

## **LIVESTOCK GROSS MARGIN INSURANCE POLICY UNDERWRITING RULES**

The Livestock Gross Margin Insurance Policy provides insurance against the loss of gross margin (market value of Swine minus feed costs) on the Swine described on the Application or Target Marketings Report.

### **A. Basic Principles**

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

### **B. Eligibility**

1. Only agricultural producers (“Producers”) of swine fed in the counties of Adair, Adams, Allamakee, Appanoose, Audubon, Benton, Black Hawk, Boone, Bremer, Buchanan, Buena Vista, Butler, Calhoun, Carroll, Cass, Cedar, Cerro Gordo, Cherokee, Chickasaw, Clarke, Clay, Clayton, Clinton, Crawford, Dallas, Davis, Decatur, Delaware, Des Moines, Dickinson, Dubuque, Emmet, Fayette, Floyd, Franklin, Fremont, Greene, Grundy, Guthrie, Hamilton, Hancock, Hardin, Harrison, Henry, Howard, Humboldt, Ida, Iowa, Jackson, Jasper, Jefferson, Johnson, Jones, Keokuk, Kossuth, Lee, Linn, Louisa, Lucas, Lyon, Madison, Mahaska, Marion, Marshall, Mills, Mitchell, Monona, Monroe, Montgomery, Muscatine, O’Brien, Osceola, Page, Palo Alto, Plymouth, Pocahontas, Polk, Pottawattamie, Poweshiek, Ringgold, Sac, Scott, Shelby, Sioux, Story, Tama, Taylor, Union, Van Buren, Wapello, Warren, Washington, Wayne, Webster, Winnebago, Winneshiek, Woodbury, Worth, and Wright counties in Iowa are eligible for the Livestock Gross Margin Insurance Policy.
2. Eligibility for the Livestock Gross Margin Insurance Policy is determined exclusively by federal law and regulations promulgated, and as interpreted, by the FCIC and its Administrator, the United States Department of Agriculture Risk Management Agency.
3. The producer’s Target Marketings may not be more than the producer’s Approved Target Marketings. Approved Target Marketings will be the lesser of the capacity of the producer’s swine operation for the six-month insurance period as determined by the insurance provider and the underwriting capacity limit as stated in the special provisions.

### **C. Coverage**

1. The Livestock Gross Margin Policy provides insurance only for the difference between the Gross Margin Guarantee and the Actual Total Gross Margin based on a Producer’s Target Marketings and

futures prices prior to and during the insurance period. This Policy does not insure against death or other loss or destruction of Swine.

2. There are twelve insurance periods in each calendar year. Each insurance period runs six months and no swine can be insured the first month of any insurance period Coverage begins on your swine one full calendar month following the sales closing date, unless otherwise specified in the Special Provisions, provided premium for the coverage has been paid in full. For example for the contract with a sales closing date of January 31<sup>st</sup>, coverage will begin on March 1<sup>st</sup>.
3. This is a continuous policy and will remain in effect following the acceptance of the original Application unless cancelled by the Insured or the Company in accordance with the terms of the Policy. After the initial insurance period the producer must complete a Target Marketings Report by the Sales Closing Date of the next insurance period to be eligible for coverage in that Insurance Period.
4. The producer must elect the number of Swine 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 swine will be insured at 100% share.
6. The Date of End of Insurance is six months after sales closing.
7. The producer may select Coverage Level Percentages of 80%, 85%, 90%, 95%, or 100% to apply to all Target Marketings.
8. The producer's premium is due with the signed application for coverage in the initial insurance period and with the completed target marketings report in any subsequent insurance period.
9. Coverage may not be available in instances of a news report, announcement, or other event that occurs during or after trading hours that is believed by the Secretary of Agriculture, Manager of the Risk Management Agency, or other designated staff of the Risk Management Agency, to result in market conditions significantly different than those used to rate the LGM program. In these cases, coverage will no longer be offered for sale on the RMA Website. LGM sales will resume, after a halting or suspension in sales, at the discretion of the Manager of RMA.
9. All swine are assumed to be marketed at 260 pounds. This number will be expressed in hundredweight as 2.6 cwt. Swine insured in a Farrow to Finish operation are assumed to consume 12.95 bushels of corn and 184.89 pounds of soybean meal. Swine insured in an operation that Finishes Feeder Pigs are assumed to consume 10.41 bushels of corn and 149.46 pounds of soybean meal. Swine insured in an operation that finishes Segregated Early Weaned Pigs are assumed to consume 11.03 bushels of corn and 167.18 pounds of soybean meal.
10. You must not enter into any transaction that would have the effect of converting any portion of the premium subsidy provided by FCIC into funds available for your use or the use of any person affiliated with you. Such transactions include covering the insured livestock or livestock product by taking an offsetting position on the commodity futures or options markets. While there are several possible examples of offsetting transactions, the most obvious are the selling (writing) of a combination of a CME Lean Hog put option contracts on the insured swine and CBOT corn and soybean meal call option contracts.