



United States  
Department of  
Agriculture

Risk  
Management  
Agency

6501 Beacon Drive  
Kansas City,  
MO 64133-4676

April 27, 2007

**INFORMATIONAL MEMORANDUM: PM-07-017**

TO: All Approved Insurance Providers  
All Risk Management Agency Field Offices  
All Other Interested Parties

FROM: Tim B. Witt */s/Tim B. Witt*  
Deputy Administrator

SUBJECT: Revised Livestock Gross Margin Plan of Insurance Policy Materials  
and Expansion for 2008 Sales

**BACKGROUND:**

The Federal Crop Insurance Corporation's (FCIC) Board of Directors (Board) endorsed revisions to the Livestock Gross Margin (LGM) plan of insurance based on the results of a contracted Livestock Evaluation. Additionally, an expansion of the LGM-Swine plan of insurance has been approved for sales beginning on July 30, 2007 (for the 2008 crop year).

The following revisions have been made to the LGM plan of insurance:

- Use of National Agriculture Statistics Service State and monthly basis numbers for swine and corn, similar to LGM-Cattle;
- Move to a dollar denominated deductible instead of percent of coverage, similar to LGM-Cattle;
- Move the sales closing date for LGM-Swine back one day so that swine and cattle have different sales closing dates. (The revised sales period for LGM-Swine will be the second to last day of the month. The release of the Expected Gross Margins will remain the same, from the time prices are received, validated and posted till 9am the next day.); and
- Removal of the prohibition regarding off-setting transactions.



The Risk Management Agency Administers  
And Oversees All Programs Authorized Under  
The Federal Crop Insurance Corporation

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Expansion states for LGM-Swine include the following: Colorado, Illinois, Indiana, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, North Dakota, Ohio, Oklahoma, South Dakota, Texas, Utah, West Virginia, Wisconsin and Wyoming.

Producers interested in LGM should contact an insurance agent who sells livestock insurance and complete an application. RMA publishes a list of agents on its web site. The address of the website is: <http://www.rma.usda.gov/>.

Because the Federal Crop Insurance Act limits the amount of livestock insurance that may be reinsured each year, the Risk Management Agency (RMA) must provide an approval number to approved insurance providers (AIP) before coverage can be bound. Unlike most other lines of insurance reinsured by FCIC, crop insurance agents do not have binding authority for LGM.

Sale of LGM operates on a “real-time” basis and RMA’s computer system (e-DAS) tracks total sales, discontinuing sales of both new and renewed LGM contracts when the annual underwriting capacity for livestock insurance has been obligated. AIP’s intending to sell LGM must first sign a Livestock Price Reinsurance Agreement (LRPA).

**ACTION:**

The following updated LGM materials may be accessed on the RMA web site from the Livestock page at: <http://www.rma.usda.gov/livestock/>

- Policy
- Underwriting Rules
- LGM Commodity Exchange Endorsement
- Handbook
- Insurance Policy Questions and Answers

Additional materials may be found at: Draft Manual 13 Requirements  
<http://www.rma.usda.gov/data/m13/>

Special Provisions: <http://www3.rma.usda.gov/apps/docbrowser/>

**DISPOSAL DATE:**

This Informational Memorandum is for the purpose of transmitting information and its disposal date is December 31, 2007.