



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. 630
Resolution to Approve Reimbursement of Research, Development, and Maintenance
Costs Submitted Under Section 522(b) of the Federal Crop Insurance Act by
American Farm Bureau Insurance Services, 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 Farm Bureau Insurance Services, Inc. (AFBIS) has requested the Board to consider reimbursement of research and development costs and maintenance costs for Revenue Assurance (RA). RA was initially developed by Farm Bureau Mutual Insurance Company (FBMIC) and was first approved for sale in the 1997 crop year. AFBIS took over and conducted its own research and development for the 1999 and 2000 crop years. RA provides dollar-denominated coverage by the producer selecting a dollar amount of target revenue from a range defined by 65-85 percent of expected revenue.

AFBIS has submitted receipts for reimbursement of research and development costs for the 1999 through 2001 crop years. The Risk Management Agency's (RMA) review has determined that the costs submitted are verifiable and directly related to research and development of RA. The total reimbursement request for research and development costs for RA is \$593,779.88. AFBIS 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 \$89,066.98.

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 Farm Bureau Insurance Services, Inc.'s request for reimbursement of research, development, and maintenance costs, as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved.

OR

RESOLVED, That American Farm Bureau Insurance Services, Inc.'s request for research and development and maintenance costs, 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 request 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 Farm Bureau Insurance Services, Inc.'s request for reimbursement of research, development, and maintenance costs, 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