



United States
Department of
Agriculture

To: Board of Directors
Federal Crop Insurance Corporation

September 25, 2001

Federal Crop
Insurance
Corporation

FROM: Phyllis W. Honor /s/ *Phyllis W. Honor*
Acting Manager

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

SUBJECT: Board Memorandum No. 628
Resolution to Approve Reimbursement of Research, Development, and Maintenance
Costs Submitted Under Section 522(b) of the Federal Crop Insurance Act by
American Agrisurance, Inc.

There is submitted for your consideration a resolution to approve reimbursement of research and development costs, and maintenance costs for insurance products approved by the Federal Crop Insurance Corporation Board of Directors (Board) for reinsurance prior to the enactment of section 522(b) of the Federal Crop Insurance Act (Act).

American Agrisurance, Inc. (AmAg) has requested the Board to consider reimbursement of research and development costs and maintenance costs for Crop Revenue Coverage (CRC) and Group Risk Income Protection (GRIP). CRC developed by AmAg was first approved for the 1996 crop year. CRC provides protection against loss of production and price fluctuations. Indemnities are due when any combination of yield and price result in revenue that is less than the Revenue Guarantee. GRIP was developed by IGF Insurance Company (now AmAg) and was first approved for sale for the 1999 crop year. GRIP makes indemnity payments only when the average county revenue for the insured crop falls below the revenue selected by the producer.

AmAg has requested to use the formula within the regulation published at 7 C.F.R. part 400, subpart V. The total reimbursement of research and development costs for CRC is \$1,622,693.33 (based on 1996 through 2001 policies earning premium as of September 17, 2001). However, not all 2001 crop year policies earning premium have been reported, thus this estimate may be low. We expect that the final reimbursement for research and development cost will not exceed \$1,765,706.83 based on the policies sold but not yet shown as earning premium. It is suggested that an initial payment be made based on the policies earning premium as of September 17, 2001, and a final payment be made after Annual Settlement (based on the final count of policies earning premium at the February 2002 accounting cutoff date for 2001 reinsurance year). AmAg has requested that 15 percent of approved reimbursable research and development costs be paid for maintenance costs for the 2002 crop year. The reimbursement for maintenance cost will range from \$243,404 to \$264,856.03. Reimbursement for maintenance cost is dependent on the final amount of reimbursement of research and development cost and will be determined after the number of policies earning premium for the 2001 crop year is final.

AmAg submitted receipts and hardcopy proof for reimbursement of research and development costs for GRIP. RMA's review has determined the costs submitted are verifiable and directly related to research and development of GRIP. The total reimbursement of research and development for GRIP is \$149,001.76. In

addition, AmAg has requested that 15 percent of reimbursable research and development costs be paid for maintenance costs for the 2002 crop year. The reimbursement for maintenance costs is \$22,350.26.

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

RESOLVED, That American Agrisurance, Inc.'s request for reimbursement of research, development, and maintenance costs for CRC and GRIP, as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.

OR

RESOLVED, That American Agrisurance, Inc.'s request for reimbursement of research and development costs and maintenance costs for CRC and GRIP, as amended by the Board and as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.

OR

RESOLVED, That the submitting entity shall be notified that the Board hereby disapproves the requests for reimbursement of research, development, and maintenance costs on the basis that the Board has been unable to make a determination that the costs are directly related to or verifiable research, development and maintenance expenses.

FINAL RESOLUTION

RESOLVED, That American Agrisurance, Inc.'s request for reimbursement of research, development, and maintenance costs for CRC and GRIP, as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.

Adopted by the Board of Directors on: September 25, 2001

/s/ Diana Moslak
Diana Moslak, Secretary
Federal Crop Insurance Corporation

[SEAL]
Approved by:

/s/ Keith Collins
Keith Collins
Acting Chairman of the Board

9/25/01
Date