



United States Department of Agriculture
Farm and Foreign Agricultural Services
Risk Management Agency

May 9, 2002

INFORMATIONAL MEMORANDUM: R&D-02-022

TO: All Reinsured Companies
All Risk Management Agency Field Offices
All Other Interested Parties

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

SUBJECT: Livestock Risk Protection (LRP) Insurance Policy Materials

BACKGROUND:

On November 15, 2001, the Federal Crop Insurance Corporation's (FCIC) Board of Directors approved the Livestock Risk Protection (LRP) insurance policy, which was submitted by the American Agri-Business Insurance Company (AABIC).

The LRP program is available in all counties in Iowa and protects producers against the risk of a decline in hog prices. Producers may choose insurance periods of 90, 120, 150, or 180 days and a variety of coverage prices, which will vary daily in accordance with commodity market conditions. Premium rates will also change daily.

LRP's daily coverage prices, rates, and actual ending values (actual ending values become available at the end of each insurance period) may be viewed on RMA's web site at: www.rma.usda.gov/.

Go to: Tools/Calculators
Scroll to: Livestock Risk Protection Insurance
Click on: Daily LRP Coverage Prices, Rates, and Actual Ending Values

To obtain coverage under LRP, producers must submit an application. Once an application is accepted, the company will assign a policy number and the producer may activate coverage at any time by applying for a Specific Coverage Endorsement (SCE). The SCE provides coverage for a group of hogs that will reach a target weight within one of the periods of time specified above.



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

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More than one SCE may be purchased each year. Also, different insurance periods and coverage prices may be elected. The maximum amount of insurance that may be purchased per person is limited to 10,000 hogs under any one SCE, and a total of 32,000 hogs in any one crop year.

Producers interested in LRP should contact a crop insurance agent and complete an application, which will be submitted through the approved insurance provider to FCIC. Since there are certain training requirements for this product, the Risk Management Agency (RMA) will publish on its website a list of Agents authorized by the approved insurance providers to write livestock insurance.

Because the Federal Crop Insurance Act limits the amount of livestock insurance that may be reinsured each year, RMA must review SCE applications and provide an approval number to the company before coverage can be bound. RMA has developed a web-based computer program for this purpose, which operates on a real-time basis. RMA will track total sales and, if necessary, close sales of new and renewed policies when the annual underwriting capacity for livestock insurance, as authorized by the Federal Crop Insurance Act, has been obligated. Insurance will attach immediately upon RMA's confirmation of acceptance of the application.

LRP insurance purchases must be executed through crop insurance agents. However, the RMA premium calculator will be available in approximately two weeks on the RMA web site for general information purposes. To access the LRP premium calculator on the web-site:

- Go to: Tools/Calculators
- Scroll to: Premium Calculation Software for 2000 and succeeding years (Online Version) - Calculate Premiums
- Click on: Calculate Premiums

Companies intending to sell LRP must first sign the Livestock Price Reinsurance Agreement (LPRA), which will be issued by RMA's Reinsurance Services Division separately. Agents must be specifically authorized by their company to sell LRP insurance.

The first day on which applications for LRP may be submitted to RMA will be announced in the Manager's Bulletin releasing the LPRA.

ACTION:

The LRP materials listed below have been placed on the RMA website. The materials placed there include the following:

<u>Material</u>	<u>Comment</u>
Basic Policy	http://www.rma.usda.gov/policies/2003policy.html
Specific Coverage Endorsement	http://www.rma.usda.gov/policies/2003policy.html

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Underwriting Rules <http://www.rma.usda.gov/policies/2003LRP.html>

LRP Handbook <http://www.rma.usda.gov/data/directives.html>

Draft Data Layouts-e-DAS <http://www.rma.usda.gov/data/m13/>

Premium Calculation <http://www.rma.usda.gov/policies/2003LRP.html>

Instructions

Special Provisions <http://www.rma.usda.gov/tools> (click on “Search the Actuarial Document System”)

DISPOSAL DATE:

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2002.