



**United States
Department of
Agriculture**

Federal Crop
Insurance
Corporation

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

TO: Board of Directors
Federal Crop Insurance Corporation

FROM: Ross J. Davidson, Jr. /s/
Manager

SUBJECT: Board Memorandum No. 753
Docket No. CI-SB-04-01
Sense of the Board Regarding Reimbursement of Research, Development and
Maintenance Costs

There is submitted for your consideration the subject docket approving or disapproving the adoption of the attached document entitled "Sense of the Federal Crop Insurance Corporation Board of Directors Regarding Reimbursement of Research, Development and Maintenance Costs."

It is necessary for the Board to select one of the following options to approve or disapprove Docket No. CI-SB-04-01 adopting of the attached "Sense of the Federal Crop Insurance Corporation Board of Directors Regarding Reimbursement of Research, Development and Maintenance Costs."

FINAL RESOLUTION

Docket No. CI-SB-04-01

RESOLVED, that Docket No. CI-SB-04-01, Exhibit No. 2734, adopting the attached document entitled "Sense of the Federal Crop Insurance Corporation Board of Directors Regarding Reimbursement of Research, Development and Maintenance Costs" is hereby approved.

Adopted by the Board of Directors on: 05/06/04

/signed/
Byron Anderson, Secretary
Federal Crop Insurance Corporation

[SEAL]

Approved by:

/signed/
Keith Collins
Chairman of the Board

05/06/04
Date

Sense of the Federal Crop Insurance Corporation Board of Directors Regarding Reimbursement of Research, Development and Maintenance Costs.

The Federal Crop Insurance Corporation Board of Directors (Board) provides direction regarding its expectations regarding submission contents with respect to marketability and reimbursement of research and development and maintenance costs for submissions of policies, provisions of policies and rates of premium under section 508(h) of the Federal Crop Insurance Act and 7 C.F.R. part 400, subpart V.

The Board believes it is necessary to clarify its expectations and the standards the Board will draw upon to base its decisions when considering the approval of private products submitted under 508(h) of the Federal Crop Insurance Act and 7 C.F.R. part 400, subpart V.

Sense of the Board--It is the sense of the Board that, in order for it to make informed decisions regarding approval of submissions and reimbursement of research and development, maintenance costs, the Board needs additional information as indicated herein.

1. Under 7 C.F.R § 400.706(f), the Board must determine that the interests of producers are protected before it can approve a submission. The Board finds that the marketability of a submission should be considered when determining whether the interests of producers are protected. Therefore, the Board requests applicants to submit additional information to substantiate the marketability of the submission. Such information includes, but is not limited to: focus group results, market research studies, qualitative market estimates, effects upon the delivery system or ancillary participants, correspondence from producers expressing the need for such product or plan, responses from a reasonable representative cross-section of producers to be effected by the product or plan, and correspondence from insurers and reinsurers expressing willingness to sell and support such a plan.
2. In accordance with 7 CFR §400.712(i)(1)(iii) and (iv), the submitter must fully disclose and document requests for reimbursement of contracted expenses and professional fees associated with a submission. The Board finds that certain information is sometimes ambiguous or fails to fully articulate business relationships, and that such information is needed in order to determine the reasonableness of these expenses. To remedy this situation, the Board requests that the applicant include the relationship, if any, between the applicant and any contractor or professional (such as parent company, subsidiary, etc.) or whether the contractor or professional has any other involvement with the applicant (such as being a director, officer, employer of the submitter or whether they have common directors, officers, employers, etc.).

3. Further, the Board requests that contracted expenses and professional fees be broken out by line item, to include individual names, rate of pay, hours allocated to the submission, benefit rate and overhead for the professionals and all persons who make up the contracted party who had substantive involvement in the development of the product for which reimbursement was sought.
4. In evaluating whether interests of producers are protected, the Board finds that the level of expected future maintenance costs must be considered because of the finite nature of resources available to FCIC, costs associated with changes to automated systems, and the impact to the delivery system to assure the ability to adequately and appropriately inform, service and timely meet all obligations for eligible producers. Therefore, in accordance with 7 C.F.R. § 400.706(e), the Board is requesting applicants to provide a comprehensive estimate of future maintenance costs for each of the next four years for the submission and the basis for which such maintenance costs will be incurred, including, but not limited to, any anticipated expansion, the generation of rates, the determination of prices, automated systems impact, delivery costs, contracted costs and any other costs that the applicant anticipates will be requested for reimbursement.