

**SUMMARY OF CHANGES FOR THE  
LIVESTOCK GROSS MARGIN FOR DAIRY CATTLE INSURANCE POLICY  
(Released April 2025)**

The following is a brief description of the changes to the Livestock Gross Margin for Dairy Insurance Policy that are effective for the 2026 and succeeding crop years.

- Section 1 –
  - Added a definition of “subsidy capture” as a practice pursued to exploit the premium difference between LGM for Dairy Cattle and non-subsidized insurance contracts;
  - In the definition of “premium billing date,” postponed billing date by 1 additional calendar month;
  - Renamed the definition for “summary of insurance” as “summary of coverage”;
- Section 2 –
  - In (b), clarified that neither an application for new LGM policy nor new SCEs on an existing policy will be approved after the date the insured becomes ineligible for crop insurance;
  - In (h), harmonized ineligibility and termination provisions across livestock insurance programs. All examples have been moved to the Insurance Standards Handbook;
  - In (m), extended the termination date from June 30 to August 31 in order to align with changes to premium billing dates;
- Section 3 – Added (i) to prohibit the practice of subsidy capture;
- Section 13 –
  - In (d)(1), provided flexibility for an indemnity payment to be issued to a single party if all assignees and you agree in writing;
  - In (d)(2) and (e), clarified when an assignee submits the forms and claims for indemnity when you have failed to do so, the assignee then assumes your dispute resolution rights and obligations for the policy;
- Section 18 – Added (e) to authorize USDA access to brokerage records for the purpose of investigating violations of the prohibition of subsidy capture;
- Section 22 –
  - Added (a) to allow correction of clear and obvious errors in insurance offers (for example, significantly low premiums) after acceptance;
  - Added (b) to specify time frame for requesting correction of errors in insured’s elections on SCEs;
  - Removed (c)(2) as this provision is not relevant for administration of this policy;
- Section 23 – Added section to provide detailed guidance on practices that will be presumed to be done for the purpose of subsidy capture; and
- Throughout the policy – Made non-substantive editorial revisions.



**UNITED STATES DEPARTMENT OF AGRICULTURE  
Federal Crop Insurance Corporation  
LIVESTOCK GROSS MARGIN FOR DAIRY CATTLE INSURANCE POLICY**

This insurance policy is reinsured by the Federal Crop Insurance Corporation (FCIC) under the provisions of the Federal Crop Insurance Act (Act) (7 U.S.C. 1501-1524). All provisions of the policy and rights and responsibilities of the parties are specifically subject to the Act. The provisions of the policy may not be waived or varied in any way by us, our insurance agent or any other contractor or employee of ours, or any employee of USDA. We will use FCIC procedures (handbooks, manuals, memoranda and bulletins), published on RMA's website at [www.rma.usda.gov](http://www.rma.usda.gov) or a successor website, in the administration of this policy. In the event that we cannot pay your loss because we are insolvent or are otherwise unable to perform our duties under our reinsurance agreement with FCIC, your claim will be settled in accordance with the provisions of this policy and FCIC will be responsible for any amounts owed. No state guarantee fund will be liable for your loss.

Throughout this policy, "you" and "your" refer to the named insured shown on the accepted 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.

**Agreement to Insure:** In return for the payment of the premium, and subject to all the provisions of this policy, we agree to provide the insurance as stated in this policy. If a conflict exists among the policy provisions, the order of priority is as follows: (1) the Special Provisions; (2) the actuarial documents; (3) Commodity Exchange Endorsement for Dairy Cattle; and (4) these Basic Provisions, with (1) controlling (2), etc.

**BASIC PROVISIONS  
TERMS AND CONDITIONS**

**1. Definitions.**

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

**Actual corn price** –

- (1) For months in which a CME corn contract expires, the simple average of the daily settlement prices in the last 3 trading days prior to the 1st notice date for the CME corn futures contract for the month, expressed in dollars per bushel.
- (2) For other months, the simple average of the daily settlement prices for the 1st succeeding contract month in the last 3 days prior to the start of the target month. (See the Commodity Exchange Endorsement for more information.)

**Actual cost of feed** - The actual cost of feed for each month equals the target corn (or corn equivalent) to be fed multiplied by 2,000/56 (to convert tons to bushels) multiplied by the actual corn price for that month, plus the target soybean meal (or soybean meal equivalent) to be fed multiplied by the actual soybean meal price for that month.

**Actual gross margin per month** - Actual revenue less the actual cost of feed for the month.

**Actual marketings** - The total amount of milk sold by you in each month of the insurance period and for which you have proof of sale. Actual marketings are used to verify ownership of milk.

**Actual milk price** - Class III Price for the month, published by USDA AMS, Market Information Branch in the report titled the *Announcement of Class and*

*Component Prices*, available on the Internet at <https://mymarketnews.ams.usda.gov/viewReport/2991> (See the Commodity Exchange Endorsement for more information.)

**Actual milk revenue** - The actual milk price for a month multiplied by target marketings for the month.

**Actual soybean meal price** –

- (1) For months in which a CME soybean meal contract expires, the simple average of the daily settlement prices during the last 3 days prior to the 1st notice date for the CME soybean meal contract for the month.
- (2) For other months, the simple average of the daily settlement prices for the 1st succeeding contract month for the 3 days prior to the start of the target month. (See the Commodity Exchange Endorsement for more information.)

**Actual total gross margin** - The sum of actual gross margins per month across all months of the insurance period.

**Actuarial documents** - The information for the crop year which is available for public inspection in your agent's office and published on RMA's website which shows available crop insurance policies, coverage levels, information needed to determine amounts of insurance, prices, premium adjustment percentages, practices, particular types of the insurable crop, and other related information regarding crop insurance in the state.

**AMS** - Agricultural Marketing Service of the USDA or a

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successor agency.

**Application** - The form required to be completed by you and accepted by us before any Specific Coverage Endorsement (SCE) can be submitted and insurance coverage commences.

**Assignment of indemnity** - A transfer of policy rights, made on our form, and effective when approved by us in writing, whereby you assign your right to an indemnity payment for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation.

**Beginning farmer or rancher** - An individual who has not actively operated and managed a farm or ranch in any state, with an insurable interest in a crop or livestock as an owner-operator, landlord, tenant, or sharecropper for more than 5 crop years, as determined in accordance with FCIC procedures. Any crop year's insurable interest may, at your election, be excluded if earned while under the age of 18, while in full-time military service of the United States, or while in post-secondary education, in accordance with FCIC procedures. A person other than an individual may be eligible for beginning farmer or rancher benefits if there is at least 1 individual substantial beneficial interest holder and all individual substantial beneficial interest holders qualify as a beginning farmer or rancher.

**Cancellation date** - The calendar date specified in the actuarial documents on which coverage will automatically renew unless canceled in writing by either you or us or terminated in accordance with the policy terms.

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

**Company** - The insurance company reinsured by FCIC that is identified on, and issuing, your summary of coverage.

**Commodity Exchange Endorsement for Dairy Cattle** - An endorsement that contains the exchange prices that are used to set the expected and actual prices for Livestock Gross Margin (LGM) Dairy Cattle.

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

**Contract change date** - The calendar date contained in the actuarial documents by which changes to the policy, if any, will be made available in accordance with section 20(d) of these Basic Provisions.

**Corn equivalent** - The amount of corn equivalent to the energy content of the dairy ration used by the producer. Suggested conversion rates for dairy feeds are given in the Commodity Exchange Endorsement.

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

**Crop year** - The 12-month period, beginning July 1 and ending the following June 30, which is designated by the calendar year in which it ends.

**Cumulative target marketings** - Target marketings for each specific month in the insurance period, summed over all SCEs in all crop years when the month was

insurable. For example, if February 2023 is insured under 3 different Specific Coverage Endorsements, then the target marketings for February 2023 under each of those SCEs are totaled to determine the cumulative target marketings for February 2023. This is done for each month in the insurance period.

**Date coverage begins** - the calendar date the insurance provided by this policy begins.

**Days** - Calendar days.

**Deductible** - The portion of the expected total gross margin that you elect not to insure. Per hundredweight deductible amounts range from zero to \$2.00 per cwt in 10 cent increments. The deductible equals the selected per hundredweight deductible multiplied by the sum of target marketings across all months of the insurance period.

**Delinquent debt** - Has the same meaning as the term defined in 7 CFR part 400, subpart U.

**Effective date** - The date coverage begins, as shown in the SCE. The effective date will always be the date the prices were published on RMA's website. If the SCE was purchased and we approved it on the day following the date the prices were published on RMA's website, the effective date is still the date that the prices were published on RMA's website.

**End of insurance period, date of** - The date the insurance provided by this policy ceases.

**Expected corn price** - For months in which a CME corn contract expires, the settlement price for the CME corn futures contract for the month on the effective date. For other months, the daily settlement price for the 1st succeeding contract month on the effective date. (See the Commodity Exchange Endorsement for more information.)

**Expected cost of feed** - The expected cost of feed for each month equals the target corn (or corn equivalent) to be fed multiplied by 2000/56 (to convert tons to bushels) multiplied by the expected corn price for that month, plus the target soybean meal (or soybean meal equivalent) to be fed multiplied by the expected soybean meal price for that month.

**Expected gross margin per month** - Expected revenue less the expected cost of feed for the month.

**Expected milk price** - The daily settlement price of the CME Class III milk futures contract for the month on the effective date. (See the Commodity Exchange Endorsement for more information.)

**Expected milk revenue** - The expected milk price for a month multiplied by target marketings for the month.

**Expected soybean meal price** -

- (1) For months in which a CME soybean meal contract expires, the daily settlement price of the CME soybean meal futures contract for the month on the effective date.
- (2) For other months, daily settlement price for the 1st succeeding contract month on the effective date. (See the Commodity Exchange Endorsement for more information.)

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**Expected total gross margin** - The sum of expected gross margins per month across all months of the insurance period.

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

**Gross margin guarantee** - The gross margin guarantee for an insurance period is the expected total gross margin for an insurance period minus the deductible.

**Insurance period** - The 11-month period designated in the summary of coverage to which the SCE is applicable. See the Commodity Exchange Endorsement for additional detail on insurance periods.

**Insured** - The person as shown on the summary of coverage 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 coverage as the insured.

**Liability** - The maximum amount payable on an Insurance Period under this policy.

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

**Limited resource farmer or rancher** - Has the same meaning as the term defined by USDA at [https://lrftool.sc.egov.usda.gov/LRP\\_Definition.aspx](https://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 you on our form showing for each month your actual marketings for that month of milk insured under this policy. The marketing report must be accompanied by copies of sales receipts that provide records of the actual marketings shown on the marketing report.

**Milk** - Milk produced from any species of domesticated mammal of the family *Bovidae* commonly grown for production of dairy products, also referred to as dairy cows.

**Notice of probable loss** - Our notice to you of a probable loss on your insured milk.

**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 of the United States Government.

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

**Premium** - The amount you owe us for this insurance coverage based on the information contained in your SCE in accordance with section 5.

**Premium billing date** - The earliest date upon which you

will be billed for insurance coverage based on the information contained in your SCE. The premium billing date for each SCE is the earlier of the 1st day of the 2nd month following the last month of the insurance period in which you have target marketings on that SCE, or the billing date published in the actuarial documents. For example, if the insurance period is April-February, and on March 16, 2026, you purchase 2 SCEs, 1 with target marketings for June and July 2026, and another SCE with target marketings for August and September 2026, then your premium billing date for the SCE covering June and July 2026 is September 1, and your premium billing date for the SCE covering August and September is November 1.

**Producer premium** - The total premium minus the premium subsidy paid by FCIC.

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

**RMA's Website** - A website hosted by RMA and located at <https://www.rma.usda.gov/> or a successor website.

**Sales closing date** - The effective date of the SCE.

**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 at 9:00 AM Central Time of the following calendar day. Coverage 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.

**Share** - The lesser of your percentage interest in the insured milk as an owner at the time insurance attaches and at the time of sale. Persons who lease or hold some other interest in the milk other than as an owner are not considered to have a share in the milk.

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

**Specific Coverage Endorsement (SCE)** - An endorsement to the policy purchased by you during the crop year necessary to provide coverage that includes information about the insurance period, coverage options and target marketings in accordance with section 3(c).

**Subsidy capture** - The practice of exploiting the differences between premium owed by you for an SCE and the cost of a privately traded livestock contract such as a put option, for the purpose of your financial gain.

**Soybean meal equivalent** - The amount of soybean meal equivalent to the protein content of the dairy ration used by the producer. Suggested conversion rates for dairy feeds are given in the Commodity Exchange Endorsement.

**Substantial beneficial interest** - An interest held by any person of at least 10 percent in you (for example, there are 2 partnerships that each have a 50 percent interest in you and each partnership is made up of 2 individuals, each with a 50 percent share in the partnership. In this

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case, each individual would be considered to have a 25 percent interest in you, and both the partnerships and the individuals would have a substantial beneficial interest in you. The spouses of the individuals would not be considered to have a substantial beneficial interest unless the spouse was one of the individuals that made up the partnership. However, if each partnership is made up of 6 individuals with equal interests, then each would only have an 8.33 percent interest in you and although the partnership would still have a substantial beneficial interest in you, the individuals would not for the purposes of reporting in section 2). The spouse of any individual applicant or individual insured will be presumed to have a substantial beneficial interest 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 substantial beneficial interest in the applicant or insured unless the child has a separate legal interest in such person.

**Summary of coverage** - Our statement to you, based upon the information contained in the SCE, specifying the insured, the milk, the target marketings, gross margin guarantee, and the premium for the insurance period covered by the SCE.

**Target corn to be fed** - Your determination as to the number of tons of corn or corn equivalent that you will feed for each month.

**Target protein meal to be fed** - Your determination as to the number of tons of soybean meal or protein meal equivalent you will feed each month.

**Target marketings** - Your determination as to the number of hundredweight of milk you elect to insure in each month during the insurance period.

**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.

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

**Veteran farmer or rancher** -

- (1) An individual who has served active duty in the United States Armed Forces, including the Air Force, Army, Coast Guard, Marine Corps, Navy, or Space Force and their 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) 1st 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 substantial beneficial interest 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

and non-veteran spouse are 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.

### 2. Life of Policy, Cancellation, and Termination

- (a) The application must be completed by you and received by us not later than the sales closing date. If cancellation or termination of insurance coverage occurs for any reason, including but not limited to indebtedness, suspension, debarment, disqualification, cancellation by you or us or violation of the controlled substance provisions of the Food Security Act of 1985, a new application must be filed for the crop.
- (b) If you are ineligible under the policy or under any Federal statute or regulation.
  - (1) The application for a new policy will not be approved by us;
  - (2) No new SCEs will be approved on an existing policy after the date of ineligibility; and
  - (3) An existing policy will terminate in accordance with 7 CFR part 400, subpart U, unless otherwise provided for in these Basic Provisions.
- (c) Your agent does not have authority to bind coverage under this policy. Before coverage attaches, your application must be accepted by us, and you must submit an SCE in accordance with this policy and receive a written summary of coverage from us for each insurance period.
- (d) This is a continuous policy and will remain in effect for each crop year following the acceptance of the original application until canceled by you in accordance with the terms of the policy or terminated by operation of the terms of the policy or by us. In accordance with section 20, FCIC may change the coverage provided from year to year.
- (e) With respect to your application for insurance:
  - (1) You must include your social security number (SSN) if you are an individual (if you are an individual applicant operating as a business, you may provide an employer identification number (EIN) but you must also provide your SSN); or
  - (2) You must include your EIN if you are a person other than an individual;
  - (3) In addition to the requirements of section 2(e)(1) or 2(e)(2), you must include the following for all persons who have a substantial beneficial interest in you:
    - (i) The SSN for individuals; or
    - (ii) The EIN for persons other than individuals and the SSNs for all individuals that comprise the person with the EIN if such individuals have a substantial beneficial interest in you;
  - (4) You must include:

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- (i) Your election of plan of insurance and any other material information required on the application to insure your cattle; and
  - (ii) All information required in section 2(e)(4)(i) or your application will not be accepted and no coverage will be provided;
- (5) Your application will not be accepted and no insurance will be provided for the year of application if the application does not contain your SSN or EIN. If your application contains an incorrect SSN or EIN for you, your application will be considered not to have been accepted, no insurance will be provided for the year of application and for any subsequent crop years, as applicable, and such policies will be void if:
- (i) Such number is not corrected by you; or
  - (ii) You correct the SSN or EIN but:
    - (A) You cannot prove that any error was inadvertent (simply stating the error was inadvertent is not sufficient to prove the error was inadvertent); or
    - (B) It is determined that the incorrect number would have allowed you to obtain disproportionate benefits under the crop insurance program, you are determined to be ineligible for insurance or you could avoid an obligation or requirement under any State or Federal law;
- (6) With respect to persons with a substantial beneficial interest in you:
- (i) The coverage for all livestock or livestock products included on your application will be reduced proportionately by the percentage interest in you of persons with a substantial beneficial interest in you (presumed to be 50 percent for spouses of individuals) if the SSNs or EINs of such persons are included on your application, the SSNs or EINs are correct, and the persons with a substantial beneficial interest in you are ineligible for insurance;
  - (ii) Your policies for all livestock or livestock products included on your application, and for all applicable crop years, will be void if the SSN or EIN of any person with a substantial beneficial interest in you is incorrect or is not included on your application and:
    - (A) Such number is not corrected or provided by you, as applicable;
    - (B) You cannot prove that any error or omission was inadvertent (simply stating the error or omission was inadvertent is not sufficient to prove the error or omission was inadvertent); or
    - (C) Even after the correct SSN or EIN is provided by you, it is determined that the incorrect or omitted SSN or EIN would have allowed you to obtain disproportionate benefits under the crop insurance program, the person with a substantial beneficial interest in you is determined to be ineligible for insurance, or you or the person with a substantial beneficial interest in you could avoid an obligation or requirement under any State or Federal law; or
  - (iii) Except as provided in sections 2(e)(6)(ii)(B) and 2(e)(6)(ii)(C), your policies will not be voided if you subsequently provide the correct SSN or EIN for persons with a substantial beneficial interest in you and the persons are eligible for insurance;
- (7) When any of your policies are void under sections 2(e)(5) or 2(e)(6):
- (i) You must repay any indemnity that may have been paid for all applicable commodities and any crop years determined by us;
  - (ii) Even though the policies are void, you will still be required to pay an amount equal to 20 percent of the premium that you would otherwise be required to pay; and
  - (iii) If you previously paid premium or administrative fees, any amount in excess of the amount required in section 2(e)(7)(ii) will be returned to you;
- (8) Notwithstanding any of the provisions in this section, if you certify to an incorrect SSN or EIN, or receive an indemnity and the SSN or EIN was not correct, you may be subject to civil, criminal or administrative sanctions;
- (9) If any of the information regarding persons with a substantial beneficial interest in you changes after the cancellation date for the previous crop year, you must revise your application by the cancellation date for the current crop year to reflect the correct information. However, if such information changed less than 30 days before the cancellation date for the current crop year, you must revise your application by the cancellation date for the next crop year. If you fail to provide the required revisions, the provisions in section 2(e)(6) will apply; and
- (10) If you are, or a person with a substantial beneficial interest in you is, not eligible to obtain an SSN or EIN, whichever is required, you must request an assigned number for the purposes of this policy from us:
- (i) A number will be provided only if you can demonstrate you are, or a person with a substantial beneficial interest in you is, eligible to receive Federal benefits;
  - (ii) If a number cannot be provided for you in

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accordance with section 2(e)(10)(i), your application will not be accepted; or

- (iii) If a number cannot be provided for any person with a substantial beneficial interest in you in accordance with section 2(e)(10)(i), the amount of coverage for all crops on the application will be reduced proportionately by the percentage interest of such person in you.
  - (f) You may cancel this policy after the initial crop year by providing written notice to us on or before June 30. We may cancel this policy with express written consent from FCIC unless provided for in these Basic Provisions. This policy cannot be cancelled at any time during the crop year.
  - (g) Any amount owed to us for any policy authorized under the Act will be offset from any indemnity or prevented planting payment due you for this or any other crop insured with us under the authority of the Act.
    - (1) Even if your claim has not yet been paid, you must still pay the premium and administrative fee on or before the termination date for you to remain eligible for insurance.
    - (2) If we offset any amount due us from an indemnity or prevented planting payment owed to you, the date of payment for the purpose of determining whether you have a delinquent debt will be the date that you submit the claim for indemnity in accordance with section 7(a) (Determining Indemnities).
    - (3) For this agricultural commodity policy, and any other agricultural commodity policy insured with us and it is:
      - (i) Prior to the premium billing date or for any endorsement that has not ended, you may request your premium and administrative fees to be offset from any indemnity or prevented planting payment due you; or
      - (ii) On or after the premium billing date or for any endorsement that has ended, your premium and administrative fees will be offset from any indemnity or prevented planting payment due you.
  - (h) A delinquent debt for any policy will make you ineligible to obtain Livestock Gross Margin for Dairy Cattle policy for any subsequent crop year and result in termination of this policy in accordance with section 2(h)(2). Delinquent debt on this policy will make you ineligible to obtain crop insurance authorized under the Act for any subsequent crop year.
    - (1) With respect to ineligibility:
      - (i) Ineligibility for crop insurance will be effective on:
        - (A) The date that this policy was terminated in accordance with section 2(h)(2) for the crop for which you failed to pay premium, or any related interest owed, as applicable;
      - (B) The payment due date contained in any notification of indebtedness for any overpaid indemnity if you fail to pay the amount owed, including any related interest owed, as applicable, by such due date; or
      - (C) The cancellation date for the crop year prior to the crop year in which a scheduled payment is due under a written payment agreement if you fail to pay the amount owed by any payment date in any agreement to pay the debt;
    - (ii) If you are ineligible and a policy has been terminated in accordance with section 2(h)(2), such ineligibility and termination of the policy may affect your eligibility for benefits under other USDA programs. Any indemnity payment that may be owed for the policy before it has been terminated will remain owed to you, but may be offset in accordance with section 2(g), unless your policy was terminated in accordance with sections 2(h)(2)(i)(A), 2(h)(2)(i)(B), or 2(h)(2)(i)(D).
- (2) With respect to termination:
  - (i) Termination will be effective on:
    - (A) For a Livestock Gross Margin for Dairy Cattle policy with unpaid premiums, such policy will terminate for the current crop year even if insurance attached prior to the termination date. Such termination will be considered effective as of the prior crop year's cancellation date and no insurance will be considered to have attached for the current crop year and no indemnity will be owed;
    - (B) For a Livestock Gross Margin for Dairy Cattle policy with other amounts due, the cancellation date immediately following the date you have a delinquent debt.
    - (C) For delinquent debt on any other policy that is issued under the authority of the Act, this policy will terminate on the cancellation date that coincides with the ineligibility date for the policy with the delinquent debt or, if there is no coincidental cancellation date, the cancellation date immediately following the date you become ineligible;
    - (D) For a Livestock Gross Margin for Dairy Cattle policy with a written payment agreement and failure to make any scheduled payment, the cancellation date for the crop year prior to the crop

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- year in which you failed to make the scheduled payment. for example
- (ii) For all policies terminated under sections 2(h)(2)(i)(A), 2(h)(2)(i)(B), or 2(h)(2)(i)(D), any indemnities paid subsequent to the termination date must be repaid.
  - (iii) Once the policy is terminated, it cannot be reinstated for the current crop year unless:
    - (A) The termination was in error;
    - (B) The Administrator of the Risk Management Agency, at his or her sole discretion, determines that the following are met:
      - (1) In accordance with 7 CFR part 400, subpart U, and FCIC procedures, you provide documentation that your inadvertent failure to pay your debt is due to an unforeseen or unavoidable event or other extenuating circumstances that created the inadvertent failure for you to make timely payment;
      - (2) You remit full payment of the delinquent debt owed to us or FCIC with your request submitted in accordance with section 2(h)(2)(iii)(B)(3); and
      - (3) You submit a written request for reinstatement of your policy to us no later than 60 days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in the notice to you of the amount due, if applicable.
        - (i) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined ineligible, and you will be entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and
        - (ii) There is no evidence of fraud or misrepresentation; or
    - (C) We determine that, in accordance with 7 CFR part 400, subpart U, and FCIC issued procedures, the following are met:
      - (1) You can demonstrate:
        - (i) You made timely payment for the amount of premium owed but you inadvertently omitted some small amount, such as the most recent month's interest or a small administrative fee;
        - (ii) The amount of the payment was clearly transposed from the amount that was otherwise due (for example, you owed \$892 but you paid \$829);
        - (iii) You timely made the full payment of the amount owed but the delivery of that payment was delayed, and was postmarked no more than 7 calendar days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in a notice to you of an amount due, as applicable.
        - (iv) For previously executed written payment agreements, you made the full payment of the scheduled payment amount owed within 15 calendar days after the missed payment date.
      - (2) You remit full payment of the delinquent debt owed to us; and
      - (3) You submit a written request for reinstatement of your policy to us in accordance with 7 CFR part 400, subpart U, and applicable procedures no later than 30 days after the termination date or the missed payment date of a previously executed written payment agreement, or in the case of overpaid indemnity or any amount that became due after the termination date, the due date specified in the notice to you of the amount due, if applicable; and
      - (4) If authorization for reinstatement, as defined in 7 CFR part 400, subpart U, is granted, your policies will be reinstated effective at the beginning of the crop year for which you were determined

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- ineligible, and you will be entitled to all applicable benefits under such policies, provided you meet all eligibility requirements and comply with the terms of the policy; and
- (5) There is no evidence of fraud or misrepresentation.
- (iv) A determination made under:
- (A) Section 2(h)(2)(iii)(B) may only be appealed to the National Appeals Division in accordance with 7 CFR part 11; and
- (B) Section 2(h)(2)(iii)(C) may only be appealed in accordance with section 19.
- (3) To regain eligibility, you must:
- (i) Repay the delinquent debt in full;
- (ii) Execute a written payment agreement, in accordance with 7 CFR part 400, subpart U, and make payments in accordance with the agreement; or
- (iii) Have your debts discharged in bankruptcy.
- (4) After you become eligible for crop or livestock insurance, if you want to obtain coverage for your crops or livestock, you must submit a new application on or before the sales closing date for the crop (since applications for crop insurance cannot be accepted after the sales closing date, if you make any payment after the sales closing date, you cannot apply for insurance until the next available sales closing date).
- (5) If you are determined to be ineligible under section 2(h), persons with a substantial beneficial interest in you may also be ineligible until you become eligible again.
- (i) In cases where there has been a death, disappearance, judicially declared incompetence, or dissolution of any insured person:
- (1) If any married individual insured dies, disappears, or is judicially declared incompetent, the named insured on the policy will automatically convert to the name of the spouse if:
- (i) The spouse was included on the policy as having a substantial beneficial interest in the named insured; and
- (ii) The spouse has a share of the crop.
- (2) The provisions in section 2(i)(3) will be applicable if:
- (i) Any partner, member, shareholder, etc., of an insured entity dies, disappears, or is judicially declared incompetent, and such event automatically dissolves the entity; or
- (ii) An individual, whose estate is left to a beneficiary other than a spouse or left to the spouse and the criteria in section 2(i)(1) are not met, dies, disappears, or is judicially declared incompetent.
- (3) If section 2(i)(2) applies and the death, disappearance, or judicially declared incompetence occurred:
- (i) More than 30 days before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
- (ii) 30 days or less before the cancellation date, or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:
- (A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and
- (B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.
- (4) If any insured entity is dissolved for reasons other than death, disappearance, or judicially declared incompetence:
- (i) Before the cancellation date, the policy is automatically canceled as of the cancellation date and a new application must be submitted; or
- (ii) On or after the cancellation date, the policy will continue in effect through the crop year immediately following the cancellation date and be automatically canceled as of the cancellation date immediately following the end of the insurance period for the crop year, unless canceled by the cancellation date prior to the start of the insurance period:
- (A) A new application for insurance must be submitted prior to the sales closing date for coverage for the subsequent crop year; and
- (B) Any indemnity will be paid to the person or persons determined to be beneficially entitled to the payment and such person or persons must comply with all policy provisions and pay the premium.
- (5) If section 2(i)(2) or 2(i)(4) applies, a remaining member of the insured person or the beneficiary is required to report to us the death, disappearance, judicial incompetence, or other

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event that causes dissolution not later than the next cancellation date, except if section 2(i)(3)(ii) applies, notice must be provided by the cancellation date for the next crop year. If notice is not provided timely, section 2(i)(2) or 2(i)(4) will apply retroactive to the date such notice should have been provided and any payments made after the date the policy should have been canceled must be returned.

- (j) We may cancel your policy if no premium is earned for 3 consecutive years.
- (k) The cancellation date is June 30 for the policy and the termination date for the policy is August 31 of the year following the cancellation date as stated in the actuarial documents. For example, a crop year 2026 policy with the cancellation date of June 30, 2026, would have the termination date of August 31, 2027. Cancellation during a crop year is not allowed.
- (l) Any person may sign any document relative to crop insurance coverage on behalf of any other person covered by such a policy, provided that the person has a properly executed power of attorney or such other legally sufficient document authorizing such person to sign. You are still responsible for the accuracy of all information provided on your behalf and may be subject to any applicable consequences, if any information has been misreported.
- (m) LGM for Dairy Cattle 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).
  - (1) LGM for Dairy Cattle will not be offered if CME Class III milk futures prices decline on the effective date by the maximum allowed by the exchange.
  - (2) LGM for Dairy Cattle will not be offered if CME soybean meal or CME corn futures prices increase on the effective date by the maximum allowed by the exchange.
- (n) FCIC will suspend sales of LGM for Dairy Cattle on the calendar days on which USDA releases Milk Production, Cold Storage or Dairy Products reports, as well as on any other days that for any reason LGM for Dairy Cattle offer prices are not published in the actuarial documents by 4:30 PM Central Time.

### 3. Insurance Coverages

- (a) For each SCE, your gross margin guarantee, deductible, and premium for the insurance period are as shown on your summary of coverage.
- (b) An SCE must be submitted on our form within the sales period for each insurance period in which you desire coverage. There can be multiple SCEs for the same insurance period, same months in the

insurance period, and the same sales closing date, but they cannot cover the same milk.

- (c) The SCE must include the following information, as applicable:
  - (1) Your deductible amount.
  - (2) Your target marketings for every month within the insurance period in which you desire coverage.
  - (3) The practice/insurance period.
  - (4) The effective date of coverage.
  - (5) The tons of corn, tons of soybean meal for every month within the insurance period in which you desire coverage.
- (d) You may sign the SCE:
  - (1) Before the coverage prices and premium rates are published by RMA, provided that the SCE form contains all information required in section 3(c) and you have signed the SCE not earlier than 14 calendar days before the effective date. You may revise or withdraw the SCE at any time up to 1:30 PM Central Time on the effective date.
  - (2) After the coverage prices and premium rates are published by RMA, provided that the SCE is signed during the sales period.
- (e) Target marketings for any month of an insurance period cannot be greater than production capacity for that month.
- (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) Coverage can be purchased during the sales period or as otherwise specified in the Special Provisions. Coverage is not available for purchase if expected milk and feed prices are not available on RMA's website.
- (h) Sales of LGM for Dairy Cattle may be suspended for the sales period if unforeseen and extraordinary events occur that interfere with the effective functioning of the corn, soybean meal, or milk commodity markets. Evidence of such events may include, but is not limited to, consecutive limit down moves in the milk futures markets or limit up moves in the corn and soybean meal contracts.
- (i) In accordance with section 17, you may not have any other FCIC reinsured livestock policy covering the same class of livestock for any month for which you have target marketings or have any other FCIC reinsured livestock policy covering the same insured milk at the same time.
- (j) If you insure any dairy cattle under this policy, you and any person with a substantial beneficial interest in you, are prohibited from offsetting any of the

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coverage provided by this policy for the purpose of subsidy capture, such as through contracts traded on a commodity exchange. Violation of this prohibition will result in the application of available administrative, civil or criminal remedies.

### 4. Causes of Loss Covered

This policy provides insurance only for the difference between the actual gross margin and the gross margin guarantee resulting from unavoidable natural occurrences as required by the Act. This policy does not insure against the death or other loss or destruction of your dairy cattle, or against any unexpected decline in milk production, or in other loss or damage of any kind whatsoever.

### 5. Premium

- (a) The premium is earned and payable at the time coverage begins and you will be billed for the premium on the premium billing date for each SCE.
- (b) You are only eligible for premium subsidy if you target market in 2 or more months of an insurance period.
- (c) The premium amount is shown on your summary of coverage.
- (d) The premium will be based on the information you provide on the SCE.
- (e) Premium or administrative fees owed by you will be offset from an indemnity or prevented planting payment due you in accordance with section 2(g).
- (f) If you qualify as a beginning farmer or rancher, your premium subsidy will be 10 percentage points greater than the premium subsidy that you would otherwise receive, unless otherwise specified in the Special Provisions.
- (g) You will be ineligible for any premium subsidy paid on your behalf by FCIC for any policy issued by us if:
  - (1) USDA determines you have committed a violation of the highly erodible land conservation or wetland conservation provisions of 7 CFR part 12 as amended by the Agricultural Act of 2014; or
  - (2) You have not filed form AD-1026 with FSA for the reinsurance year by the premium billing date.
    - (i) Notwithstanding section 5(g)(2), you may be eligible for premium subsidy without having a timely filed form AD-1026:
      - (A) For the initial reinsurance year if you certify by the premium billing date for your policy that you meet the qualifications as outlined in FCIC approved procedures for producers who are new to farming, new to crop insurance, a new entity, or have not previously been required to file form AD-1026; or
      - (B) If FSA approves relief for failure to timely file due to circumstances beyond

your control or failure to timely provide adequate information to complete form AD-1026 in accordance with the provisions contained in 7 CFR part 12.

- (ii) To be eligible for premium subsidy paid on your behalf by FCIC, it is your responsibility to assure you meet all the requirements for:
  - (A) Compliance with the conservation provisions specified in section 5(g)(1) of this section; and
  - (B) Filing form AD-1026, or successor form, to be properly identified as in compliance with the conservation provisions specified in section 5(g)(1) of this section.

### 6. Insurance Period

- (a) Coverage begins on your milk on the 1st day of the 2nd calendar month following the month of the sales closing date, unless otherwise specified in the Special Provisions. For example, for SCEs with a sales closing date in January, coverage will begin on March 1.
- (b) For each SCE, coverage ends at the earliest of:
  - (1) The last month of the insurance period in which you have target marketings; or
  - (2) As otherwise specified in the policy.

### 7. Determining Indemnities

- (a) For each SCE, in the case of a payable loss on insured milk, we will send you a notice of probable loss approximately 10 days after actual gross margins for all months with target marketings are released by RMA. You must submit a marketing report, within 60 days of your receipt of the notice of probable loss.
- (b) For each SCE, 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 3-day average CME Class III milk futures price established at the beginning of the insurance period.
- (c) For each SCE, if for any month for which you have target marketings your actual marketings are less than 85 percent of the cumulative target marketings for the month, your indemnities will be reduced as follows:
  - (1) If your actual marketings for the month:
    - (i) Are equal to or greater than 85 percent of the cumulative target marketings for the month, then your market factor for the month equals 1, even if your actual marketings for the month are lower than the cumulative target marketings for the month; or
    - (ii) Are less than 85 percent of the cumulative target marketings for the month, then your

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market factor for the month equals your actual marketings divided by 85 percent divided by cumulative target marketings.

- (2) The market factor for the SCE is calculated as a weighted average of market factors for months in which you have target marketings, proportional to the target marketings. The indemnity calculated as in 7(b) will be prorated by the market factor.

- (3) For example, an insured purchases an SCE for the May-Mar insurance period and declares target marketings of 10,000 cwt in June and 10,000 cwt in July. The insured markets only 8,500 cwt in June and 7,500 cwt in July. The market factor for June is 1, and the market factor for July is  $(7,500 \div 0.85) \div 10,000 = 0.882$ . The market factor for the endorsement is  $((10,000 \times 1) + (10,000 \times 0.882)) \div 20,000 = 0.941$ . If the difference between the gross margin guarantee and the actual gross margin is positive, the indemnity paid will be that difference multiplied by 0.941.

- (d) Premium will be due in accordance with section 5, which uses your target marketings, and your premium will not be reduced as a result of any reduction in indemnities per section 7(c).

### 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 U. 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 20 percent of the total premium.

### 9. Amounts Due Us

- (a) Interest will accrue at the rate of 1.25 percent simple interest per calendar month on any unpaid amount owed to us or on any unpaid administrative fees owed to FCIC.

- (1) For premium amounts owed to us or administrative fees owed to FCIC, interest will start to accrue on the 1st day of the month following the issuance of the notice by us, provided that a minimum of 30 days have passed from the premium billing date.

- (2) We will collect any unpaid amounts owed to us and any interest owed thereon, and, prior to the termination date, we will collect any administrative fees and interest owed thereon to

FCIC.

- (3) After the termination date, FCIC will collect any unpaid administrative fees and any interest owed thereon for any catastrophic risk protection policy and we will collect any unpaid administrative fees and any interest owed thereon for additional coverage policies.

- (b) For 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.

- (1) 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.

- (2) 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 1st to expenses of collection, if any, 2nd, 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 the expenses of collection.

- (e) The portion of the amounts owed by you for a policy authorized under the Act that are owed to FCIC 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. Such amounts include all administrative fees, and the share of the overpaid indemnities and premiums retained by FCIC plus any interest owed thereon.

### 10. 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.

### 11. 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; and

- (2) You may be subject to remedial sanctions in

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accordance with 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 1st 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 willfully and intentionally provide false or inaccurate information to us or FCIC or you fail to comply with a requirement of FCIC, in accordance with 7 CFR part 400, subpart R, FCIC may impose on you:
  - (1) A civil fine for each violation in an amount not to exceed the greater of:
    - (i) The amount of the pecuniary gain obtained as a result of the false or inaccurate information provided or the noncompliance with a requirement of FCIC; or
    - (ii) \$10,000; and
  - (2) A disqualification for a period of up to 5 years from receiving any monetary or non-monetary benefit provided under each of the following:
    - (i) Any crop insurance policy offered under the Act;
    - (ii) The Farm Security and Rural Investment Act of 2002 (7 U.S.C. 7333 et seq.);
    - (iii) The Agricultural Act of 1949 (7 U.S.C. 1421 et seq.);
    - (iv) The Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.);
    - (v) The Agricultural Adjustment Act of 1938 (7 U.S.C. 1281 et seq.);
    - (vi) Title XII of the Food Security Act of 1985 (16 U.S.C. 3801 et seq.);
    - (vii) The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.); and
    - (viii) Any federal law that provides assistance to a producer of an agricultural commodity affected by a crop or livestock loss or a decline in the prices of agricultural commodities.

### 12. Transfer of Coverage and Right to Indemnity

If you transfer any of your milk during the insurance period, you may transfer your coverage rights, if the transferee is eligible for crop or livestock insurance.

- (a) We will not be liable for any more than the liability determined in accordance with your policy that existed before the transfer occurred.
- (b) The transfer of coverage rights must be on our form and will not be effective until approved by us in

writing.

- (c) Both you and the transferee are jointly and severally liable for the payment of the premium.
- (d) The transferee has all rights and responsibilities under this policy consistent with the transferee's interest.
- (e) 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.

### 13. Assignment of Indemnity

- (a) You may assign your right to an indemnity for the crop year only to creditors or other persons to whom you have a financial debt or other pecuniary obligation. You may be required to provide proof of the debt or other pecuniary obligation before we will accept the assignment of indemnity.
- (b) All assignments must be on our form and must be provided to us. Each assignment form may contain more than 1 creditor or other person to whom you have a financial debt or other pecuniary obligation.
- (c) Unless you have provided us with a properly executed assignment of indemnity, we will not make any payment to a lienholder or other person to whom you have a financial debt or other pecuniary obligation even if you may have a lien or other assignment recorded elsewhere. Under no circumstances will we be liable:
  - (1) To any lienholder or other person to whom you have a financial debt or other pecuniary obligation where you have failed to include such lienholder or person on a properly executed assignment of indemnity provided to us; or
  - (2) To pay to all lienholders or other persons to whom you have a financial debt or other pecuniary obligation any amount greater than the total amount of indemnity owed under the policy.
- (d) If we have received the properly executed assignment of indemnity form:
  - (1) Only 1 payment will be issued jointly in the names of all assignees and you unless all assignees and you agree in writing for the payment to be issued to a single payee; and
  - (2) Any assignee will have the right to submit all loss notices and forms as required by the policy if you fail to do so. If you have suffered a loss from an insurable cause and fail to submit a claim for indemnity within the period specified in section 7(a):
    - (i) An assignee may submit the claim for indemnity not later than 15 days after the period for filing a claim has expired.
    - (ii) No indemnity will be paid if we determine that we do not have the ability to accurately adjust the loss for any claim for indemnity. You or any assignee may not dispute the

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determination.

- (e) If any assignee submits a notice of loss or claim for indemnity because of your failure to timely do so, the assignee assumes any rights and responsibilities you may have under section 19 to dispute determinations related to the notice of loss or claim for indemnity, except for determinations made in accordance with section 13(d)(2)(ii).

### 14. 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.

### 15. 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.
  - (1) Notices required to be given immediately may be by telephone or in person and confirmed in writing.
  - (2) 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 policy provisions, notices and communications that we send to you will be:
  - (1) Provided by electronic means, unless:
    - (i) We do not have the ability to transmit such information to you by electronic means; or
    - (ii) You elect to receive a paper copy of such information;
  - (2) Sent to the location specified in your records with your crop insurance agent; and
  - (3) Conclusively presumed to have been received by you.

### 16. Applicability of State and Local Statutes

If 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.

### 17. Other Insurance

- (a) Nothing in this section prevents you from obtaining other insurance not authorized under the Act. However, you must not obtain insurance on dairy cattle or milk under any other livestock plan of insurance issued under the authority of the Act for any month for which you have target marketings. Additionally, you may not obtain another Livestock Gross Margin for Dairy Cattle Insurance Policy for the same state for the crop year.

- (b) If you violate conditions in 17(a) and if you can demonstrate that the duplication was not intentional (for example, an application to transfer your policy or written notification to an insurance provider that states you want to purchase, or transfer, insurance and you want any other policies for the livestock canceled would demonstrate you did not intend to have duplicate policies), and:

- (1) Both are LGM policies, the policy with the earliest application date will be in force and the other policy will be void, unless both policies are with:
  - (i) The same insurance provider and the insurance provider agrees to void the policy with the earliest application date; or
  - (ii) Different insurance providers and both insurance providers agree to void the policy with the earliest application date.
- (2) One policy is LGM and the other is a livestock policy insuring the same class of livestock (dairy cattle or milk) for any month for which you have target marketings, the policy with the earliest endorsement date for the insured month will be in force and the other endorsement will be void.

- (c) If you violate conditions in 17(a) and you cannot demonstrate that the duplication was not intentional, you may be subject to the sanctions authorized under this policy, the Act, 7 CFR part 400, subpart R, or any other applicable statute.

### 18. Access to Insured Milk and Records, and Record Retention

- (a) We, and any employee of USDA, reserve the right to examine the dairy herd of the insured producer, and all records relating to sale of the milk as often as we reasonably require during the record retention period.
- (b) For 3 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 (used to determine capacity only), shipment, sale, or other disposition of all the insured milk. 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 milk not insured. We may extend the record retention period beyond 3 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

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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 milk 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 that we request from 3rd parties.
- (e) If USDA initiates a review of a potential violation of Section 3(j):
  - (1) Upon our request you must provide all your brokerage records for any crop year in which you obtained coverage under this policy.
    - (i) Records of transactions made under private contracts not traded on regulated commodity exchanges may also be requested if such transactions are based on, or a function of potential or realized indemnities for SCEs.
    - (ii) You must provide the names of all your brokers and persons with whom you have private contracts described in section 18(e)(1), if any.
  - (2) The following terms and conditions apply to all requests for records or assistance under subsection 18(e)(1) above:
    - (i) Request for brokerage records or records of private transactions under subsection 18(e)(1) must be limited to those dates on which a potential violation of section 3(j) might have occurred.
    - (ii) Request for brokerage records or records of private transactions under subsection 18(e)(1) may be extended to persons with a substantial beneficial interest in you, and to any entity in which such persons have a substantial beneficial interest.
    - (iii) If you refuse to comply with any requests for records and information under this subsection 18(e), you will be in breach of this policy and we will deny an indemnity for all SCEs in effect for the crop year. All premiums will still be owed.

### 19. Mediation, Arbitration, Appeal, Reconsideration, and Administrative and Judicial Review

- (a) If you do not agree with any determination made by us, the disagreement may be resolved through mediation in accordance with section 19(f). If the disagreement cannot be resolved through mediation, or you and we do not agree to mediation, you must timely seek resolution through arbitration in accordance with the rules of the American Arbitration Association (AAA), except as provided in

sections 19(c) and 19(e), and unless rules are established by FCIC for this purpose. Any mediator or arbitrator with a familial, financial or other business relationship to you or us, or our agent or loss adjuster, is disqualified from hearing the dispute.

- (1) All disputes involving determinations made by us are subject to mediation or arbitration. However, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable, or the meaning of any policy provision or procedure, either you or we must obtain an interpretation from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC.
  - (i) Any interpretation by FCIC will be binding in any mediation or arbitration.
  - (ii) Failure to obtain any required interpretation from FCIC will result in the nullification of any agreement or award.
  - (iii) An interpretation by FCIC of a procedure may be appealed to the National Appeals Division in accordance with 7 CFR part 11.
- (2) Unless the dispute is resolved through mediation, the arbitrator must provide to you and us a written statement describing the issues in dispute, the factual findings, the determinations and the amount and basis for any award and breakdown by claim for any award. The statement must also include any amounts awarded for interest. Failure of the arbitrator to provide such written statement will result in the nullification of all determinations of the arbitrator. All agreements reached through settlement, including those resulting from mediation, must be in writing and contain at a minimum a statement of the issues in dispute and the amount of the settlement.
- (b) Regardless of whether mediation is elected:
  - (1) The initiation of arbitration proceedings must occur within 1 year of the date we denied your claim or rendered the determination with which you disagree, whichever is later;
  - (2) If you fail to initiate arbitration in accordance with section 19(b)(1) and complete the process, you will not be able to resolve the dispute through judicial review;
  - (3) If arbitration has been initiated in accordance with section 19(b)(1) and completed, and judicial review is sought, suit must be filed not later than 1 year after the date the arbitration decision was rendered; and
  - (4) In any suit, if the dispute in any way involves a policy or procedure interpretation, regarding whether a specific policy provision or procedure is applicable to the situation, how it is applicable,

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or the meaning of any policy provision or procedure, an interpretation must be obtained from FCIC in accordance with 7 CFR part 400, subpart X or such other procedures as established by FCIC. Such interpretation will be binding.

- (c) Any decision rendered in arbitration is binding on you and us unless judicial review is sought in accordance with section 19(b)(3). Notwithstanding any provision in the rules of the AAA, you and we have the right to judicial review of any decision rendered in arbitration.
- (d) If you disagree with any determination made by FCIC or any claim where FCIC is directly involved in the claims process or directs us in the resolution of the claim, you may obtain an administrative review in accordance with 7 CFR part 400, subpart J (administrative review) or appeal in accordance with 7 CFR part 11 (appeal).
  - (1) If you elect to bring suit after completion of any appeal, such suit must be filed against FCIC not later than 1 year after the date of the decision rendered in such appeal.
  - (2) Such suit must be brought in the United States district court for the district in which the insured dairy cattle is located.
  - (3) Under no circumstances can you recover any attorney fees or other expenses, or any punitive, compensatory or any other damages from FCIC.
- (e) In any mediation, arbitration, appeal, administrative review, reconsideration or judicial process, the terms of this policy, the Act, and the regulations published at 7 CFR chapter IV, including 7 CFR part 400, subpart P, are binding. Conflicts between this policy and any state or local laws will be resolved in accordance with section 16. If there are conflicts between any rules of the AAA and your policy, your policy will control.
- (f) To resolve any dispute through mediation, you and we must both:
  - (1) Agree to mediate the dispute;
  - (2) Agree on a mediator; and
  - (3) Be present or have a designated representative who has authority to settle the case present, at the mediation.
- (g) Except as provided in section 19(h), no award or settlement in mediation, arbitration, appeal, administrative review or reconsideration process or judicial review can exceed the amount of liability established or which should have been established under the policy, except for interest awarded in accordance with section 10.
- (h) In a judicial review only, you may recover attorney's fees or other expenses, or any punitive, compensatory or any other damages from us only if you obtain a determination from FCIC that we, our agent or loss adjuster failed to comply with the terms of this policy or procedures issued by FCIC and such

failure resulted in you receiving a payment in an amount that is less than the amount to which you were entitled. Requests for such a determination should be addressed to the following: USDA/RMA/Deputy Administrator of Compliance/ Stop 0806, 1400 Independence Avenue, SW., Washington, D.C. 20250-0806.

- (i) If FCIC elects to participate in the adjustment of your claim, or modifies, revises or corrects your claim, prior to payment, you may not bring an arbitration, mediation or litigation action against us. You must request administrative review or appeal in accordance with section 19(d).
- (j) Any determination made by FCIC that is a matter of general applicability is not subject to administrative review under 7 CFR part 400, subpart J or appeal under 7 CFR part 11. If you want to seek judicial review of any FCIC determination that is a matter of general applicability, you must request a determination of non-appealability from the Director of the National Appeals Division in accordance with 7 CFR 11.6 before seeking judicial review.

### 20. 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 preceding the cancellation date.

### 21. Multiple Government Benefits

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 policy or by law.

### 22. Correction of Errors

- (a) If RMA is notified there has been a clear and obvious error made in any offers of insurance, such as but not limited to premiums announced that are significantly lower than those for any previous offer, and the error is discovered after acceptance of the SCE by the RMA system, we will provide you with a notice of the error. You must agree to maintain coverage under corrected terms within 5 business days of the received notice, or the affected coverage will be voided.
- (b) Any corrections to your elections on the SCE that impact the premium, liability, or record requirements

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must be submitted to RMA within 14 calendar days of the effective date. The request must include a timely signed SCE and supporting documentation. Supporting documentation must be dated prior to the end of the SCE sales period and must demonstrate that a clear and inadvertent error was made. The correction is subject to RMA approval.

- (c) In addition to any other corrections allowed in your policy subject to section 22(a), (b), and (d), we may correct:
  - (1) Within 60 days after the sales closing date, any incorrect information on your application or provided by the sales closing date, including identification numbers for you and any person with a substantial beneficial interest in you, to ensure that the eligibility information is correct and consistent with information reported by you to any USDA agency;
  - (2) Within 30 days of any subsequent correction of data by FSA, erroneous information corrected as a result of verification of information; and
  - (3) At any time, any incorrect information if the incorrect information was caused by electronic transmission errors by us or errors made by any agency within USDA in transmitting the information provided by you for purposes of other USDA programs.
- (d) Corrections may be made but will not take effect for the current crop year if the correction would allow you to:
  - (1) Avoid ineligibility requirements for insurance or obtain a disproportionate benefit under the crop insurance program or any related program administered by the Secretary;
  - (2) Obtain, enhance, or increase an insurance guarantee or indemnity if a cause of loss exists or has occurred before any correction has been made, or avoid premium owed if no loss is likely to occur; or
  - (3) Avoid an obligation or requirement under any Federal or State law.

### 23. Subsidy Capture

- (a) Unless the producer can demonstrate a clear and inadvertent error, the following practices are presumed to be subsidy capture, and are in violation of section 3(j):
  - (1) If you buy an SCE, and also open a new short put option on the relevant Class III milk futures contract, such that:
    - (i) The put option contract month is equal to a calendar month for which you have declared target marketings;
    - (ii) The put option is sold within 2 trading days before or 5 trading days after the SCE effective date; and
    - (iii) At the time you sold the put option, the option premium (per cwt) was higher than 80 percent of your SCE premium.

- (2) If you buy a SCE, and also sell a call option on the relevant Class III milk futures contract, such that:
  - (i) Call option contract month is equal to a calendar month for which you have declared target marketings;
  - (ii) Call option is sold within 2 trading days before or 5 trading days after the SCE effective date;
  - (iii) At the time you sold the call option, the option premium (per cwt) was higher than 80 percent of your SCE premium; and
  - (iv) At the time you sold the call option subject to the time period in section 23(a)(2)(ii), you also opened a new long position in the underlying futures contract, such that these 2 positions jointly created a payoff schedule equivalent to selling a put option.
- (b) Any private contract not traded on regulated commodity exchanges under which uncertain future indemnities for SCEs are effectively exchanged for a certain dollar amount is presumed to be subsidy capture and is in violation of section 3(j).