

## LIVESTOCK GROSS MARGIN FOR SWINE INSURANCE POLICY

Throughout the policy "you" and "your" refer to the named insured shown on the summary of insurance and "we", "us", and "our" refer to the Company. 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.

This policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the authority of sections 508(h) and 523(b) of the Federal Crop Insurance Act, as amended (7 U.S.C. §§ 1508(h) and 1523(b)). The provisions of the policy may not be waived or varied in any way by any crop insurance agent of the Company. Neither FCIC nor the Risk Management Agency has the authority to revise, amend or otherwise alter this policy. In the event the Company cannot pay your loss, your claim will be settled in accordance with the provisions of this Policy and paid by FCIC. No state insurance guarantee fund will be liable to pay your loss.

Agreement to Insure: In return for the payment of the premium, and subject to all of the provisions of this policy, we agree to pay you the difference between the gross margin guarantee and the actual total gross margin, as determined by policy provisions, for the insurance period identified in your Summary of Insurance. If a conflict exists among the policy provisions, the order of priority is as follows: (1) The Special Provisions and (2) these Basic Provisions, with (1) controlling (2).

### BASIC PROVISIONS TERMS AND CONDITIONS

#### 1. Definitions

**Act** - The Federal Crop Insurance Act (7 U.S.C. 1501 *et seq.*)

**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 farrow to finish operations, the actual cost of feed for each month equals 12 bushels times the actual corn price for that month plus 138.55 pounds divided by 2000 pounds per ton times the actual soybean meal price for that month, or as stated in the Special Provisions. For feeder pig finishing operations, the actual feed cost for each month equals 9 bushels times the actual corn price for that month plus 82 pounds divided by 2000 pounds per ton times the actual soybean meal price for that month, or as stated in the Special Provisions. For SEW pig finishing operations, the actual cost of feed for each month equals 9.05 bushels times the actual corn price

for that month plus 91 pounds divided by 2000 pounds per ton times the actual soybean price for that month, or as stated in the Special Provisions.

**Actual Gross Margin Per Month** - The actual gross margin per swine for a particular month multiplied by the actual marketings for that month.

**Actual Gross Margin Per Swine** - For farrow to finish operations, the actual swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the actual cost of feed three months prior to that month. For feeder pig and SEW pig finishing operations, the actual swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the actual cost of feed two months prior to that month. For example, the actual gross margin per swine for April for a farrow to finish operation is the actual swine price for April times 0.74, times 2.6 hundredweight, less the actual cost of feed for January. For feeder pig finishing operations or SEW pig finishing operations, the actual gross margin per swine for April is the actual swine price for April times 0.74, times 2.6 hundredweight, less the actual cost of feed for February.

**Actual Marketings** - The total number of slaughter-ready swine sold by you for slaughter for human or animal consumption in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of swine and determine approved target marketings.

**Actual Soybean Meal Price** - For months in which a CME Group soybean meal futures contract expires, the actual soybean meal 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 soybean meal futures contract for that month expressed in dollars per ton. For months when there is

no expiring CME Group soybean meal futures contract, the actual soybean meal 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 soybean meal 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 soybean meal futures contracts that expire in March and May. .

**Actual Swine Price** - For months in which a CME Group lean hog futures contract expires, the actual swine 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 lean hog futures contract for that month expressed in dollars per hundredweight. For months when there is no expiring CME Group lean hog futures contract, the actual swine 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 swine price in March is the simple average of the daily settlement prices in the last three trading days prior to the contract expiration date of the lean hog futures contracts that expire in February and April..

**Actual Total Gross Margin** - The target marketings for each month of an insurance period multiplied by the actual gross margin per swine for each month of that insurance period and totaled.

**Application** - The form required to be completed by you and accepted by us before insurance coverage will commence.

**Approved Target Marketings** - 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 lesser of farm capacity or underwriting capacity for the six-month insurance period as determined by the insurance underwriter.

**Assignment of Indemnity** - A transfer of your policy rights, made on our form, and effective when approved by us whereby you assign your right to an indemnity payment to any party of your choice for the insurance period.

**CME Group** - The Chicago Mercantile Exchange.

**Company** - The insurance company identified on, and issuing, your summary of insurance.

**Consent** - Approval in writing by us allowing you to take a specific action.

**Contract Change Date** - The calendar date by which we make any policy changes available for inspection in the agent's office.

**Coverage** - The insurance provided by this policy, against insured loss of gross margin as shown on your summary of insurance.

**Crop Year** - The twelve-month period, beginning July 1, and ending the following June 30, which is designated by the calendar year in which it ends.

**Date Coverage Begins** - The calendar date the insurance provided by this policy begins.

**Days** - Calendar days.

**Deductible** - The portion of the expected gross margin that you elect not to insure. Allowable deductible amounts range from zero to \$20 per swine in \$2 per swine increments.

**End of Insurance Period, Date of** - The date upon which your insurance provided by this policy ceases.

**Expected Corn Price** - Expected corn prices for months in an insurance period are determined using three-day average settlement prices on CME Group corn futures contracts.

- a. For months with unexpired corn futures contracts, the expected corn price is the simple average of the CME Group corn futures contract for that month during the expected price measurement period expressed in dollars per bushel. For example, for a sales closing month of February, 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 in February.
- b. 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 closing month of March, the expected corn price for March is the simple average of the daily settlement prices on the CME Group March corn futures contract for the three trading days prior to sales closing .
- c. 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 the March sales closing date, the expected corn price for June equals 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 in March plus one-half times the simple average of the daily settlement prices on the CME Group July corn futures contract during the expected price measurement period in March. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Cost Of Feed** - For farrow to finish operations, the expected cost of feed for each month equals the sum of 12 bushels times the expected corn price for that month, plus 138.55 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month. For feeder pig finishing operations the expected cost of feed for each month equals the

sum of 9 bushels times the expected corn price for that month, plus 82 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month. For SEW pig finishing operations the expected cost of feed for each month equals the sum of 9.05 bushels times the expected corn price for that month, plus 91 pounds divided by 2000 pounds per ton times the expected soybean meal price for that month.

**Expected Gross Margin Per Month** - The expected gross margin per swine multiplied by the target marketings for each month of an insurance period.

**Expected Gross Margin Per Swine** - For farrow to finish operations, expected gross margin per swine is equal to the expected swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the expected cost of feed three months prior to that month. For feeder pig finishing operations or SEW pig finishing operations, the expected gross margin per swine is equal to the expected swine price for the month swine are marketed times 0.74, times the assumed weight of the swine at marketing of 260 pounds, or as stated in the Special Provisions, minus the expected cost of feed two months prior to that month. For example, the expected gross margin per swine for April for a farrow to finish operation is the expected swine price for April times 0.74, times 2.6 hundredweight, less the expected cost of feed for January. For a finishing operation, expected gross margin per swine for April is the expected swine price for April times 0.74, times 2.6 hundredweight, less the expected cost of feed for February.

**Expected Price Measurement Period** – The three trading days prior to and including the last Friday of the month that is a business day on which sales takes place.

**Expected Soybean Meal Price** - Expected soybean meal prices for months in an insurance period are determined using three-day average settlement prices on CME Group soybean meal futures contracts.

- a. For months with unexpired soybean meal futures contracts, the expected soybean meal price is the simple average of the CME Group soybean meal futures contract for that month during the expected price measurement period in the month of the sales closing date expressed in dollars per ton. For example, for a sales closing date in February, the expected soybean meal price for July equals the simple average of the daily settlement daily settlement prices on the CME Group July soybean meal futures contract during the expected price measurement period in February.
- b. For months with expired soybean meal futures contracts, the expected soybean meal price is the simple average of daily settlement prices for the CME Group soybean meal futures contract for that month expressed in dollars per ton in the last three trading days prior to sales closing. For example, for a sales closing date in March, the expected soybean meal

price for March is the simple average of the daily settlement daily settlement prices on the CME Group March soybean meal futures contract over the last three trading days prior to sales closing.

- c. For months without a soybean meal futures contract, the futures prices used to calculate the expected soybean meal price are the weighted average of the futures prices used to calculate the expected soybean meal prices for the two surrounding months which have futures contracts. The weights are based on the time difference between the month and the contract months. For example, for the March sales closing date, the expected soybean meal price for June equals one-half times the simple average of the daily settlement prices on the CME Group May soybean meal futures contract during the expected price measurement period plus one-half times the simple average of the daily settlement prices on the CME Group July soybean meal futures contract during the expected price measurement period in March. See the LGM for Swine Commodity Exchange Endorsement for additional detail on exchange prices.

**Expected Swine Price** - Expected swine prices for months in an insurance period are determined using three-day average settlement prices on CME Group lean hog futures contracts.

- a. For months with unexpired lean hog futures contracts, the expected swine price is the simple average of the CME Group lean hog futures contract for that month during the expected price measurement period expressed in dollars per hundredweight. For example, for a sales closing date in February, the expected swine price for July equals the simple average of the daily settlement prices on the CME Group July lean hog futures contract during the expected price measurement period in February.
- b. For months without a lean hog futures contract, the futures prices used to calculate the expected swine price are the weighted average of the futures prices used to calculate the expected swine prices for the two surrounding months which have futures contracts. The weights are based on the time difference between the month and the contract months. For example, for the March sales closing date, the expected swine price for September equals one-half times the simple average of the daily settlement prices on the CME Group August lean hog futures contract during the expected price measurement period in March plus one-half times the simple average of the daily settlement prices on the CME Group October lean hog futures contract during the expected price measurement period in March. See the LGM for Swine Commodity

Exchange Endorsement for additional detail on exchange prices.

**Expected Total Gross Margin** - The target marketings times the expected gross margin per swine for each month of an insurance period and totaled.

**Farrow to Finish Operation** - A type of farm operation that covers all aspects of breeding, farrowing and raising swine to slaughter.

**FCIC** - The Federal Crop Insurance Corporation, a wholly owned government corporation within USDA.

**Feeder Pig Finishing Operation** - A type of farm operation that specializes in the feeding of swine (feeder pigs) from a weight of approximately 50 pounds to slaughter.

**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 six-month period designated in the summary of insurance to which this policy is applicable. Swine are not insurable in the first month of any insurance period. See the LGM for Swine Commodity Exchange Endorsement for additional detail on insurance periods.

**Insured** - The person as 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.

**Marketing Report** - A report submitted by you on our form showing for each month your actual marketings for that month of swine 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** - Our notice to you of a probable loss on your insured swine.

**Person** - An individual, partnership, association, corporation, estate, trust or other legal entity.

**Policy** - The agreement between you and us consisting of these provisions, the Special Provisions, the summary of insurance, the Commodity Exchange Endorsement, and the applicable regulations published in 7 CFR Chapter IV.

**Premium** - The amount you owe us for this insurance coverage based on your target marketings in accordance with section 5.

**RMA** - Risk Management Agency, an agency within USDA.

**Sales Closing Date** - The last day of the sales period by which your completed application and premium must be received by us. Also, the last date by which you may change your insurance coverage for an insurance period.

**Sales Period** - The period that begins on the last business Friday of the month after validation of prices and rates and ends at 8:00 PM Central Time of the following day.

**SEW Pig Finishing Operation** - A type of farm operation that specializes in the feeding of swine

(Segregated Early Weaned pigs) from the age of approximately 12 to 21 days to slaughter.

**Share** - The lesser of your 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.

**Substantial Beneficial Interest** - An interest held by a person of at least 10 percent in the applicant or insured. All spouses that reside in the household will be considered to have a substantial beneficial interest in the applicant or insured unless the spouse can prove that the swine owned is in a totally separate farming operation in accordance with FCIC procedures and the spouse derives no benefit from the swine farming operation of the insured or applicant.

**Summary of Insurance** - Our statement to you, based upon your application, specifying the insured, the swine, the target marketings, gross margin guarantee and the premium for an insurance period.

**Swine** - Any species of domesticated mammal of the family *Suidae* commonly grown for pork production. Also referred to as hog or pig.

**Target Marketings** - Your determination as to the number of swine you elect to insure in each month during the insurance period. You can only report the number of swine in which you have a share.

**Target Marketings Report** - A report submitted by you on our form showing for each month your target marketings for that month.

**Termination Date** - The calendar date upon which your insurance ceases to be in effect because of nonpayment of any amount due us under the policy, including premium.

**UCM** - FCIC's Underwriting Capacity Manager (UCM) web site. This is a facility through which FCIC manages underwriting capacity for livestock.

**USDA** - The United States Department of Agriculture.

**Void** - When the Policy is considered not to have existed for an insurance period as a result of concealment, fraud or misrepresentation.

**Yield Factor** - The factor used to convert lean hog price, carcass price, to live hog price. The factor equals 0.74.

## 2. Life of Policy, Cancellation and Termination

(a) You can only purchase this plan of insurance during a sales period, if:

- (1) The expected gross margins are available on the RMA website.
- (2) Underwriting capacity for this plan of insurance is available.

(b) LGM for Swine will not be offered for a sales period if the required data for establishing the expected gross margins for each month of the insurance period are not available because futures did not trade, or were not able to continue trading at the end of the day (such as the price moved the maximum allowed by the exchange and trading was suspended), for any day that the information is needed.

- (1) LGM for Swine will not be offered if CME Group lean hog futures prices decline by the maximum allowed by the exchange two consecutive days during the time period for establishing the expected gross margins.
- (2) LGM for Swine will not be offered if CME Group corn or soybean meal futures prices increase by the maximum allowed by the exchange two consecutive days during the time period for establishing the expected gross margins.
- (c) Your agent does not have authority to bind coverage under this policy. Coverage for the swine described in the application will only become effective when we notify you in writing that your application has been accepted and approved by us, you have paid the premium in full and we issue a written summary of insurance to you.
  - (1) For subsequent insurance periods, coverage will only be effective if there is sufficient underwriting capacity and we issue a written summary of insurance to you.
  - (2) This policy will be available for sale only on days when FCIC's UCM web site is operational.
- (d) Coverage only can be purchased during the sales period or as otherwise specified in the Special Provisions.
  - (1) Coverage is not available for purchase if expected gross margins are not available on the RMA website or 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 or the Manager of RMA, or his designee, to result in market conditions significantly different than those used to rate the LGM for Swine program.
  - (2) In these cases, coverage will no longer be offered for sale on the RMA Website. LGM for Swine sales will resume, after a halting or suspension in sales, during the next scheduled sales period provided the market prices needed to establish expected gross margins can be obtained and the Secretary or designee determines there are no program integrity issues that preclude resumption of sales.
- (e) The application must be completed by you and received by us not later than the sales closing date of each insurance period for which insurance coverage is requested. See the LGM for Swine Commodity Exchange Endorsement for additional information on sales closing dates.
- (f) Insurance coverage will not be provided if you have not paid the premium in full, are ineligible under the contract or under any federal statute or regulation or if you do not have a share in the livestock to be insured.
- (g) Your application must contain all the information required by us to complete the summary of insurance.
  - (1) Applications that do not contain all social security numbers and employer identification numbers of the applicant and all social security numbers of individuals with a substantial beneficial interest in the applicant, as applicable, share, deductible, target marketings, and any other material information required to insure the gross margin for the animals are not acceptable.
  - (2) If an entity has an interest of more than 10 percent in the insured or applicant, the social security numbers of all individuals with a substantial beneficial interest in the entity must also be provided.
  - (3) If we discover that a person with a substantial beneficial interest has failed to provide a social security number or the person with a substantial beneficial interest is ineligible, the application will not be accepted or no indemnity will be due for the insurance period for the swine insured for which the social security numbers were not provided or the person was ineligible. Because no indemnity is due as a result of a breach of this policy, any premiums will still be owed.
  - (h) This is a continuous policy, but will automatically terminate at the end of the pilot program.
  - (i) After acceptance of the application, you may not cancel this policy for the initial insurance period.
    - (1) Thereafter, the policy will continue in force for each succeeding insurance period unless canceled or terminated.
    - (2) Either you or we may cancel this policy after the initial insurance period by providing written notice to the other on or before the cancellation date.
  - (j) If any amount due, including a check returned for insufficient funds or overpayment, plus any accrued interest, is not paid, or an acceptable arrangement for payment is not made, on or before the termination date specified in these Basic Provisions or the date contained in any notice to you, the amount will be considered delinquent and your insurance coverage will terminate.
    - (1) Termination may affect your eligibility for benefits under other USDA programs.
    - (2) You will also be determined to be ineligible to participate in any crop insurance program authorized under the Act in accordance with 7 CFR part 400, subpart U.
    - (3) For unpaid premium resulting from a check returned for insufficient funds, the policy will terminate as of the sales closing date;
    - (4) For other amounts due, the policy will terminate effective on the termination date immediately after the debt becomes delinquent;
    - (5) Payment of premium with a check returned for insufficient funds may result in your ineligibility for participation in any program administered under the authority of the Act.

- (6) Ineligibility for unpaid premium resulting from a check returned for insufficient funds or failure to timely pay other amounts due will be effective on:
    - (A) The date that a policy was terminated for the livestock for which you failed to pay premium and any related interest owed;
    - (B) The payment date contained in any notification of indebtedness for any overpaid indemnity, if you fail to pay the amount owed by such due date; or
    - (C) The termination date for the crop year prior to the crop year in which a scheduled payment is due under a payment agreement if you fail to pay the amount owed by any payment date in such payment agreement.
  - (7) All other policies that are issued by us under the authority of the Act, including all crop insurance policies, will also terminate as of the next termination date contained in the applicable policy;
  - (8) A policy already in effect at the time you become ineligible will not be affected until the termination date for that policy, and if you are ineligible, you may not obtain any insurance under the Act for any crop or livestock until payment is made in full, you execute an agreement to repay the debt and make payments in accordance with the agreement, or you file a petition to have your debts discharged in bankruptcy (Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any indemnities paid subsequent to that date must be repaid.);
  - (9) If you execute an agreement to pay the debt and fail to make any scheduled payment:
    - (A) All your policies, including all crop insurance policies, will be terminated effective on the termination date for the crop year prior to the crop year in which you failed to make the scheduled payment and no indemnity will be due for that year;
    - (B) You will no longer be eligible to obtain insurance under the Act by execution of an agreement to pay the debt; and
    - (C) You will be ineligible for insurance under the Act until the debt is paid in full or you file a petition to discharge the debt in bankruptcy. Dismissal of the bankruptcy petition before discharge will void all policies in effect retroactive to the date you were originally determined ineligible to participate and any payments and indemnities paid subsequent to that date must be repaid;
  - (10) Once the policy is terminated, it cannot be reinstated for the current crop year unless the termination was in error because you did not owe any amounts or you paid the amounts owed on or before the termination date;
  - (11) After you again become eligible for insurance under the Act, if you want to obtain coverage, you must reapply on or before the sales closing date for the crop or livestock (You cannot reapply for insurance in the crop year in which you became ineligible.); and
  - (12) Any amount due us for any livestock or crop insured by us under the authority of the Act will be deducted from any indemnity due you for this or any other crop or livestock insured with us. If we deduct the amount due us from an indemnity, the date of payment for the purpose of this section will be the date you sign the properly executed claim for indemnity.
  - (k) If you die, disappear, or are judicially declared incompetent, or if you are an entity other than an individual and such entity is dissolved, the policy will terminate as of the date of death, judicial declaration, or dissolution. If such event occurs after coverage begins for any insurance period, the policy will continue in force through the insurance period and terminate at the end of the insurance period and any indemnity will be paid to the person or persons determined to be beneficially entitled to the indemnity. The premium will be deducted from the indemnity or collected from the estate. Death of a partner in a partnership will dissolve the partnership unless the partnership agreement provides otherwise. If two or more persons having a joint interest are insured jointly, death of one of the persons will dissolve the joint entity.
  - (l) Any insured may sign any document relative to this policy on behalf of any other insured covered by this policy, provided that the person has a properly executed power of attorney or other legally sufficient document authorizing such insured to act for other insureds.
  - (m) We may cancel your policy if no premium is earned for three consecutive years.
  - (n) The cancellation date is June 30 for all insurance periods.
  - (o) The termination date for debt for the insurance period is the first day of the next month immediately following the sales closing date.
- 3. Insurance Coverages**
- (a) Your gross margin guarantee, deductible amount, and maximum premium for the insurance period are as shown on your summary of insurance.
  - (b) You must select a deductible amount by sales closing date.
  - (c) You may only select one deductible amount that is applicable for all target marketings.
  - (d) Target marketings must be submitted on our form by the sales closing date for each insurance period in which you desire coverage. If target marketings are not submitted by the sales closing date, your

target marketings for the insurance period will be zero.

- (e) Target marketings for any month of an insurance period cannot be greater than the approved target marketings for that insurance period. Your target marketings are due at the time of application in the initial insurance period and your target marketings report is due by the sales closing date in subsequent insurance periods.
- (f) No indemnity will be owed, but you will still be responsible for any premiums owed, if we find that your marketing report;
  - (1) Is not supported by written verifiable records in accordance with the definition of marketing report; or
  - (2) Fails to accurately report actual marketings or other material information.
- (g) Under no circumstance will the total number of swine insured exceed 15,000 head in any insurance period, or 30,000 head in any insurance year.
- (h) Sales of LGM for Swine may be suspended if extraordinary events occur that interfere with the effective functioning of the corn, soybean meal, or lean hogs commodity markets as determine by FCIC. Evidence of such events may include, but is not limited to, consecutive limit down moves in the lean hog futures markets or consecutive limit up moves in the corn and soybean meal futures markets.

#### **4. Causes of Loss Covered**

This policy provides insurance only for the difference between the actual gross margin and the gross margin guarantee caused by unavoidable cause of loss, as required by the Act. This policy does not insure against the death or other loss or destruction of your swine, or against any other loss or damage of any kind whatsoever.

#### **5. Annual Premium**

- (a) The premium is earned and payable at the time coverage begins.
- (b) The application will not be accepted if the premium is not paid in full at the time of application.
- (c) In subsequent insurance periods, if the premium is not paid in full by the applicable sales closing date, your target marketings will be reduced to zero for each month of the insurance period and you will have no coverage for swine under this policy.
- (d) Payment of premium with a check that has been returned for insufficient funds will result in your target marketings being reduced to zero for each month of the insurance period and you will have no coverage for swine under this policy.
- (e) The premium amount is shown on your summary of insurance.

#### **6. Insurance Period**

- (a) Coverage begins on your swine on the first day of the second calendar month following the month of the sales closing date, provided premium for the coverage has been paid in full. For example, for the contract with a sales closing date in January, coverage will begin on March 1.

- (b) Coverage ends at the earliest of:
  - (1) The last month of the insurance period in which you have target marketings;
  - (2) As otherwise specified in the policy.
  - (3) If the end date is on a Saturday, Sunday, or federal holiday, or, if for any reason the relevant report is not available to us for that day or any other day of the ending period, then the actual ending value will be based on the most recent reports made prior to that date.

#### **7. Determining Indemnities**

- (a) In the case of a payable loss on insured swine, we will send you a notice of probable loss approximately ten days after all actual gross margins applicable for the insurance period are released by RMA. You must submit a marketing report, within 15 days of your receipt of the notice of probable loss.
- (b) In the event of loss covered by this policy, we will settle your claim by subtracting the actual total gross margin from the gross margin guarantee. If the result is greater than zero, an indemnity will be paid. Under no circumstances will the indemnity be greater than your total target marketings multiplied by the three day average CME Group lean hog futures price established at the beginning of the insurance period multiplied by the assumed weight of the swine multiplied by the yield factor.
- (c) In the event that the total of actual marketings are less than 75 percent of the total of targeted 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 of targeted marketings for the period.

#### **8. Conformity to Food Security Act**

Although your violation of a number of federal statutes, including the Act, may cause cancellation or termination of the policy or may cause the policy to become void, you should be specifically aware that your policy will be canceled if you are determined to be ineligible to receive benefits under the Act due to violation of the controlled substance provisions (title XVII) of the Food Security Act of 1985 (Pub. L. 99-198) and the regulations published at 7 CFR part 400, subpart F. Your policy will be canceled if you are determined, by the appropriate agency, to be in violation of these provisions. We will recover any and all monies paid to you or received by you during your period of ineligibility, and your premium will be refunded, less a reasonable amount for expenses and handling not to exceed 24.5 percent of the total premium.

#### **9. Amounts Due Us**

- (a) Interest will start to accrue on the sales closing day date if the check for premium is returned for insufficient funds at the rate of 1.25 percent simple interest per calendar month, or any portion thereof, on any unpaid amount due us.
- (b) For the purpose of any other amounts due us, such as repayment of indemnities found not to have

been earned, interest will start to accrue on the date that notice is issued to you for the collection of the unearned amount. Amounts found due under this paragraph will not be charged interest if payment is made within 30 days of issuance of the notice by us. The amount will be considered delinquent if not paid within 30 days of the date the notice is issued by us.

- (c) All amounts paid will be applied first to expenses of collection, if any, second, to the reduction of accrued interest, and then to the reduction of the principal balance.
- (d) If we determine that it is necessary to contract with a collection agency or to employ an attorney to assist in collection, you agree to pay all of the expenses of collection.
- (e) Amounts owed to us by you may be collected in part through administrative offset from payments you receive from United States government agencies in accordance with 31 U.S.C. Chapter 37.

#### **10. Legal Action Against Us**

- (a) You may not bring legal action against us unless you have complied with all of the policy provisions.
- (b) If you do take legal action against us, you must do so within 12 months after denial of your claim. Suit must be brought in accordance with the provisions of 7 U.S.C. 1508(j).
- (c) Under no circumstances will we be liable for the payment of damages (compensatory, punitive, or other), attorneys' fees, or other charges in connection with any claim for indemnity, whether we approve or disapprove such claim.

#### **11. Payment and Interest Limitations**

We will pay simple interest computed on the net indemnity ultimately found to be due by us or by a final judgment of a court of competent jurisdiction, from and including the 61st day after the date you sign, date and submit to us the properly completed marketing report. Interest will be paid only if the reason for our failure to timely pay is **NOT** due to your failure to provide information or other material necessary for the computation or payment of the indemnity. The interest rate will be that established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) and published in the Federal Register semiannually on or about January 1 and July 1 of each year, and may vary with each publication.

#### **12. Concealment, Misrepresentation or Fraud**

- (a) If you have falsely or fraudulently concealed the fact that you are ineligible to receive benefits under the Act or if you or anyone assisting you has concealed or misrepresented any material fact relating to this Policy:
  - (1) This policy will be void for each insurance period in which the concealment, fraud or misrepresentation occurred; and
  - (2) You may be subject to remedial sanctions in accordance with 7 U.S.C. 1515(h) and 7 CFR part 400, subpart R.
- (b) Voidance of this policy will result in you having to reimburse all indemnities paid for the insurance period.

- (c) Voidance will be effective on the first day of the insurance period for the crop year in which the act occurred and will not affect the policy for subsequent insurance periods unless a violation of this section also occurred in such insurance periods.
- (d) Even though this policy is void, you will still be required to pay the administrative and operating expenses contained on your premium statement to offset costs incurred by us in the service of this policy.
- (e) If you are convicted of a felony for knowingly defrauding the government in connection with this policy, you will be permanently debarred from participation of any program administered by the U.S. Department of Agriculture. The Secretary may reduce the period of debarment to not less than 10 years.

#### **13. Transfer of Coverage and Right to Indemnity**

If you transfer any number of your swine during the insurance period, you may transfer your coverage rights, if the transferee is eligible for crop or livestock insurance. We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred. The transfer of coverage rights must be on our form and will not be effective until approved by us in writing. Both you and the transferee are jointly and severally liable for the payment of the premium. The transferee has all rights and responsibilities under this policy consistent with the transferee's interest. If the transferee is not eligible for livestock insurance for any reason, and the transfer occurs before the final 30 days of the insurance period, then the transferred portion of the coverage will be terminated and no premium for that portion will be refunded.

#### **14. Assignment of Indemnity**

You may assign to another party your right to an indemnity for the insurance period. The assignment must be on our form and will not be effective until approved in writing by us. The assignee will have the right to submit all loss notices and forms as required by the policy. If you have suffered a loss from an insurable cause and fail to file a marketing report within 15 days after you receive a notice of probable loss, the assignee may submit the marketing report not later than 15 days after the 15-day period has expired. We will honor the terms of the assignment only if we can accurately determine the amount of the claim. However, no action will lie against us for failure to do so.

#### **15. Subrogation (Recovery of Loss from a Third Party)**

Since you may be able to recover all or a part of your loss from someone other than us, you must do all you can to preserve this right. If you recover any funds from someone else, you must repay to us the amount you receive from us, not to exceed the amount of indemnity we paid to you. If we pay you for your loss, your right to recovery will, at our option, belong to us. If we recover more than we paid you plus our expenses, the excess will be paid to you.

#### **16. Descriptive Headings**

The descriptive headings of the various policy provisions are formulated for convenience only and are not intended to affect the construction or meaning of any of the policy provisions.

#### **17. Notices**

- (a) All notices required to be given by you must be in writing and received by the insurance agent identified in your application within the designated time unless otherwise provided by the notice requirement. Notices required to be given immediately may be by telephone or in person and confirmed in writing. Time of the notice will be determined by the time of our receipt of the written notice. If the date by which you are required to submit a report or notice falls on Saturday, Sunday, or a federal holiday, or if your agent's office is, for any reason, not open for business on the date you are required to submit such notice or report, such notice or report must be submitted on the next business day.
- (b) All notices and communications required to be sent by us to you will be mailed to the address contained in the summary of insurance. Notice sent to such address will be conclusively presumed to have been received by you. You should advise us immediately of any change of address.

#### **18. Applicability of State and Local Statutes**

If the provisions of this policy conflict with statutes of the state or locality in which this policy is issued, the policy provisions will prevail. State and local laws and regulations in conflict with federal statutes or regulations do not apply to this policy.

#### **19. Other Insurance**

You must not obtain any other livestock insurance issued under the authority of the Act on the insured swine. If we determine that more than one policy on the swine is intentional, you may be subject to the sanctions authorized under this policy, the Act, or any other applicable statute. If we determine that the violation was not intentional, the policy with the earliest date of application will be in force and all other policies will be void. Nothing in this paragraph prevents you from obtaining other insurance not issued under the Act.

#### **20. Access to Insured Swine and Records, and Record Retention**

- (a) We, and any employee of USDA, reserve the right to examine the insured swine, and all records relating to the breeding, farrowing, feeding, finishing, and sale of the swine as often as we reasonably require during the record retention period.
- (b) For three years after the end of the insurance period, you must retain, and provide upon our request, or the request of any USDA employee, complete records of the purchase, feeding, shipment, sale, or other disposition of all the insured swine. This requirement also applies to the records to establish the basis for the marketing report for each insurance period. You must also provide upon our request, or the request of any

USDA employee, separate records showing the same information from any swine not insured. We may extend the record retention period beyond three years by notifying you of such extension in writing. Your failure to keep and maintain such records will result in no indemnity being due and since the denial of indemnity is based on a breach of the policy for the insurance period, you will still be required to pay all premiums owed.

- (c) Any person designated by us, and any employee of USDA, will, at any time during the record retention period, have access:
  - (1) To any records relating to this insurance at any location where such records may be found or maintained; and
  - (2) To the farm.
- (d) By applying for insurance under the authority of the Act or by continuing insurance for which you previously applied, you authorize us, or any person acting for us, to obtain records relating to the insured swine from any person who may have custody of those records including, but not limited to, packers, banks, shippers, sale barns, terminals, cooperatives, associations, and accountants. You must assist us in obtaining all records which we request from third parties.

#### **21. Arbitration**

- (a) Any dispute regarding a determination arising out of or relating to this policy will be resolved in accordance with the rules of the American Arbitration Association (AAA). Notwithstanding any provisions in the rules of the AAA to the contrary, the arbitrator's decision is not binding on you or us and is subject to judicial review under the same standards as a decision rendered by the National Appeals Division.
- (b) The initiation of arbitration proceedings must occur within 12 months of the date of the denial of the claim, including disputes regarding the amount of the claim.
- (c) Failure to agree with any factual determination made by FCIC must be resolved through the FCIC appeal provisions published at 7 CFR part 11.
- (d) No award determined by arbitration or appeal can exceed the amount of liability established or which should have been established under the policy.

#### **22. Contract Changes**

- (a) We may change the terms of your coverage under this policy from year to year.
- (b) Any changes in policy provisions, amounts of insurance, premium rates, and program dates will be provided by us to your crop insurance agent not later than the contract change date. You may view the documents or request copies from your crop insurance agent.
- (c) You will be notified, in writing, of changes to the Basic Provisions and Special Provisions not later than 30 days prior to the cancellation date. Acceptance of changes will be conclusively presumed in the absence of notice from you to change or cancel your insurance coverage.
- (d) The contract change date is April 30.

### **23. Multiple Government Benefits**

- (a) If you are eligible to receive an indemnity under this policy and are also eligible to receive benefits for the same loss under any other USDA program, you may receive benefits under both programs, unless specifically limited by the insurance contract or by law.
- (b) The total amount received from all such sources may not exceed the amount of your actual loss. The total amount of the actual loss is the difference between the fair market value of the insured commodity before and after the loss, based on your records and the highest amount of insurance available for the commodity.
- (c) FSA will determine and pay the additional amount due you for any applicable USDA program after first considering the amount of any insurance indemnity.