



United States  
Department of  
Agriculture

Federal Crop  
Insurance  
Corporation

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Avenue, SW  
Stop 0801  
Washington, DC  
20250-0801

**TO:** Board of Directors  
Federal Crop Insurance Corporation

**FROM:** Ross J. Davidson, Jr.  
Manager

**SUBJECT:** Board Memorandum No. 771  
Docket No. CI-GRIP R&D Cost Reimbursement-04-01  
Reimbursement of Research and Development Costs for Group Risk  
Income  
Protection – Harvest Revenue Option Submitted by NAU Country  
Insurance  
Company

**BACKGROUND:**

There is submitted for your consideration a resolution to approve reimbursement of research and development costs for the Group Risk Income Protection – Harvest Revenue Option (GRIP-HRO) endorsement previously approved by the Federal Crop Insurance Corporation Board of Directors (Board). NAU Country Insurance Company (NAU) has requested the Board to consider research and development costs for GRIP-HRO.

Group Risk Income Protection (GRIP) was developed by IGF Insurance Company (IGF) and was first approved for sale in the 1999 crop year. The Risk Management Agency (RMA) assumed maintenance in December 2002 for the 2003 crop year. NAU submitted the GRIP-HRO endorsement that offers protection by valuing lost bushels at the harvest price, beginning in the 2004 crop year for all corn and soybean counties in Iowa, Illinois, Indiana, Michigan, and Ohio where GRIP crop insurance is currently available. GRIP makes indemnity payments only when the average county revenue for the insured crop falls below the revenue chosen by the producer. The Board approved GRIP-HRO for the 2004 crop year.

NAU is requesting reimbursement of \$183,779.50 for research and development costs incurred for GRIP-HRO. RMA has determined GRIP-HRO is marketable and, therefore, eligible for reimbursement of research and development costs. Pursuant to 7 C.F.R. § 400.712(i), RMA reviewed the research and development costs submitted by NAU to determine whether they were supported by itemized statements and documentary evidence and were reasonable. RMA's review has determined that reasonable, verifiable research and development costs for GRIP-HRO totaled \$135,029.63. Certain labor costs were adjusted because they exceeded the adjusted U.S. Department of Labor, Bureau of Labor Statistics (BLS) rate.

The Act requires reimbursement of research and development costs be adjusted for complexity and scope. The complexity and scope score of GRIP-HRO was determined to be 0.3, which translates to a reimbursement of 75 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 research and development costs.

**FINAL RESOLUTION**

**Reimbursement of GRIP Plan of Insurance Maintenance Costs  
Docket No. CI-GRIP R&D Cost Reimbursement-04-01**

**RESOLVED, that Docket No. CI-GRIP R&D Cost Reimbursement-04-01 (Exhibit No. 2753), NAU Country Insurance Company's request for reimbursement of research and development costs, as amended by the Risk Management Agency to reflect \$135,029.63 as the total amount reimbursable for the Group Risk Income Protection – Harvest Revenue Option endorsement, as authorized under section 522(b) of the Federal Crop Insurance Act, is hereby approved**

Adopted by the Board of Directors on:

9/02/04

/signed/

Byron Anderson, Secretary  
Federal Crop Insurance Corporation

[SEAL]

Approved by:

/signed/

Keith Collins  
Chairman of the Board

9/07/04

Date