

December 16, 2004

USAID/IRAQ A&A Notice 04-005

Subject: Accidental Death and Dismemberment Insurance

To: USAID/Iraq's Implementing Partners

From: Alvera Reichert, Director, Office Acquisition & Assistance

Effective from the date of this memo, Accidental Death and Dismemberment (AD&D) for expatriate staff working in Iraq will be considered for reimbursement under your respective awards. The final decision to grant or deny AD&D costs will reside with the cognizant Contracting Officer for your respective awards. The following guidance will be used for determination of allowability of costs.

Insurance shall be reimbursable under awards within the following parameters and limitations:

Total cost per employee for AD&D insurance shall not be reimbursed in amounts greater than 35% of the basic compensation cost of employee (annual salary) or coverage exceeding 5 times basic salary. Example 1): Employee annual salary is \$100,000 per year, annual AD&D costs shall be capped for reimbursement under the contract at \$35,000. Example 2) Employer provides AD&D coverage to employee at ten times basic salary - USAID shall only reimburse for cost of coverage up to five times basic salary.

Organizations with specific personnel policies related to AD&D costs shall form the basis of AD&D insurance coverage. Example 1): AD&D coverage is provided to all employees at 2 times basic salary - USAID's reimbursement for AD&D cost shall be limited to cost incurred for 2 times basic salary - additional coverage beyond 2 times basic salary is not reimbursable under the contract. Example 2) AD&D coverage requires employee contribution - USAID's reimbursement for AD&D costs shall still require similar employee contribution for coverage in Iraq.

Either employee or employer must contribute at a minimum, 25% of the total cost of AD&D insurance coverage provided. Example: Total AD&D cost to provide coverage to employee equals \$15,000 per year. Either employee or employer would be required to contribute a minimum amount of \$3,750 for the coverage, which is not subject to USAID reimbursement.

The above limits have been set to establish a cap on the "level of benefits" to be offered within an AD&D insurance plan covering expatriate staff serving in Iraq; and a "benefit plan design" that is reasonable and therefore reimbursable under contracts.

It is also in the interest of the government to make a determination as to the reasonableness of the dollar cost of premiums paid by the contractor for the qualifying AD&D coverage as required under FAR 31.205-19(a) which states, "Types and extent of coverage shall follow sound business practice, and rates and premiums must be reasonable".

This measurement of cost reasonableness as defined by FAR can be accomplished by the government's analysis of the contractor's financial data used in the premium methodology that determined the cost of the coverage, and if it is deemed to be excessive in relationship to the projected and actual claims of the plan. A systematic sampling and monitoring of plan cost by the Defense Contract Management Agency's Contractor Insurance Pension Center can accomplish this goal of implementing management control.

If you have any questions concerning this memo, please e-mail, areichert@usaid.gov .