

STATEMENT of DR. JOSEPH GLAUBER
CHAIRMAN, BOARD OF DIRECTORS
FEDERAL CROP INSURANCE CORPORATION

NOVEMBER 19, 2009

The regulations governing the reimbursements of research and development costs require the Board to examine the costs claimed for reasonableness and to reduce the costs at its sole discretion if they do not appear reasonable. The Board has accumulated over eight years of experience in providing reimbursements for research and development costs. In that time, reimbursements for numerous types of submissions have been sought. The type and number of submissions and RMA's experience in contracting for research and development have given the Board a general sense of the number of hours and the costs required to perform the work required to research and develop a crop insurance policy or plan of insurance and present it to the Board. Based on this greater base of knowledge, the Board realizes that it must make a closer review of the costs claimed in the requests for reimbursement to ensure that the taxpayer dollars are spent on actual research and development and not for startup costs for new companies, education in crop insurance, or failure or delays in making changes recommended by RMA or expert reviewers. To assist the Board in making a meaningful review of the reasonableness of the costs claimed, the Board is directing RMA to develop procedures for the Board's approval that would require submitters to maintain sufficient records to allow the Board to conduct a meaningful review of the costs claimed.