

## **SUMMARY OF CHANGES FOR LIVESTOCK RISK PROTECTION- LAMB**

The following is a brief description of the changes to the Livestock Risk Protection- Lamb effective for the 2015 crop year. Please refer to LRP Basic Provisions and Specific Endorsement for complete information.

### **Section 1 – Definitions**

- Added the definition for “Sales Closing Date”
- Revised the definition of “insured Lambs”

### **Section 2 – Coverage Limitations**

- Removed 20 week endorsement
- Added language to prevent assignment of indemnities to business buying, selling, marketing, or packing lambs



**UNITED STATES DEPARTMENT OF AGRICULTURE  
FEDERAL CROP INSURANCE CORPORATION  
LIVESTOCK RISK PROTECTION POLICY  
SPECIFIC COVERAGE ENDORSEMENT – LAMB**

This Specific Coverage Endorsement to the Livestock Risk Protection policy offers protection against a decline in live lamb prices during the term of the endorsement. You will receive an indemnity if live lamb prices drop below a predetermined level and all terms and conditions of the policy have been met. Lamb prices under this policy refer to a price series published by the Agricultural Marketing Service (AMS). The length of each endorsement available for lamb is 13, 26 or 39 weeks.

**Terms and Conditions**

**1. DEFINITIONS.**

**Actual Ending Value–Live Lambs** - The price at the end of the insurance period calculated in accordance with the Special Provisions.

**Effective Date** - In lieu of the definition listed in section 1 of the Basic Policy, the effective date is the date associated with the beginning of insurance for a Specific Coverage Endorsement. This is the date that coverage begins. The effective date will always be the date the rates and coverage prices were first available for sale on the RMA website. If the Specific Coverage Endorsement was purchased and we approved it on a day following the date the rates and coverage prices were published on the RMA website, the effective date is still the date that the rates and coverage prices were first available for sale on the RMA website.

**Ending Period** - The weekly period over which the actual ending value is determined.

**Expected Ending Value** - The market price expected at the end of the insurance period, and found in the actuarial documents. The Expected Ending Value is a live weight value, and is used in calculations on a dollars per hundredweight basis to determine coverage prices.

**Insured Lambs** - The lambs covered under the policy are feeder or slaughter lambs that-

- (a) As of the Effective Date for the applicable Specific Coverage Endorsement, are currently owned (already born) and are not subject to any agreement with any buyer or potential buyer offering to purchase such lambs (or meat derived from such lambs) at a specified price (and will not be made subject to such an agreement until not more than 30 days prior to the policy end date);
- (b) Are expected, by the Ending Period,
  - (1) To weigh between 50 and 150 pounds and,
  - (2) To be of an age that qualifies for the USDA/Agriculture Marketing Service grade standards definition of live lambs.

**Sales Period** - In lieu of the definition of Sales Period in section 1 of the LRP Basic Policy, the sales period is the period during which a Specific Coverage Endorsement may be purchased that begins at the date and time coverage prices and rates are first available

for sales on the RMA website, as specified in the Special Provisions. Coverage is not available for purchase if the period used for determining the coverage prices or rates is a Federal holiday.

**Target Weight** - The anticipated live weight of lamb (per head) at the ending period on a cwt basis. Target weight should be the average expected weight for all covered livestock.

**Sales Closing Date**- The date coverage begins.

**2. COVERAGE LIMITATIONS.**

- (a) Coverage is available for insured lambs as defined in section 1 only.
- (b) The maximum number of lambs that may be insured under any one Specific Coverage Endorsement shall be 2,000 head, and during any crop year shall be 28,000 head.
- (c) Sales of all Specific Coverage Endorsements for Lamb will be suspended;
  - (1) For futures sales periods if a comparison of price generated by the lamb price prediction model to the actual current market prices shows that the model fails to adequately explain current market prices (LRP sales may resume once modeled lamb prices are determined to be consistent with current market prices);
  - (2) In lieu of section 4(c)(4) of the Basic Policy, during the sales period and for future sales periods if there has been a news report, announcement, or other event that occurs before or after rates and coverage prices are published, that is believed by the Secretary of Agriculture, Administrator 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 or to establish coverage prices for LRP Lamb (Sales will resume when coverage prices and rates again become available on the website); or
  - (3) At any time if the amount of sales exceeds the amount specified in the Special Provisions.
- (d) Coverage for certain insurance periods will not be available if any of the required data for

establishing coverage prices or rates are not available, or if the rates or coverage prices were not timely provided to RMA.

- (e) In lieu of the section 4(c)(3) of the Basic Policy, we will not approve your application if the required data for establishing rates or coverage prices are not available or the rates or coverage prices were not timely provided to RMA.
- (f) Coverage Limitations in section 4(c)(4) of the Basic Policy do not apply
- (g) Coverage limitations described in section 4(f) of the LRP Basic Policy do not apply.
- (h) At the time insurance attaches, the insured lambs must be physically located in a state where LRP-Lamb insurance is offered for sale. The insured lambs may subsequently be moved to any other state.
- (i) In addition to Section 18 of the Basic Policy, we will not approve any assignment of an indemnity under this Specific Coverage Endorsement to a person who is in the business of buying, selling, marketing, or packing lambs.
- (j) Coverage time periods are 13, 26, and 39-week periods.

### 3. PREMIUMS.

- (a) Your total premium is determined by:
  - (1) Multiplying the number of head of insured lambs by the target weight (in live cwt);
  - (2) Multiplying the result of section 3(a)(1) by the coverage price;
  - (3) Multiplying the result of section 3(a)(2) by the insured share to determine the insured value;
  - (4) Multiplying the result of section 3(a)(3) by the rate contained in the Rate Table published weekly in the actuarial documents to determine the total premium;
  - (5) Multiplying the result of section 3(a)(4) by the applicable producer subsidy percentage to calculate the appropriate amount of subsidy;
  - (6) Subtracting the result from section 3(a)(5) from the result from section 3(a)(4) to determine producer premium.
- (b) Premium calculation example:

An operation has 50 head of insured lambs and expects to market the lamb at a target weight of 1.30 cwt each. The insured share is 100 percent. The expected ending value is \$90.00 per live cwt and the producer selects a coverage price of \$85.50 per live cwt. For this coverage price the rate is 1.997%. The premium subsidy is 20 percent. The premium is calculated by:

  - (1) 50 head times 1.30 equals 65 cwt.
  - (2) 65 cwt times the coverage price of \$85.50 equals \$5,558.
  - (3) \$5,558 times the insured share of 1.00 equals an insured value of \$5,558.
  - (4) \$5,558 times the rate of 0.01997 equals \$111 total premium.
  - (5) \$111 times the producer premium subsidy percentage of 0.20 equals \$22.00.

(6) Subtracting \$22.00 from \$111 equals the producer premium of \$89.00.

### 4. INDEMNITY.

- (a) To receive an indemnity a claims form must be submitted within sixty (60) days following the end date.
- (b) An indemnity is calculated and payable if the actual ending value is less than the coverage price (otherwise the indemnity is zero). The indemnity calculation is determined by:
  - (1) Multiplying the number of head of insured lambs by the target weight (in live cwt);
  - (2) Subtracting the actual ending value from the coverage price (this will always be a positive number if an indemnity is due);
  - (3) Multiplying 4(a)(1) by 4(a)(2);
  - (4) Multiplying 4(a)(3) by the insured share.
- (c) Indemnity calculation example:

For the above operation with 50 head of lambs, a target weight of 1.30 cwt, an insured share of 100 percent, and a coverage price of \$85.50 per cwt, the actual ending value is equal to \$80 per cwt. Since \$80 is less than the coverage price of \$85.50, an indemnity is due. Indemnity is calculated by:

  - (1) 50 head times the 1.30 cwt target weight equals 65 cwt.
  - (2) Subtracting the actual ending value of \$80 from the coverage price of \$85.50 equals \$5.50/cwt.
  - (3) Multiplying 65 cwt by \$5.50/cwt equals \$358.
  - (4) Multiplying \$358 by the insured share of 1.00 equals an indemnity payment of \$358.