, minus the expected cost of feed four months prior to that month, less the expected feeder cattle price eight months prior to that month times the assumed weight of feeder cattle of 5.5 cwt. For example, the expected gross margin per head for April for a yearling finishing operation is the expected cattle price for April times 12.5 cwt, less the expected cost of feed for February, less the expected feeder cattle price times 7.5 cwt. For a calf finishing operation, expected gross margin per head for April is the expected cattle price for April times 11.5 cwt, less the expected cost of feed for December of the previous year, less the expected feeder cattle price for August of the previous year times 5.5 cwt.

Expected gross margin per month: The expected gross margin per cattle multiplied by the target marketings for each month of an insurance period.

Expected price measurement period: For each week in which sales occur, the three trading days prior to and including Thursday that is the beginning of the weekly sales period.

Expected total gross margin: The target marketings times the expected gross margin per head for each month of an insurance period and totaled.

Federal Crop Insurance Corporation: A wholly owned Government Corporation administered by RMA 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 times the total of target marketings.

Insurance period: The 11-month period designated in the summary of insurance to which this policy is applicable. Cattle are not insurable in the first month of any insurance period. See the LGM for Cattle Commodity Exchange Endorsement for additional detail on insurance periods.

Insured: The person 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.

Liability: The maximum amount payable on an Insurance period under this policy.

Limit movement: The maximum price change based on the CME group current daily price limit for commodity futures.

Limited resource farmer or rancher: Has the same meaning as the term defined by USDA at lrftool.sc.egov.usda.gov/LRP_Definition.aspx or successor website.

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

Marketing report: A report submitted by the insured on the AIP's form showing for each month the insured's actual marketings of cattle 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: The AIP's notice to the insured of a probable loss on the producer's insured cattle.

Offset: The act of deducting one amount from another amount.

Person: An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a State or a political subdivision or agency of a State. "Person" does not include the United States Government or any agency thereof.

Policy: The agreement between the insured and the AIP consisting of the LGM for Cattle Insurance Policy, the Special Provisions, the summary of insurance, the Commodity Exchange Endorsement, and the applicable regulations published in 7 CFR Chapter IV.

Premium: The amount the insured owes the AIP for this insurance coverage based on the insured's target marketings in accordance with section 5 of the LGM for Cattle Insurance Policy.

Premium billing date: The earliest date upon which the insured will be billed for insurance coverage based on the insured's target marketing report. The premium billing date is the earlier of the first day of the month following the last month of the insurance period in which the insured has target marketings or the billing date published in the actuarial documents. For example, if the insurance period is February-December, and the insured only has target marketings in March-May, the billing date is June 1.

Producer premium: The total premium minus the premium subsidy paid by FCIC.

Risk Management Agency: The Risk Management Agency, which operates the Federal crop insurance program on behalf of FCIC.

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

Sales closing date: The last day of the sales period by which the insured's completed application must be received by the AIP. Also, the last date by which the insured may change their insurance coverage for an insurance period.

Sales period: The period that begins on Thursday of each week when the coverage prices and rates are posted on RMA's website and ends on the following calendar day at 9:00 AM Central Time. Sales will not be available for purchase if the Thursday of the sales period is a federal holiday. The calendar date for Thursday of the sales period will be shown as the effective date in the actuarial documents.

Share: The lesser of the insured's 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.

Special provisions: The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area.

Substantial beneficial interest: An interest held by any person of at least ten percent in the insured (e.g., there are two partnerships that each have a 50 percent interest in the insured and each partnership is made up of two individuals, each with a 50 percent share in the partnership. In this case, each individual would be considered to have a 25 percent interest in the insured, and both the partnerships and the individuals would have a SBI in the insured. The spouses of the individuals would not be considered to have a SBI unless the spouse was one of the individuals that made up the partnership. However, if each partnership is made up of six individuals with equal interests, then each would only have an 8.33 percent interest in the insured and although the partnership would still have a SBI in the insured, the individuals would not for the purposes of reporting in section 2 of the LGM for Cattle Insurance Policy). The spouse of any individual applicant or individual insured will be presumed to have a SBI in the applicant or insured unless the spouses can prove they are legally separated or otherwise legally separate under the applicable State dissolution of marriage laws. Any child of an individual applicant or individual insured will not be considered to have a SBI in the applicant or insured unless the child has a separate legal interest in such person.

Summary of insurance: The AIP's statement to the insured, based upon their application, specifying the insured, the cattle, the target marketings, the gross margin guarantee, and the premium for an insurance period.

Target marketings: The insured's determination as to the number of cattle they elect to insure in each month during the insurance period. The insured can only report the number of cattle in which they have a share.

Target marketings report: A report submitted by the insured on the AIP's form showing for each month the insured's target marketings for that month.

Termination date: The calendar date upon which the insured's insurance ceases to be in effect because of nonpayment of any amount due the AIP under the policy, including premium.

__Veteran farmer or rancher__: (1) An individual who has served active duty in the United States Army, Navy, Marine Corps, Air Force, Space Force, or Coast Guard, including the reserve components; was discharged or released under conditions other than dishonorable; and:

(i) Has not operated a farm or ranch;

(ii) Has operated a farm or ranch for not more than 5 years; or

(iii) First obtained status as a veteran during the most recent 5-year period.

(2) A person, other than an individual, may be eligible for veteran farmer or rancher benefits if all SBI holders qualify as a veteran farmer or rancher in accordance with paragraph (1) of this definition; except in cases in which there is only a married couple, then a veteran or non-veteran spouse 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.

__Yearling finishing operation__: A type of farm operation that purchases yearling steers and heifers and feeds them until slaughter.

The following exhibits pertain to information the producer must provide to the AIP to obtain coverage under LGM for Cattle. Instructions must be provided for form completion.

The following forms will be necessary for sales of the LGM for Cattle Plan of Insurance:

A. Application

This form is filled out to apply for eligibility to purchase LGM for Cattle insurance. The application also includes the type of operation and target marketings for each month of the insurance period. No insurance attaches until the company sends the insured a written summary of insurance. See Exhibit 4 for example form and completion instructions.

B. Social Security Number and Employer Identification Number Reporting Form

See DSSH, Exhibit 23 for social security number and employer identification number reporting form standards. This form includes the social security numbers, employer identification numbers, and share of those with a 10 percent interest or more in the insurance entity and must accompany the application. The SBI is used to establish eligibility and to account for insurance limits.

C. Marketing Report

This form is submitted by the insured to show, for each month, the insured's actual marketings for that month of cattle insured under the 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. See Exhibit 5 for example form and completion instructions.

D. Notice of Probable Loss

This form notifies the insured of a probable loss on insured cattle at the end of the insurance period. See Exhibit 6 for example form and completion instructions.

E. Assignment of Indemnity

This form contains necessary information to assign any indemnity to a third party. The DSSH Exhibit 28 Assignment of Indemnity is amended as follows:

The second sentence in the opening paragraph "The assignment(s) applies for all acreage of the crop covered by the policy" is replaced with "The assignment(s) applies for all liability remaining on the livestock covered by the policy at the time the assignment is accepted by the AIP and any additional liability added for the crop year." See DSSH, Exhibit 28 for assignment of indemnity form standards.

F. Transfer of Right to an Indemnity

This form contains necessary information to transfer the right of an indemnity if the livestock or livestock product is sold prior to the end of insurance period to transfer any indemnity to the new owner (providing the new owner meets eligibility requirements). See Exhibit 7 for example form and completion instructions.

G. Power of Attorney

This form contains the necessary information authorizing one to act as another's attorney or agent. See DSSH, Exhibit 27 for power of attorney form standards.

EXAMPLE FORM

LIVESTOCK GROSS MARGIN FOR CATTLE INSURANCE
POLICY APPLICATION, TARGET MARKETINGS, AND CHANGE FORM

Policy # 1	State 2
Reinsurance Year 3	Page # 4 of

Applicant's Name 5	Agency Name 15	☐ New Applicant 22 ☐ Name Change ☐ Address Change ☐ Policy Cancellation *Reason for Cancellation ☐ Correct Spelling of Insured Name ☐ Other ☐ Transfer ☐ Additional Insurance Period ☐ Policy Change ☐ Correct Tax ID ☐ Cancellation ☐ In-House Transfer ☐ Add/Change Insured's Auth. Rep.*
Street or Mailing Address 6	Agency/Agent Street or Mailing Address 16	
City and State 7 Zip Code	City and State 17 Zip Code	
Applicant's E-Mail Address 8 Applicant's Fax #	Agent's E-Mail Address/Fax # 18	
Phone # 9	Phone # 19	**CERTIFICATION** 23 ☐ YES ☐ NO (a) I certify that the Target Marketings stated in this application reflect cattle that I own or plan to own and feed to finish weight using facilities that I control. ☐ YES ☐ NO (b) I certify that I control adequate facilities to feed and finish the number of cattle reflected by the Target Marketings stated in this application. ☐ YES ☐ NO (c) I understand that, in the event of a claim, my coverage will be reduced to the number of cattle sold and no premium will be refunded if the number of cattle sold is less than 75% of the Target Marketings stated in this application.
Tax Identification # 10 Check One ☐ SSN ☐ EIN ☐ Other 11	Agency Code 20	
Spouse's Tax ID # 12 Type of Entity 13	Applicant's Authorized Representative (Submit Completed Power of Attorney Form) 21	
Is applicant at least 18 years old? ☐ Yes ☐ No 14		

(Complete for Transfer Only) Current Insurer and Policy Number 24

☐ YES ☐ NO I REQUEST INSURANCE COVERAGE FOR ALL CATTLE SPECIFIED BELOW. (Complete for Application and Additional Insurance Periods) 25 — Effective Date 26

Type of Operation	County 27	Approved Marketings 28	Deductible ($/head) 29	30 Target Marketings by Month (Enter Month)									
				Month 2	Month 3	Month 4	Month 5	Month 6	Month7	Month 8	Month 9	Month 10	Month 11
Yearling Finishing													
Calf Finishing													

A. Required Statements (Substantive)

(1) "I understand Livestock Gross Margin for Cattle Insurance may not be purchased for the month immediately following the application date. I also understand that I will have no Livestock Gross Margin for Cattle Insurance coverage for the cattle described in this application unless the insurance company issues a written summary of insurance to me. I certify that the information on this application is complete and accurate; that none of the reasons for rejection in items 1 through 3 of the "Conditions of Acceptance" apply; and that I am aware of and understand the requirements of the Collection of Information and Data (Privacy Act), as well as all other provisions contained on this application."

(2) "Subject to the provisions of the Federal Crop Insurance Act, and the regulations issued under that Act, I hereby apply for insurance on the commodity as specified below for the effective year. I understand that the premium rates and insurance periods are on file and available for my inspection in my agent's office. I further understand that no insurance will be available on a commodity unless an application and target marketings form is completed and filed with my agent by the sales closing date, if applicable. I also further understand that, although insurance under this application is continuous from year to year, policy terms may change from crop year to crop year. These changes will be made by the contract change date."

A. Required Statements (Substantive) (Continued)

(3) "This insurance policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the provisions of the Federal Crop Insurance Act, (7 U.S.C. 1501 et seq.) (Act). All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act and may not be waived or varied in any way by any agent or employee of FCIC or the insurance provider. In the event we cannot pay your loss, your claim will be settled in accordance with the provisions of this policy and paid by FCIC. No state guarantee fund will be liable for your loss. Throughout this policy, "you" and "your" refer to the named insured shown on the application and "we," "us," and "our" refer to the insurance company providing insurance. 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."

(4) Conditions of Acceptance Statements

Note: See DSSH, Exh. 2

(5) Certification Statement

Note: See DSSH, Para. 502

(6) Privacy Act Statement

Note: See DSSH, Para. 501

(7) Nondiscrimination Policy Statement

Note: See DSSH, Para. 503

B. Required Signatures (Substantive)

(1) "Insured's Printed Name, Signature and Date" **31**

(2) "Agent's Printed Name, Signature and Date" **32**

(3) "Remarks" **33**

C. Policy Application, Target Marketings, and Change Form Instructions (All items on Example Form are Substantive)

(1) Policy #: Enter the policy number from the confirmation screen.

(2) State: Enter your state.

(3) Reinsurance Year: Enter the year in which coverage will end.

(4) Page # _ of _: Enter the number of the page and the number of pages of the complete application. For example, if four pages were used to complete the application and this is the second page, fill in Page # 2 of 4.

(5) Applicant's Name: Enter the applicant's name.

(6) Street or Mailing Address: Enter the applicant's street or mailing address.

(7) City, State, Zip Code: Enter the applicant's city, state, and zip code.

(8) Applicant's E-Mail Address/Fax: Enter the applicant's email address and fax number if available.

(9) Phone #: Enter the applicant's phone number.

(10) Tax Identification #: Enter the applicant's Tax ID number. This may be the same as the applicant's social security number. This information is used to report any loss payments to the IRS.

(11) Check One: SSN, EIN, Other: Check the type of Tax ID number used. SSN = social security number, EIN = employer identification number, or Other (If Other, specify type of identification number used).

(12) Spouse's Tax ID #: Enter the applicant's spouse's tax identification number.

(13) Type of Entity: State the applicant's type of business entity (individual, corporation, partnership).

(14) Is the applicant at least 18 years old? Check yes or no.

(15) Agency Name: Enter the insurance agency name.

(16) Agency/Agent Street or Mailing Address: Enter the street or mailing address.

(17) City and State, and Zip Code: Enter the city, state, and zip code of the insurance agency.

(18) Agent's E-mail Address/Fax#: Enter the e-mail address and fax number of the insurance agency.

C. Policy Application, Target Marketings, and Change Form Instructions (Continued)

(19) Phone #: Enter the phone number of the agency.

(20) Agency Code: Enter the agency code.

(21) Applicant's Authorized Representative: If applicable, enter the applicant's authorized representative. A completed Power of Attorney form must be submitted with the initial application.

(22) Check all that apply. If cancelling the policy, list the code of the reason for cancellation.
Cancellation Reason Codes

I	Insured's Request	D	Death, Incompetency, or Dissolution
M	Mutual Consent	O	Other (Please Explain)

(23) Certification: Check yes or no.

(24) (Complete for Transfer Only) Current Insurer and Policy Number: If transferring the LGM for Cattle Policy to a different insurance company, provide the name of the current insurer and the policy number. If not transferring, leave blank.

(25) Check yes if the applicant is requesting insurance coverage for the cattle specified in the target marketings portion of the application.

(26) Effective Date: Enter the calendar date for Thursday of the sales period.

(27) County: Enter the county where cattle are domiciled.

(28) Approved Marketings: Enter the applicant's number of approved marketings.

(29) Deductible: Enter the desired deductible amount per head of cattle. The range of allowable deductible amounts is from $0 per head to $150 per head, in $10 per head increments.

(30) Target Marketings by Month: If applying for coverage for a calf finishing operation, complete the target marketings for only the calf finishing coverage for the applicable insurance period. If applying for coverage for a yearling finishing operation, complete the target marketings for only the yearling finishing coverage for each insurance period. If applying for both yearling finishing and calf finishing coverage, complete both sections for each insurance period. Enter the target marketings for each month. If there are months when the applicant is not marketing cattle, enter a zero (0).

(31) Applicant's Signature and Date: The applicant must sign the form.

(32) Licensed Agent's Signature, Date and Agent's Code: The agent must sign the form.

(33) Remarks: Enter any remarks that should be known by the insurance company.

EXAMPLE FORM

LIVESTOCK GROSS MARGIN FOR CATTLE INSURANCE POLICY MARKETINGS REPORT

Policy # **1**	State **2**
Reinsurance Year **3**	Page # **4** of

Insured's Name **5**	
Street or Mailing Address **6**	
City and State **7**	Zip Code
Insured's E-Mail Address **8**	Insured's Fax #
Phone # **9**	
Tax Identification # **10**	**11** Check One ☐ SSN ☐ EIN ☐ Other (specify)
Spouse's Tax Identification # **12**	Type of Entity **13**
Is applicant at least 18 years old? ☐ Yes ☐ No **14**	

Insured's Initials

CONDITIONS 15

_____ (a) All of the information on this Marketing Report is true to the best of my knowledge.

_____ (b) I understand that falsifying information on this marketing report is a crime punishable by jail or fine.

_____ (c) Copies of all marketing receipts and claim statements are attached.

CERTIFICATION 16

☐ YES ☐ NO (a) I certify that the Actual Marketings stated in this marketing report reflect cattle that I have owned during the insurance period and have fed to finish weight using facilities that I control.

☐ YES ☐ NO (b) I certify that I control adequate facilities to feed and finish the number of cattle reflected by the Actual Marketings stated in this marketing report.

☐ YES ☐ NO (c) I understand that, in the event of a claim, my coverage will be reduced to the number of cattle sold and no premium will be refunded if the number of cattle sold is less than 75% of the Target Marketings stated in this application.

COPIES OF ALL MARKETING RECEIPTS AND CLAIM STATEMENTS FOR THE APPLICABLE MARKETING PERIOD MUST BE ATTACHED TO THIS MARKETING REPORT.

LIST ALL COVERED MARKETINGS

Type of Operation	County **17**	Approved Marketings **18**	Deductible ($ per head) **19**	**20** Actual Marketings By Month (enter month)									
				Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11
Yearling finishing													
Calf finishing													

Type of Operation	County	Approved Marketings	Deductible ($ per head)	Actual Marketings By Month (enter month)									
				Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11
Yearling finishing													
Calf finishing													

Type of Operation	County	Approved Marketings	Deductible ($ per head)	Actual Marketings By Month (enter month)									
				Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11
Yearling finishing													
Calf finishing													

A. Required Statements (Substantive)

(1) Certification Statement

Note: See DSSH, Para. 502

(2) Privacy Act Statement

Note: See DSSH, Para. 501

(3) Nondiscrimination Policy Statement

Note: See DSSH, Para. 503

B. Required Signatures (Substantive)

(1) "Insured's Printed Name, Signature and Date" **21**

(2) "AIP Verifier's Printed Name, Signature and Date" **22**

(3) "Remarks" **23**

C. Marketings Report Form Instructions (All items on Example Form are Substantive)

(1) Policy #: Enter the policy number from the confirmation screen.

(2) State: Enter your state.

(3) Reinsurance Year: Enter the year in which coverage will end.

(4) Page # _ of _: Enter the number of the page and the number of pages of the complete application. For example, if four pages were used to complete the application and this is the second page, fill in Page # 2 of 4.

(5) Insured's Name: Enter the insured's name.

(6) Street or Mailing Address: Enter the insured's street or mailing address.

(7) City, State, and Zip Code: Enter the insured's city, state, and zip code.

(8) Insured's E-Mail Address and Insured's Fax #: Enter the insured's email address and fax number if available.

(9) Phone #: Enter the insured's phone number.

(10) Tax Identification #: Enter the insured's tax identification number. This number may be the same as the insured's social security number (SSN), employer tax identification number (EIN), or other similar tax identification number.

(11) Check one: Check the type of tax identification number used. If Other is checked, please write in the type of tax identification used.

(12) Spouse's Tax Identification #: Enter the insured's spouse's tax identification number.

(13) Type of Entity: Fill in the insured's type of tax entity. For example, specify corporation, partnership, L.L.C, etc.

(14) Is the applicant at least 18 years old? Check yes or no.

(15) Conditions: Insured must enter his/her initials on the line preceding each condition.

(16) Certification: Check yes or no.

(17) County: Enter the county where the cattle are domiciled.

(18) Approved Marketings: Enter the insured's number of approved marketings.

C. Marketings Report Form Instructions (Continued)

(19) Deductible: Enter the desired deductible amount per head of cattle. The range of allowable deductible amounts is from $0 per head to $150 per head, in $10 per head increments.

(20) Actual Marketings by Month: If coverage is for a yearling finishing operation, complete the actual marketings only for the yearling finishing coverage for the applicable insurance period. If coverage is for a calf finishing operation, complete the actual marketings only for the calf finishing coverage for each insurance period. If the policy is for both yearling finishing and calf finishing coverage, complete both sections for each insurance period. Enter the actual marketings for each month. If there are months when the insured did not market cattle, enter a zero (0).

(21) Insured's Signature and Date: The insured must sign the form.

(22) AIP Verifier's Printed Name, Signature and Date.

(23) Remarks: Enter any information that claims adjusters or insurance companies should know.

EXAMPLE LIVESTOCK GROSS MARGIN FOR CATTLE INSURANCE
NOTICE OF PROBABLE LOSS

Policy Number 1	**Claim Number (Company Use)** 2

According to our records, you may be entitled to an indemnity under the above policy endorsement based on the information presented below. The calculation of the indemnity is shown in Section 4 below. In order to receive an indemnity, your signed Marketings Report and marketing receipts are required to certify that the terms and conditions ofthe policy have been met. Please contact your livestock insurance agent to receive a Marketings Report form or if the information shown in Sections 1, 2, or 3 is not correct.

Assignment of Indemnity? 3 Yes ☐ No ☐ Transfer of Right to Indemnity? **4** Yes ☐ No ☐

Section 1. INSURED

Insured's Name 5	SSN 6	EIN	
Name of Farm/Ranch or Business 7			
Street or Mailing Address 8			
City 9	County	State	Zip Code
Insured's Phone 10	Fax 1 1	E-mail Address 12	

Section 2. INSURANCE AGENCY

Insurance Agency Name **13**		Agency Code **14**
Insurance Agent's Name **15**		Agent's Code **16**
Street or Mailing Address **17**		
City **18**	State	Zip Code
Agent's Phone **19**	Fax **20**	E-mail Address **21**

Section 3. ASSIGNMENT OF INDEMNITY/ TRANSFER OF RIGHT TO INDEMNITY

Assignee's Name **22**	Assignee's SSN / EIN (*circle one and enter number*) **25**	
Street or Mailing Address **23**	Assignee's Phone **26**	Fax **27**
City **24**	State	Zip Code

Section 4. INDEMNITY CALCULATION

If the actual gross margin is less than the expected gross margin, an indemnity is due. Insurance Period: Eleven-Month Insurance Period Beginning______(Month, Year) **28**	Effective Date **29**

30 Target Marketings By Month
(enter month)

Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11

Probable Indemnity

Deductible **31**	Gross Margin Guarantee **32**	Actual Gross Margin **33**	Probable Indemnity **34**

A. Notice of Probable Loss Form Instructions (All items on Example Form are Substantive)

(1) Policy Number: Enter policy number.

(2) Claim Number: Enter claim number.

(3) Assignment of Indemnity: Check yes or no.

(4) Transfer of Right to Indemnity: Check yes or no.

(5) Insured's Name: Enter insured's name.

(6) SSN or EIN: Enter insured's social security number (SSN) or employer identification number (EIN).

(7) Name of Farm/Ranch or Business: Enter name of insured's farm/ranch or business.

(8) Street or Mailing Address: Enter insured's mailing address.

(9) City, County, State, and Zip Code: Enter insured's city, county, state, and zip code.

(10) Insured's Phone: Enter insured's phone number.

(11) Fax: Enter insured's fax number (if available).

(12) E-mail address: Enter insured's e-mail address (if available).

(13) Insurance Agency Name: Enter name of insurance agency.

(14) Agency Code: Enter the agency code.

(15) Insurance Agent's Name: Enter agent's name.

(16) Agent's Code: Enter agent's code.

(17) Street or Mailing Address: Enter street or mailing address of agency.

(18) City, State, and Zip Code: Enter city, state, and zip code of agency.

(19) Agent's Phone: Enter agency's phone number.

(20) Fax: Enter agency's fax number (if available).

(21) E-mail Address: Enter agency's e-mail address (if available).

(22) Assignee's Name: Enter name of assignee.

A. **Notice of Probable Loss Form Instructions (Continued)**

(23) Street or Mailing Address: Enter assignee's street or mailing address.

(24) City, State, and Zip Code: Enter city, state, and zip code of assignee.

(25) Assignee's SSN/EIN: Enter assignee's social security number (SSN) or employer identification number (EIN) and circle the type of number entered (SSN or EIN).

(26) Assignee's Phone: Enter assignee's phone number.

(27) Fax: Enter assignee's fax number (if available).

(28) Insurance Period: Enter month and year.

(29) Effective Date: Enter the calendar date for Thursday of the sales period.

(30) Target Marketings by Month: Enter number of head of target marketings.

(31) Deductible: Enter deductible amount per head of cattle.

(32) Gross Margin Guarantee: Enter gross margin guarantee.

(33) Actual Gross Margin: Enter actual gross margin.

(34) Probable Indemnity: Enter probable indemnity.

Exhibit 7 Transfer of Right to an Indemnity Form

TRANSFER OF RIGHT TO AN INDEMNITY EXAMPLE FORM

Policy Number	Crop Year	Effective Date of Transfer	Nature of Transfer
1	2	3	4

TRANSFEROR (INSURED)	TRANSFEREE (S)
Transferor Name 5	Transferee Name 8
Street or Mailing Address 6	Street or Mailing Address 9
City, State, Zip Code 7	City, State, Zip Code 10
	SSN/EIN (circle one and enter number) 11

12 Are all the insured cattle and all the insured share in the operation(s) being transferred?

Yes	Make checks payable to Transferee(s) only. Check will be mailed to Transferee's address shown above
No	Make check payable jointly to Insured and Transferee(s). Check will be mailed to Insured's address shown above (unless an assignmentof indemnity is on file.

Effective Date 13	Deductible ($ per head)	Target Marketings by Month (enter name of month and number of head)					Premium	Guarantee
		Month 2	Month 3	Month 4	Month 5	Month 6		
Total:	14	15					16	17
Transferred:	18	19					20	21
Retained:	22	23					24	25
		Target Marketings by Month (enter name of month and number of head)						
		Month 7	Month 8	Month 9	Month 10	Month 11		
							16	17
							20	21
							24	25

1. Acceptance by the Insurance Provider of the above-described transfer shall transfer the Insured's right to an indemnity to the above named Transferee subject to:
   a. Receipt by the Insurance Provider of satisfactory evidence that said transfer occurred before the end of the insurance period; i.e., (1) the last month of the insurance period in which you have target marketings, (2) the sale of the cattle, or (3) as otherwise specified in the policy.
   b. The terms of the above-identified insurance contract, including any outstanding assignment of indemnity made by the Transferor prior to the date of transfer.
   c. All other terms and provisions set forth herein.
2. The Insurance Provider shall not be liable for any more indemnity than existed before the transfer occurred.
3. The insurance contract of the Transferor covers the share hereby transferred only to the end of the insurance period for the current crop year.
4. The Transferee and the Transferor shall be jointly and severally liable for any unpaid premium earned for the current crop year on the acreage and share transferred.

The premium for the coverage has been paid. Yes ☐ No ☐ **26**

A. Required Statements (Substantive)

(1) "I, [INSERT TRANSFEREE'S NAME], the Transferee, understand that all billing statements will only be issued to [INSERT TRANSFEROR'S NAME], the Transferor. Due process/Ineligibility notification letters will be issued to both the transferee and transferor. Any unpaid premium and/or administrative fees on the termination date of the policy will make both the transferee and the transferor ineligible for the crop insurance program."

Note: This statement must appear above the signature line.

(2) Certification Statement

Note: See DSSH, Para. 502

(3) Privacy Act Statement

Note: See DSSH, Para. 501

(4) Nondiscrimination Policy Statement

Note: See DSSH, Para. 503

B. Required Signatures (Substantive)

(1) "Transferor's Printed Name, Signature and Date" **27**

(2) "Transferee's Printed Name, Signature and Date" **28**

(3) "Agent's Printed Name, Signature, Code Number and Date" **29**

C. Transfer of Right to an Indemnity Form Instructions (All items on Example Form are Substantive)

(1) Policy Number: Enter the policy number.

(2) Crop Year: Enter the current crop year.

(3) Effective Date of Transfer: Enter the date on which the transfer of right to an indemnity will be effective.

(4) Nature of Transfer: Enter the reason for the transfer of right to an indemnity.

(5) Transferor Name: Enter the name of the transferor (Insured).

(6) Street or Mailing Address: Enter the street or mailing address of the transferor.

(7) City, State, Zip Code: Enter the city, state, and zip code of the transferor.

C. Transfer of Right to an Indemnity Form Instructions (Continued)

(8) Transferee Name: Enter the name of the transferee(s).

(9) Street or Mailing Address: Enter the street or mailing address of the transferee(s).

(10) City, State, Zip Code: Enter the city, state, and zip code of the transferee(s).

(11) SSN/EIN: Circle the type of identification number as either a social security number (SSN) or employer identification number (EIN) and enter this identification number for the transferee(s).

(12) Are all the insured cattle and all the insured share in the livestock being transferred? Check yes or no.

(13) Effective Date: Enter the calendar date of Thursday of the sales period.

(14) Deductible: Enter deductible amount per head of cattle.

(15) Total Target Marketings: Enter the total target marketings (in number of head) for each month of the insurance period.

(16) Total Premium: Enter the total premium for the insurance period.

(17) Total Guarantee: Enter the total guarantee for the insurance period.

(18) Transferred Deductible: Enter the deductible for the transferred livestock.

(19) Transferred Target Marketings: Enter the target marketings (in number of head) being transferred for each month of the insurance period.

(20) Transferred Premium: Enter the premium for the transferred target marketings.

(21) Transferred Guarantee: Enter the guarantee for the transferred target marketings.

(22) Retained Deductible: Enter deductible amount per head of cattle of the retained livestock.

(23) Retained Target Marketings: Enter the target marketings (in number of head) that are retained for each month of the insurance period.

(24) Retained Premium: Enter the premium for the retained target marketings.

(25) Retained Guarantee: Enter the guarantee for the retained target marketings.

(26) The premium for the coverage has been paid: Check yes or no.

C. Transfer of Right to an Indemnity Form Instructions (Continued)

(27) Transferor’s Printed Name, Signature and Date: The transferor must sign the form.

(28) Transferee’s Printed Name, Signature and Date: The transferee must sign the form.

(29) Agent’s Printed Name, Signature, Code Number and Date: The agent must sign the form.