



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

1400 Independence
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Stop 0801
Washington, DC
20250-0801

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Ross J. Davidson, Jr.
Manager

SUBJECT: Board Memorandum No. 770
Docket No. CI-LRP Maintenance Cost Reimbursement-04-01
Second Year Reimbursement of Maintenance Costs for Livestock Risk
Protection: Submitted by Applied Analytics Group

There is submitted for your consideration a resolution to approve reimbursement of maintenance costs for the Livestock Risk Protection (LRP) plan of insurance previously approved by the Federal Crop Insurance Corporation Board of Directors (Board). The Applied Analytics Group (AAG) has requested the Board to consider reimbursement of maintenance costs for LRP. The submission has previously been determined to be marketable and, therefore, eligible for reimbursement.

The LRP plan of insurance protects producers against decreases in price for the class of livestock selected; swine, fed cattle, or feeder cattle. Producers may choose insurance periods and a variety of coverage prices, which vary daily in accordance with commodity market conditions. Premium rates change daily and LRP insurance is offered for sale on a 'real-time' basis through RMA's electronic data acceptance system (e-DAS) using the internet.

AAG is requesting total reimbursement of \$611,365.26 for maintenance costs for LRP. Pursuant to 7 C.F.R. § 400.712(j), RMA reviewed the maintenance costs submitted by AAG to determine whether they were supported by itemized statements and documentary evidence and were reasonable. RMA's review has determined that reasonable, verifiable maintenance costs for the LRP program expansion and revisions are \$594,309.86. Certain labor costs were adjusted because they exceeded the adjusted U.S. Department of Labor, Bureau of Labor Statistics (BLS) rate.

Section 522(b)(6) of the Federal Crop Insurance Act requires reimbursement of maintenance costs be adjusted for complexity and scope. The complexity and scope score of LRP was determined to be .70, which translates to a reimbursement of 100 percent of requested costs.

It is necessary for the Board to select one of the following options: to approve, approve with revisions, or disapprove reimbursement of research and development costs.

FINAL RESOLUTION

**Reimbursement of LRP Plan of Insurance Maintenance Costs
Docket No. CI-LRP Maintenance Cost Reimbursement-04-01**

RESOLVED, that Docket No. CI-LRP Maintenance Cost Reimbursement-04-01 (Exhibit No. 2752), authorizing reimbursement of maintenance costs, as amended by the Risk Management Agency, in the amount of \$592,309.86 to Applied Analytics Group for its Livestock Risk Protection plan of insurance, as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.

Adopted by the Board of Directors on: 9/2/04

/signed/
Byron Anderson, Secretary
Federal Crop Insurance Corporation

[SEAL]

Approved by:

/signed/
Keith Collins
Chairman of the Board

9/7/04
Date