



United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Risk
Management
Agency

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October 15, 2010

INFORMATIONAL MEMORANDUM: PM-10-055

TO: All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

FROM: Tim B. Witt /s/ *Tim B. Witt*
Deputy Administrator

SUBJECT: 2011 Reinsurance Year Livestock Gross Margin for Dairy Cattle Revisions

BACKGROUND:

The Federal Crop Insurance Corporation's (FCIC) Board of Directors (Board) approved revisions of the Livestock Gross Margin for Dairy Cattle (LGM-Dairy) plan of insurance on August 12, 2010. The revisions were requested by Iowa Agricultural Insurance Innovations, Inc. the owners of the LGM plans of insurance. The Board approved the following revisions of LGM-Dairy:

- **Revised timing of premium payment** - Premium for LGM-Dairy will now be due at the end of the coverage period rather than at the time of purchase.
- **Subsidy** – A premium subsidy will be available for those policies that insure multiple months during the insurance period. The subsidy amount will be determined by a dollar deductible selected by the policyholder (to range from \$0-\$2, in \$.10 increments). Policyholders choosing a \$0 deductible will receive a lower premium subsidy (18 percent) and those choosing the highest deductible of \$2 will receive a higher premium subsidy (50 percent).
- **Adjustment of feed loads** - Based on information provided by the National Milk Producers Federation, feed values have been updated.
- **Permit higher deductibles** - The maximum dollar denominated deductible has been increased from \$1.50 to \$2.

ACTION:

The following 2011 reinsurance year LGM-Dairy materials will be available by close of business Monday, October 18, 2010, and may be accessed on the RMA website from the Livestock page at: <http://www.rma.usda.gov/livestock/>



The Risk Management Agency Administers
And Oversees All Programs Authorized Under
The Federal Crop Insurance Corporation

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Material

- LGM-Dairy Basic Provisions
- LGM-Dairy Commodity Exchange Endorsement (CEE)
- LGM-Dairy Premium Calculation Instructions
- LGM-Dairy FAQ
- LGM-Dairy Underwriting Rules

The revised 2011 reinsurance year LGM-Dairy plan of insurance will be available for sale on or after December 17, 2010.

Interested producers will need to contact a crop insurance agent and complete an application, which will be submitted through an approved insurance provider. The Risk Management Agency (RMA) has published on its website a list of agents authorized by their insurance providers to write livestock insurance. The address of the website is: www.rma.usda.gov/.

To find the LGM premium calculator on the RMA web-site (the revisions are only applicable to LGM-Dairy insurance contracts purchased on or after December 17, 2010):

Go to:	Tools and Calculators
Click on	Cost Estimator, 2011 and beyond

DISPOSAL DATE:

December 31, 2010.