



United States  
Department of  
Agriculture

May 28, 2004

Risk  
Management  
Agency

**BULLETIN NO.: MGR-04-007**

1400 Independence  
Avenue, SW  
Stop 0801  
Washington, DC  
20250-0801

TO: All Reinsured Companies  
All Risk Management Agency Field Offices  
All Other Interested Parties

FROM: Ross J. Davidson, Jr. /s/ *Ross J. Davidson, Jr.*  
Administrator

SUBJECT: Cancellation of 2004 Insurance Year Livestock Gross Margin (LGM) and Livestock Risk Protection (LRP) Policy Terms and Conditions

**BACKGROUND:**

The Federal Crop Insurance Corporation's (FCIC) Board of Directors (Board) approved modifications to the Livestock Gross Margin plan of insurance (LGM) on August 1, 2003, which were intended to protect program integrity. Due to the identified program vulnerabilities FCIC suspended sales of new policies for the remainder of the year. Sales during the remaining January 2004 sales period were restricted to existing policyholders. Subsequently, additional changes have been requested by the submitter of this private product and events such as the announcement of Bovine Spongiform Encephalopathy (BSE) in cattle in December 2003 resulted in the Board requiring additional changes to LGM prior to continuing reinsurance for the 2005 insurance year (insurance sales beginning July 1).

The Board approved modifications of the Livestock Risk Protection plan of insurance (LRP) on October 29, 2003, mostly pertaining to the Feeder Cattle endorsement. The modifications, which have not yet been implemented, include the addition of new types of cattle, additional weights of cattle, and two new insurance periods. The BSE announcement on December 23, 2003, resulted in the suspension of sales of both Feeder Cattle and Fed Cattle.

On April 6, 2004, the Board approved withdrawal of reinsurance per 7 CFR 400.709 for both the LGM and LRP plans of insurance for the 2004 policies (as of cancellation dates on June 30, 2004) and required such modification. At the request of the submitters, the Board considered modifications to the terms and conditions of the LGM and LRP policies effective for the 2005 insurance year prior to allowing reinsurance to resume.



The Risk Management Agency Administers  
And Oversees All Programs Authorized Under  
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**ACTION:**

1. In accordance with 7 CFR §709 insurance providers (IP's) may choose one of the following options:  
(1) On and after July 1, continue to sell and service the policy or plan of insurance at the IP's own risk and without any subsidy; or (2) Cancel the policy or plan of insurance in accordance with policy terms. Both policies have cancellation dates of June 30 (See Section 2 (1) of the LGM Basic Provision, Section 3 (o) of the LRP Basic Provision.).
2. LGM sales are complete for the 2004 crop year and no further sales are authorized until a revised policy is released by RMA.
3. LRP-Swine sales will continue through June 30, 2004, under the terms and conditions of the 2004 policy. As of July 1, 2004, the 2004 LRP policy will no longer be in effect and no reinsurance will be available for LRP-Swine until a revised policy is released.
4. LRP-Fed Cattle and LRP-Feeder Cattle will remain suspended, until revised program policies are released by RMA.
5. Revised policies for LGM and LRP will be released by RMA as soon as possible. Reinsurance for LGM and LRP will be available once sales are authorized under the revised policies.

**DISPOSAL DATE:**

This Bulletin is for the purpose of transmitting information and its disposal date is December 31, 2004.