



United States
Department of
Agriculture

Federal Crop
Insurance
Corporation

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Washington, DC
20250-0801

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Ross J. Davidson, Jr.
Manager

SUBJECT: Board Memorandum No. 769
Docket No. CI-LGM Maintenance Cost Reimbursement-04-01
Second Year Reimbursement of Maintenance Costs for Livestock Gross
Margin Submitted by Iowa Agricultural Insurance Innovations, L.L.C.

BACKGROUND:

There is submitted for your consideration a resolution to approve reimbursement of maintenance costs for the Livestock Gross Margin (LGM) plan of insurance previously approved by the Federal Crop Insurance Corporation Board of Directors (Board). The Iowa Agricultural Insurance Innovations, L.L.C. (IAII) has requested the Board to consider year two reimbursement of maintenance costs for LGM. The submission has previously been determined to be marketable and, therefore, eligible for reimbursement.

IAII is an Iowa limited liability company, composed of Farm Bureau Mutual Insurance Company and FarmRisk, Inc. The pilot Livestock Gross Margin (LGM) insurance policy provides coverage to livestock (swine) producers from production and marketing risks. The product provides coverage for the difference between the actual total gross margin (actual swine price for lean hogs that the insured actually markets during the month as determined using the Chicago Mercantile Exchange lean hog futures price less feed costs as determined using corn and soybean meal futures settlement prices at the Chicago Board of Trade for the last three days of the future contracts) and the gross margin guarantee (Chicago Mercantile Exchange lean hog futures price less the price of feed based on the Chicago Board of Trade futures price for corn and soybean meal for the last three days of the month). Coverage is not provided for death or other loss or destruction of swine. The Board approved LGM for the 2002 crop year.

IAII is requesting reimbursement of \$64,844.01 for maintenance costs incurred for LGM. Pursuant to 7 C.F.R. § 400.712(j), RMA reviewed the maintenance costs submitted by IAII 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 LGM totaled \$64,359.57. 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 LGM was determined to be 1.1, which translates to a reimbursement of 100 percent of adjusted costs.

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

FINAL RESOLUTION

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

RESOLVED, that Docket No. CI-LGM Maintenance Cost Reimbursement-04-01 (Exhibit No. 2751), Iowa Agricultural Insurance Innovations, L.L.C.'s request for maintenance costs, as amended by the Risk Management Agency to reflect \$64,359.57 as the total amount reimbursable for the Livestock Gross Margin plan of insurance and as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.

Adopted by the Board of Directors on: _____

Byron Anderson, Secretary
Federal Crop Insurance Corporation

[SEAL]

Approved by:

Keith Collins
Chairman of the Board

Date