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LIVESTOCK GROSS MARGIN FOR SWINE (LGM-SWINE) HANDBOOK

2023 and Succeeding Crop Years

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**UNITED STATES DEPARTMENT OF AGRICULTURE
FARM PRODUCTION AND CONSERVATION
RISK MANAGEMENT AGENCY
KANSAS CITY, MO 64133**

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| TITLE: LIVESTOCK GROSS MARGIN FOR SWINE (LGM-SWINE) HANDBOOK | NUMBER: FCIC - 20020 OPI: Product Administration & Standards Division |
| EFFECTIVE DATE: 2023 and Succeeding Crop Years | ISSUE DATE: May 27, 2022 |
| SUBJECT: Provides the procedures and instructions for administering the Livestock Gross Margin for Swine (LGM-Swine) Plan of Insurance | APPROVED: <i>/s/ Richard Flournoy</i> Deputy Administrator for Product Management |

REASON FOR ISSUANCE

This handbook is being issued to provide procedures and instructions for administering the Livestock Gross Margin for Swine Plan of Insurance for the 2023 and succeeding crop years.

SUMMARY OF CHANGES

Listed below are the changes to the 2023 FCIC Livestock Gross Margin for Swine Handbook with significant content change. All changes, and additions are highlighted. Minor changes and corrections are not included in this listing. *** used throughout the handbook indicate where major deletions occurred.

| Reference | Description of Change |
|--------------------|---|
| LGM-Swine Handbook | This is a new handbook so no changes noted. |

LIVESTOCK GROSS MARGIN FOR SWINE (LGM-SWINE) HANDBOOK

CONTROL CHART

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FILING INSTRUCTIONS

This handbook replaces FCIC-20060 Livestock Gross Margin for Swine (LGM-Swine) Handbook, dated June 2021. This handbook incorporates and replaces the Underwriting Rules, LGM Swine, dated July 2020. This handbook incorporates and replaces the Premium Calculation Instruction, LGM Swine, dated July 2020. This handbook is effective for the 2023 and succeeding crop years until obsoleted.

LIVESTOCK GROSS MARGIN FOR SWINE (LGM-SWINE) HANDBOOK

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Exhibit 2 Definitions (Continued)

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.

- (1) 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 cwt. For example, for a sales period beginning on April 28, 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 this case, the three trading days prior to and including April 28.
- (2) 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 a sales period beginning April 28, 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, the three trading days prior to and including April 28, plus one-half times the simple average of the daily settlement prices on the CME Group October lean hog futures contract during the same expected price measurement period. 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.

Federal Crop Insurance Corporation: A wholly owned Government Corporation administered by RMA 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 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.

Liability: The maximum amount payable on an Insurance period under this policy.

Exhibit 2 Definitions (Continued)

Limit movement: The maximum price change based on the CME group current daily price limit for commodity futures.

Limited resource farmer or rancher: Has the same meaning as the term defined by USDA at lrftool.sc.egov.usda.gov/LRP_Definition.aspx or successor website.

Livestock acceptance system: A computer system that accepts livestock applications and endorsements.

Marketing report: A report submitted by the insured on the AIP's form showing for each month the insured's 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: The AIP's notice to the insured of a probable loss on the producer's insured swine.

Offset: The act of deducting one amount from another amount.

Person: An individual, partnership, association, corporation, estate, trust, or other legal entity, and wherever applicable, a State or a political subdivision or agency of a State. "Person" does not include the United States Government or any agency thereof.

Policy: The agreement between the insured and the AIP consisting of the LGM for Swine Insurance Policy, the Special Provisions, the summary of insurance, the Commodity Exchange Endorsement, and the applicable regulations published in 7 CFR Chapter IV.

Premium: The amount the insured owes the AIP for this insurance coverage based on the insured's target marketings in accordance with section 5 of the LGM for Swine Insurance Policy.

Premium billing date: The earliest date upon which the insured will be billed for insurance coverage based on the insured's target marketing report. The premium billing date is the earlier of the first day of the month following the last month of the insurance period in which the insured has target marketings or the billing date published in the actuarial documents. For example, if the insurance period is February-December, and the insured only has target marketings in March-May, the billing date is June 1..

Producer premium: The total premium minus the premium subsidy paid by FCIC.

Risk Management Agency: Risk Management Agency, which operates the Federal crop insurance program on behalf of FCIC.

RMA's website: A website hosted by RMA and located at www.rma.usda.gov/ or a successor website.

Sales closing date: The last day of the sales period by which the insured's completed application must be received by the AIP. Also, the last date by which the insured may change their insurance coverage for an insurance period.

Sales period: The period that begins on Thursday of each week when the coverage prices and rates are posted on RMA's website and ends on the following calendar day at 9:00 AM Central Time. Sales will not be available for purchase if the Thursday of the sales period is a federal holiday. The calendar date for Thursday of the sales period will be shown as the effective date in the actuarial documents.

Exhibit 2 Definitions (Continued)

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 the insured's 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.

Special provisions: The part of the policy that contains specific provisions of insurance for each insured crop that may vary by geographic area.

Substantial beneficial interest: An interest held by any person of at least ten percent in the insured (e.g., there are two partnerships that each have a 50 percent interest in the insured and each partnership is made up of two individuals, each with a 50 percent share in the partnership. In this case, each individual would be considered to have a 25 percent interest in the insured, and both the partnerships and the individuals would have a SBI in the insured. The spouses of the individuals would not be considered to have a SBI unless the spouse was one of the individuals that made up the partnership. However, if each partnership is made up of six individuals with equal interests, then each would only have an 8.33 percent interest in the insured and although the partnership would still have a SBI in the insured, the individuals would not for the purposes of reporting in section 2 of the LGM for Cattle Insurance Policy). The spouse of any individual applicant or individual insured will be presumed to have a SBI in the applicant or insured unless the spouses can prove they are legally separated or otherwise legally separate under the applicable State dissolution of marriage laws. Any child of an individual applicant or individual insured will not be considered to have a SBI in the applicant or insured unless the child has a separate legal interest in such person.

Summary of insurance: The AIP's statement to the insured, based upon their application, specifying the insured, the swine, the target marketings, the 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: The insured's determination as to the number of swine they elect to insure in each month during the insurance period. The insured can only report the number of swine in which they have a share.

Target marketings report: A report submitted by the insured on the AIP's form showing for each month the insured's target marketings for that month.

Termination date: The calendar date upon which the insured's insurance ceases to be in effect because of nonpayment of any amount due the AIP under the policy, including premium.

Exhibit 2 Definitions (Continued)

Veteran farmer or rancher: (1) An individual who has served active duty in the United States Army, Navy, Marine Corps, Air Force, Space Force, or Coast Guard, including the reserve components; was discharged or released under conditions other than dishonorable; and:

- (i) Has not operated a farm or ranch;
- (ii) Has operated a farm or ranch for not more than 5 years; or
- (iii) First obtained status as a veteran during the most recent 5-year period.

(2) A person, other than an individual, may be eligible for veteran farmer or rancher benefits if all SBI holders qualify as a veteran farmer or rancher in accordance with paragraph (1) of this definition; except in cases in which there is only a married couple, then a veteran or non-veteran spouse is considered a veteran farmer or rancher.

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.

Exhibit 3 LGM For Swine Plan of Insurance Forms

The following exhibits pertain to information the producer must provide to the AIP to obtain coverage under LGM for Swine. Instructions must be provided for form completion.

The following forms will be necessary for sales of the LGM for Swine Plan of Insurance:

A. Application

This form is filled out to apply for eligibility to purchase LGM for Swine insurance. The application also includes the type of operation and target marketings for each month of the insurance period. No insurance attaches until the company sends the insured a written summary of insurance. See [Exhibit 4](#) for example form and completion instructions.

B. Social Security Number and Employer Identification Number Reporting Form

See DSSH, Exhibit 23 for social security number and employer identification number reporting form standards. This form includes the social security numbers, employer identification numbers, and share of those with a 10 percent interest or more in the insurance entity and must accompany the application. The SBI is used to establish eligibility and to account for insurance limits.

C. Marketing Report

This form is submitted by the insured to show, for each month, the insured's actual marketings for that month of swine insured under the 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. See [Exhibit 5](#) for example form and completion instructions.

D. Notice of Probable Loss

This form notifies the insured of a probable loss on insured swine at the end of the insurance period. See [Exhibit 6](#) for example form and completion instructions.

E. Assignment of Indemnity

This form contains necessary information to assign any indemnity to a third party. The DSSH Exhibit 28 Assignment of Indemnity is amended as follows:

The second sentence in opening paragraph "The assignment(s) applies for all acreage of the crop covered by the policy" is replaced with "The assignment(s) applies for all liability remaining on the livestock covered by the policy at the time the assignment is accepted by the AIP and any additional liability added for the crop year." See DSSH, Exhibit 28 for assignment of indemnity form standards.

F. Transfer of Right to an Indemnity

This form contains necessary information to transfer the right of an indemnity if the livestock or livestock product is sold prior to the end of insurance period to transfer any indemnity to the new owner (providing the new owner meets eligibility requirements). See [Exhibit 7](#) for example form and completion instructions.

G. Power of Attorney

This form contains the necessary information authorizing one to act as another's attorney or agent. See DSSH, Exhibit 27 for power of attorney form standards.

Exhibit 4 LGM For Swine Policy Application, Target Marketings, and Change Form

| | | | | | | | | |
|--|------------------|--|--------------------------------|--|-----------------------------|---------|---------|---------|
| <p>Example Form</p> <p>LIVESTOCK GROSS MARGIN FOR SWINE INSURANCE POLICY APPLICATION, TARGET MARKETINGS, AND CHANGE FORM</p> | | | | Policy # 1 State 2 | | | | |
| | | | | Reinsurance Year 3 | Page # 4 of f | | | |
| Applicant's Name 5 | | Agency Name 15 | | <input type="checkbox"/> New Applicant 22 <input type="checkbox"/> Transfer <input type="checkbox"/> Name Change <input type="checkbox"/> Additional Insurance <input type="checkbox"/> Address Change <input type="checkbox"/> Policy Change <input type="checkbox"/> Policy Cancellation <input type="checkbox"/> Correct Tax ID <input type="checkbox"/> *Reason for Cancellation <input type="checkbox"/> Cancellation <input type="checkbox"/> Correct Spelling of Insured Name <input type="checkbox"/> In-House Transfer <input type="checkbox"/> Other <input type="checkbox"/> Add/Change Insured's Auth. Rep. | | | | |
| Street or Mailing Address 6 | | Agency/Agent Street or Mailing Address 16 | | | | | | |
| City and State 7 Zip Code | | City and State 17 Zip Code | | | | | | |
| Applicant's E-Mail Address 8 | | Agent's E-Mail Address/Fax # 18 | | | | | | |
| Applicant's Fax # | | Agent's E-Mail Address/Fax # 18 | | | | | | |
| Phone # 9 | | Phone # 19 | | | | | | |
| Tax Identification # 10 | | Agency Code 20 | | | | | | |
| Check One <input type="checkbox"/> SSN <input type="checkbox"/> EIN <input type="checkbox"/> Other 11 | | Applicant's Authorized Representative (Submit Completed Power of Attorney Form) | | | | | | |
| Spouse's Tax ID # 12 | | Type of Entity 13 | | | | | | |
| Is applicant at least 18 years old? <input type="checkbox"/> Yes <input type="checkbox"/> No 14 | | 21 | | | | | | |
| (Complete for Transfer Only) Current Insurer and Policy Number 24 | | | | <input type="checkbox"/> YES <input type="checkbox"/> NO I REQUEST INSURANCE COVERAGE FOR ALL SWINE SPECIFIED BELOW. (Complete for Application and Additional Insurance Periods) 25 Effective Date 26 | | | | |
| | | 30 Target Marketings by Month (Enter Month) | | | | | | |
| Type of Operation | County 27 | Approved Marketings 28 | Deductible (\$/head) 29 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 |
| Farrow to Finish | | | | | | | | |
| Segregated Early Wean (SEW) to Finish | | | | | | | | |
| Feeder to Finish | | | | | | | | |

A. Required Statements (Substantive)

- (1) "I understand Livestock Gross Margin for Swine Insurance may not be purchased for the month immediately following the application date. I also understand that I will have no Livestock Gross Margin for Swine Insurance coverage for the Swine described in this application unless the insurance company issues a written summary of insurance to me. I certify that the information on this application is complete and accurate; that none of the reasons for rejection in items 1 through 3 of the "Conditions of Acceptance" apply; and that I am aware of and understand the requirements of the Collection of Information and Data (Privacy Act), as well as all other provisions contained on this application."

- (2) "Subject to the provisions of the Federal Crop Insurance Act, and the regulations issued under that Act, I hereby apply for insurance on the commodity as specified below for the effective year. I understand that the premium rates and insurance periods are on file and available for my inspection in my agent's office. I further understand that no insurance will be available on a commodity unless an application and target marketings form is completed and filed with my agent by the sales closing date, if applicable. I also further understand that, although insurance under this application is continuous from year to year, policy terms may change from crop year to crop year. These changes will be made by the contract change date."

A. Required Statements (Substantive) (Continued)

(3) “This insurance policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the provisions of the Federal Crop Insurance Act, (7 U.S.C. 1501 et seq.) (Act). All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act and may not be waived or varied in any way by any agent or employee of FCIC or the insurance provider. In the event we cannot pay your loss, your claim will be settled in accordance with the provisions of this policy and paid by FCIC. No state guarantee fund will be liable for your loss. Throughout this policy, “you” and “your” refer to the named insured shown on the application and “we,” “us,” and “our” refer to the insurance company providing insurance. 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.”

(4) Conditions of Acceptance Statements

Note: See DSSH, Exh. 2

(5) Certification Statement

Note: See DSSH, Para. 502

(6) Privacy Act Statement

Note: See DSSH, Para. 501

(7) Nondiscrimination Policy Statement

Note: See DSSH, Para. 503

B. Required Signatures (Substantive)

(1) “Insured’s Printed Name, Signature and Date” **32**

(2) “AIP Verifier’s Printed Name, Signature and Date” **33**

(3) “Remarks” **34**

C. Policy Application, Target Marketings, and Change Form Instructions (All items on Example Form are Substantive)

- (1) Policy #: Enter the policy number from the confirmation screen.
- (2) State: Enter your state.
- (3) Reinsurance Year: Enter the year in which coverage will end.
- (4) Page # _ of _: Enter the number of the page and the number of pages of the complete application. For example, if four pages were used to complete the application and this is the second page, fill in Page # 2 of 4.
- (5) Applicant's Name: Enter the applicant's name.
- (6) Street or Mailing Address: Enter the applicant's street or mailing address.
- (7) City, State, Zip Code: Enter the applicant's city, state, and zip code.
- (8) Applicant's E-Mail Address/Fax: Enter the applicant's email address and fax number if available.
- (9) Phone #: Enter the applicant's phone number.
- (10) Tax Identification #: Enter the applicant's Tax ID number. This may be the same as the applicant's social security number. This information is used to report any loss payments to the IRS.
- (11) Check One: SSN, EIN, Other: Check the type of Tax ID number used. SSN = social security number, EIN = employer identification number, or Other (If Other, specify type of identification number used).
- (12) Spouse's Tax ID #: Enter the applicant's spouse's tax identification number.
- (13) Type of Entity: State the applicant's type of business entity (individual, corporation, partnership).
- (14) Is the applicant at least 18 years old? Check yes or no.
- (15) Agency Name: Enter the insurance agency name.
- (16) Agency/Agent Street or Mailing Address: Enter the street or mailing address.
- (17) City and State, and Zip Code: Enter the city, state and zip code of the insurance agency.
- (18) Agent's E-mail Address/Fax#: Enter the e-mail address and fax number of the insurance agency.

C. Policy Application, Target Marketings, and Change Form Instructions (Continued)

- (19) Phone #: Enter the phone number of the agency.
- (20) Agency Code: Enter the agency code.
- (21) Applicant's Authorized Representative: If applicable, enter the applicant's authorized representative. A completed Power of Attorney form must be submitted with the initial application.
- (22) Check all that apply. If cancelling the policy, list the code of the reason for cancellation.
Cancellation Reason Codes
 - I Insured's Request
 - D Death, Incompetency, or Dissolution
 - M Mutual Consent
 - O Other (Please Explain)
- (23) Certification: Check yes or no.
- (24) (Complete for Transfer Only) Current Insurer and Policy Number: If transferring the LGM for Swine Policy to a different insurance company, provide the name of the current insurer and the policy number. If not transferring, leave blank.
- (25) Check yes if the applicant is requesting insurance coverage for the swine specified in the target marketings portion of the application.
- (26) Effective Date: Enter the calendar date for Thursday of the sales period.
- (27) County: Enter the county where swine are domiciled.
- (28) Approved Marketings: Enter the applicant's number of approved marketings.
- (29) Deductible: Enter the desired deductible amount per head of swine. The range of allowable deductible amounts is from \$0 per swine to \$20 per swine, in \$2 per head increments.
- (30) Target Marketings by Month: If applying for coverage for a farrow to finish operation, complete the target marketings for only the farrow to finish coverage for the applicable insurance period. If applying for coverage for a feeder to finish operation, complete the target marketings for only the feeder to finish coverage for each insurance period. If applying for coverage for a SEW to finish operation, complete the target marketings for only the SEW to finish coverage for each insurance period. If applying for coverage under all three types, complete all sections for each insurance period. Enter the target marketings for each month. If there are months when the applicant is not marketing swine, enter a zero (0).

A. Required Statements (Substantive) (Continued)

(2) Certification Statement

Note: See DSSH, Para. 502

(3) Privacy Act Statement

Note: See DSSH, Para. 501

(4) Nondiscrimination Policy Statement

Note: See DSSH, Para. 503

B. Required Signatures (Substantive)

(1) “Transferor’s Printed Name, Signature and Date” **27**

(2) “Transferee’s Printed Name, Signature and Date” **28**

(3) “Agent’s Printed Name, Signature, Code Number and Date” **29**

C. Transfer of Right to an Indemnity Form Instructions (All items on Example Form are Substantive)

(1) Policy Number: Enter the policy number.

(2) Crop Year: Enter the current crop year.

(3) Effective Date of Transfer: Enter the date on which the transfer of right to an indemnity will be effective.

(4) Nature of Transfer: Enter the reason for the transfer of right to an indemnity.

(5) Transferor Name: Enter the name of the transferor (Insured).

(6) Street or Mailing Address: Enter the street or mailing address of the transferor.

(7) City, State, Zip Code: Enter the city, state, and zip code of the transferor.

(8) Transferee Name: Enter the name of the transferee(s).

(9) Street or Mailing Address: Enter the street or mailing address of the transferee(s).

(10) City, State, Zip Code: Enter the city, state, and zip code of the transferee(s).

(11) SSN/EIN: Circle the type of identification number as either a social security number (SSN) or employer identification number (EIN) and enter this identification number for the transferee(s).

C. Transfer of Right to an Indemnity Form Instructions (Continued)

- (12) Are all the insured swine and all the insured share in the livestock being transferred? Check yes or no.
- (13) Effective Date: Enter the calendar date of Thursday of the sales period.
- (14) Deductible: Enter deductible amount per head of swine.
- (15) Total Target Marketings: Enter the total target marketings (in number of head) for each month of the insurance period.
- (16) Total Premium: Enter the total premium for the insurance period.
- (17) Total Guarantee: Enter the total guarantee for the insurance period.
- (18) Transferred Deductible: Enter the deductible for the transferred livestock.
- (19) Transferred Target Marketings: Enter the target marketings (in number of head) being transferred for each month of the insurance period.
- (20) Transferred Premium: Enter the premium for the transferred target marketings.
- (21) Transferred Guarantee: Enter the guarantee for the transferred target marketings.
- (22) Retained Deductible: Enter deductible amount per head of Swine of the retained livestock.
- (23) Retained Target Marketings: Enter the target marketings (in number of head) that are retained for each month of the insurance period.
- (24) Retained Premium: Enter the premium for the retained target marketings.
- (25) Retained Guarantee: Enter the guarantee for the retained target marketings.
- (26) The premium for the coverage has been paid: Check yes or no.
- (27) Transferor's Printed Name, Signature and Date: The transferor must sign the form.
- (28) Transferee's Printed Name, Signature and Date: The transferee must sign the form.
- (29) Agent's Printed Name, Signature and Date: The agent must sign the form.