

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

The Livestock Gross Margin 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 Livestock Gross Margin for Cattle 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 for Cattle Insurance Policy is a livestock insurance product under the federal crop insurance program and is reinsured by the Federal Crop Insurance Corporation.
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 for Cattle Insurance Policy, then the rights and obligations of the insured and of the Company will be determined in accordance with the Livestock Gross Margin for Cattle Insurance Policy.

### **B. Eligibility**

1. Only agricultural producers (“Producers”) of cattle fed in the states of Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming are eligible for the Livestock Gross Margin for Cattle Insurance Policy.
2. Eligibility for the Livestock Gross Margin for Cattle 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 cattle operation for the 11-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 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.
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 your cattle one full calendar month following the sales closing date, unless otherwise specified in the Special Provisions, provided the premium for the coverage has been paid in full. For example, for the contract with a sales closing date of January 31, 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 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 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 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 Livestock Gross Margin for Cattle program. In these cases, coverage will no longer be offered for sale on the Risk Management Agency Website. Livestock Gross Margin for Cattle policy sales will resume, after a halting or suspension in sales, at the discretion of the Manager of Risk Management Agency.
10. Cattle insured in a yearling finishing operation are assumed to weigh 750 pounds (7.5 hundredweight) when they enter the feedlot, to weigh 1,250 pounds at slaughter (12.5 hundredweight), and to consume 57.5 bushels of corn. Cattle insured in a calf finishing operation are assumed to weigh 550 pounds (5.5 hundredweight) when they enter the feedlot, to weigh 1,150 pounds at slaughter (11.5 hundredweight), and to consume 54.5 bushels of corn.
11. 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 live cattle put option contract on the insured cattle and call options on the CME feeder cattle contract and the CBOT corn contracts.