



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. 772
Docket No. CI-RA Maintenance Cost Reimbursement-04-01
Year Four Reimbursement of Maintenance Costs for Revenue Assurance
Submitted by American Farm Bureau Insurance Services, Inc.

BACKGROUND:

There is submitted for your consideration a resolution to approve reimbursement of maintenance costs for the Revenue Assurance (RA) plan of insurance previously approved by the Federal Crop Insurance Corporation Board of Directors (Board). The American Farm Bureau Insurance Services, Inc. (AFBIS) has requested the Board to consider year four reimbursement of maintenance costs for RA. The submission has previously been determined to be marketable and, therefore, eligible for reimbursement.

RA was initially developed by Farm Bureau Mutual Insurance Company and first approved for sale in the 1997 crop year. AFBIS continued further development after the first crop year. RA provides yield and price protection in dollar-denominated coverage by the producer selecting a dollar amount of target revenue from a range defined by 65-85 percent of expected revenue. The Agricultural Risk Protection Act of 2000 allowed developers of previously approved 508(h) products to recoup research and development costs and be reimbursed for up to four years of maintenance costs. The developers of RA were paid research and development costs, plus one year of maintenance costs in fiscal year 2001. This is RA's last year for reimbursement of maintenance costs.

AFBIS is requesting reimbursement of \$400,223.80 for maintenance costs incurred for RA. Pursuant to 7 C.F.R. § 400.712(j), RMA reviewed the maintenance costs submitted by AFBIS 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 RA totaled \$400,223.80.

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 RA was determined to be .6, 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 approve, approve with revisions, or disapprove reimbursement of maintenance costs.

FINAL RESOLUTION

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

RESOLVED, that Docket No. CI-RA Maintenance Cost Reimbursement-04-01 (Exhibit No. 2754), American Farm Bureau Insurance Services, Inc. request for reimbursement of maintenance costs in the amount of \$400,223.80 for its Revenue Assurance 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