UNDERWRITING RULES FOR LIVESTOCK RISK PROTECTION (LRP) LAMB ENDORSEMENT

1. Basic Principles

A. Protection Offered: LRP-Lamb insurance protects lamb producers against a decline in prices below the established coverage price.

B. Insurance Period: LRP-Lamb insurance is offered for 13, 26 or 39-week periods. The time closest to the time the lambs will be marketed should be chosen.

C. Application and Substantial Beneficial Interest: An application is required to purchase LRP coverage. The application establishes eligibility. A Substantial Beneficial Interest reporting form showing those with a substantial beneficial interest shall be attached to the application. No insurance coverage attaches to the application until the producer submits a Specific Coverage Endorsement. A producer may have Specific Coverage Endorsements for multiple classes of livestock or livestock products under one Application as long as the Substantial Beneficial Interests are the same. If the SBIs are different, additional applications are necessary for each different SBI arrangement.

D. Specific Coverage Endorsement (SCE): The SCE is used to initiate LRP coverage for a specified group of lambs to be slaughtered on or near the end date of the SCE. A producer may have multiple SCEs.

E. Weekly Actuarial Documents: Coverage prices, rates, and coverage levels are available in the weekly actuarial documents posted on the RMA website for the LRP program. Coverage prices change weekly and must be referred to at the time of sale for each endorsement.

F. Premium:
   (1) Premium must be paid on the day LRP insurance is purchased for coverage to be provided.
   (2) Producers may obtain quotes using the RMA Cost Estimator.

G. Crop Year: July 1 to June 30. Determined for individual SCEs by the effective date.

H. LRP Documents:
   (1) Livestock Risk Protection Insurance Policy Basic Provisions.
   (2) Application Form – This form is filled out to apply for eligibility to purchase LRP insurance. No insurance coverage attaches until a SCE is filled out to go with an approved application.
   (3) Substantial Beneficial Interest (SBI) – This form shows 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 form. The SBI form is used to establish eligibility and to account for insurance limits.
   (4) Cost Estimator Instructions – This worksheet can be used to calculate the LRP premium once the Coverage Price and Rate information is obtained from the website on the date of sale.
   (5) Specific Coverage Endorsement – The part of the policy that describes coverage of lambs.
   (6) Specific Coverage Endorsement Form – This form is filled out to attach coverage to the policy. An approval number must be obtained through the website to show that underwriting capacity is available. Only approved agents and companies

participating in the Livestock Price Reinsurance Agreement may obtain approval numbers.

(7) Assignment of Indemnity Form – This form is used for assigning any indemnity to a third party.

(8) Transfer of Right to Indemnity Form – This form is used if the lambs are sold prior to the end of insurance period to transfer any indemnity to the new owner (providing the new owner meets eligibility requirements).

(9) Claim Form – If the actual ending value, as specified in the SCE, is below the coverage price, this form must be completed and sent to the company within 60 days following the end date. An indemnity payment will be made within 60 days of receipt of the claim form.

(10) Special Provisions of Insurance – May be obtained from the RMA website (www.rma.usda.gov) and are part of the policy materials.

Area: LRP-Lamb will be available in all counties in 28 states: Arizona, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, and Wyoming. 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. Continuous Policy: If the policy is not cancelled in writing by June 30, the policy (but not any SCEs) will automatically renew. The policy may be cancelled at any time unless a SCE is in effect.

J. Eligible Lambs: Lambs eligible for coverage under this policy are those that:

(1) As of the Effective Date for the applicable SCE, 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 subject to such an agreement until not more than 30 days prior to the policy end date); and

(2) Are expected, by the Ending Period,

a. To weigh between 50 and 150 pounds and,

b. To be of an age that qualifies for the USDA/Agriculture Marketing Service grade standards definition of live lambs..

2. Limitations

A. Program Funding Limits: This pilot program was established in the Federal Crop Insurance Act with overall funding limitations. Coverage may not be available if underwriting capacity has been expended.

B. Annual Policy Limits: The annual limitation of the number of head of lambs that may be covered during the crop year is 28,000 head. For the insured entity, the number of insured lambs will be totaled and may not be more than 28,000 head. The Substantial Beneficial Interest form will be used to determine the total head insured by any individual. For example: Smith Farms has 2,000 head insured under LRP. John Smith has a substantial beneficial interest in Smith Farms and has 90 percent interest (2,000 * .90 = 1,800 head). John Smith also has lambs under his own name and wants to insure 1,000 head. The total lambs insured by John Smith are: 1,800 + 1,000 = 2,800 head which is below the crop year limit of 28,000 head.

C. Endorsement Limits: A limitation of 2,000 head of lambs may be insured under any one SCE and during any crop year shall be 28,000 head.

D. Daily Sales Limits: This pilot program has a daily limit for the total amount of premium sold for the sales period. Coverage may not be available if the Underwriting Capacity Manager determined that the sales limit has been, or would be, exceeded.

3. Coverage

A. Coverage Prices: The prices that can be insured by the producer. They change weekly and must be obtained from the RMA website. Premium rates correspond to the coverage prices.

B. Coverage Levels: Calculated based on the chosen coverage price. Coverage levels will range from 80% to 95%.

C. Availability of Coverage: Coverage information is found exclusively in the weekly Actuarial Documents, and is applicable only for the date of sale. Coverage can be purchased as specified in the Special Provisions of Insurance. Coverage is not available for purchase if the period used for determining the coverage prices or rates is a Federal holiday, or if the website or premium calculator are not operational, or if sales are halted by FCIC under section 4 of the Basic Provisions or section 2 of the SCE. Coverage will not be available if any of the required data for establishing coverage prices or rates is not available or for any other reason specified in the policy. The coverage offered or the cost of coverage will not be changed in response to any revisions to the information used in determining coverage prices or rates. Coverage purchased during this time will have an effective date based on the date that rates and coverage prices are first available for sales on the RMA website.

4. Calculations

A. Premium calculation example:
An operation has 50 head of 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.

B. Indemnity calculation example:
For the above operation with 50 head of lamb, 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.