



Federal Crop  
Insurance  
Corporation



Board of Directors



# **FEDERAL CROP INSURANCE CORPORATION**

## **BOARD OF DIRECTORS**

### **APPROVED PROCEDURES FOR SUBMISSION OF CONCEPT PROPOSALS SEEKING ADVANCE PAYMENT OF RESEARCH AND DEVELOPMENT EXPENSES**

Effective Date: January 2009

Procedure Number: 17030

## Concept Proposal Submission Procedures

### (A) Basis, purpose, and applicability.

- (1) This procedure establishes guidelines and responsibilities of the Federal Crop Insurance Corporation (FCIC) and the applicant for the submission of a concept proposal to the FCIC Board of Directors (Board) for approval for advance payment of estimated research and development costs as authorized under section 522(b) of the Act.
- (2) The Board may only approve advance payment for concept proposals that:
  - (i) Will likely result in a viable and marketable policy consistent with section 508(h) of the Act;
  - (ii) In the sole opinion of the Board, the concept will, if developed into a policy or plan of insurance and approved by the Board, provide crop insurance coverage:
    - (A) In a significantly improved form;
    - (B) To a crop or region not traditionally served by the Federal crop insurance program; or
    - (C) In a form that addresses a recognized flaw or problem in the program; and
  - (iii) The proposed budget and timetable are reasonable. Reasonableness may be determined by comparing the proposed concept to other similar proposed concepts or policies or plans of insurance (based on originality, complexity, and scope) that have been approved under section 508(h) of the Act and received research and development costs under section 522(b) of the Act or any other manner determined, at the sole discretion of the Board, to be appropriate.
- (3) Regardless of whether an advance payment is approved by the Board under these procedures:
  - (i) The provisions of 7 C.F.R. part 400, subpart V (subpart V) shall apply with respect to the reimbursement of research and development costs for policies and plans of insurance approved by the Board under section 508(h) of the Act; and
  - (ii) The applicant is still eligible for the payment of research and development costs, less any advance payments made, if the policy or plan of insurance is approved by the Board for reinsurance under section 508(h) of the Act.

### (B) Definitions

The definitions from subpart V apply to these procedures unless otherwise specified in this section. In addition to the definitions in subpart V:

**Act-** Subtitle A of the Federal Crop Insurance Act (7 U.S.C. 1501-1524).

**Advance Payment** – A portion, up to 50 percent, of estimated research and development costs, adjusted for complexity and scope, that may be approved by the Board under section 522(b) of the Act for an approved concept proposal that meets the requirements in section (A)(3). Research and development costs considered in this payment will be consistent with those allowed for a submission under section 508(h) of the Act and subpart V.

**Applicant** - Any person or entity that submits a concept proposal to the Board for approval seeking an advance payment for research and development of a policy or plan of insurance for submission for the Board for approval under section 508(h) of the Act.

**Complete** - A concept proposal determined by the Board to contain all necessary and appropriate information and documentation in accordance with section (E) and is of sufficient quality to conduct a meaningful review under section (F).

**Complexity** - Complexity takes into consideration such factors as originality of all policy materials, underwriting methods, actuarial methodology, and pricing methodology.

**Concept Proposal** – A written proposal, prepared in accordance with these procedures, and containing enough information that the Board is able to determine that, if approved, the proposed concept will likely result in the successful development of a submission under Subpart V for a policy, provisions of policies or rates of premium.

**Marketable** - A determination by the Board that a sufficient number of producers will purchase the policy or plan of insurance proposed in the concept proposal to justify the costs to develop and implement the policy or plan of insurance and approved insurance providers will sell the policy or plan of insurance. This determination must be based on credible information provided by the applicant.

**Originality** - The materials do not use as a foundation of development or drafting an existing policy or plan of insurance or offer innovative risk management protection that is not currently available under any plan of insurance. For example, creating a new plan of insurance such as Livestock Gross Margin would be considered original as opposed to adding a new crop to an existing plan of insurance such as wheat to Crop Revenue Coverage. It is possible that certain aspects, such as a rating methodology, may be considered original and this will be taken into consideration when determining complexity.

**Research and development costs** - Specific expenses, as allowed under subpart V, estimated to be necessary to complete the research and development of the concept proposal and submit it under subpart V.

**Scope** - The potential geographic area(s), national or regional, to which the proposed policy is applicable (the initial approved area where a new policy is placed does not affect the scope).

**Submission** - A policy, plan of insurance, provision of a policy or plan of insurance, or rates of premium, provided by an applicant to FCIC in accordance with the requirements of subpart V. The submission will be considered by the Board for approval for reinsurance and subsidy under section 508(h) of the Act.

**Submitter** – Same as applicant.

**Sufficient quality** - The concept proposal is complete, understandable and unambiguous, contains all the information and data necessary to evaluate the viability and marketability of the concept, and presented in the format specified in section (K).

**(C) Confidentiality of Concept Proposals and Duration of Confidentiality.**

- (1) Prior to approval by the Board, any concept proposal made to the Board under section 522(b) of the Act, including any information generated from the concept proposal, will be considered confidential commercial or financial information for purposes of 5 U.S.C. § 552(b)(4) and will not be released by FCIC to the public, unless the applicant authorizes such release in writing.
- (2) Any concept proposal disapproved by the Board will remain confidential commercial or financial information in accordance with 5 U.S.C. § 552(b) and no information related to such concept proposal will be released by FCIC unless authorized in writing by the applicant.
- (3) The applicant must state, within the concept proposal, if the name of the concept proposal may be used in Board documents, including but not limited to, the agenda, minutes, and Board memoranda. The applicant cannot use false names to mislead the public regarding the nature of the concept proposal. If permission is not given to use the name of the concept proposal, the concept proposal will simply be referred to as a “Section 522(b) concept proposal.”

**(D) Timing and Format of Concept Proposals.**

- (1) A complete concept proposal may only be submitted to FCIC during the first 5 business days of January, April, July, and October.
- (2) A concept proposal must be submitted to FCIC in the following format:
  - (i) Electronic form in a format in accordance with section (K); and
  - (ii) Six hard copies of the concept proposal mailed to the address in section (D)(4) and postmarked within the applicable due date period in paragraph (a) of this section. The hard copy must exactly match the electronic copy.
- (3) Any concept proposal not submitted within the first 5 business days of a month stated in paragraph (1) will be considered to have been submitted the next month that concept

proposals can be submitted under paragraph (1). For example, if an applicant provides a concept proposal on January 10, it will be considered to have been received on April 1.

- (4) Any concept proposal must be provided to the Deputy Administrator for Product Management (or any successor), USDA/Risk Management Agency, Beacon Facility Mail Stop 0812, 9240 Troost Ave., Kansas City, MO 64131-3055 and use the e-mail: [DeputyAdministrator@rma.usda.gov](mailto:DeputyAdministrator@rma.usda.gov) to be considered submitted for the purposes of these procedures.

### **(E) Contents of a Complete Concept Proposal.**

A complete concept proposal must contain the following material, as applicable, in the order given, with a table of contents and page numbers, and with section headings clearly labeling each section. It must be submitted in the format specified in section (K). The following materials are required.

- (1) The applicants name, address or primary business location, phone number, and e-mail address;
- (2) A summary of the qualifications of the applicant, including:
  - (i) Any prior concept proposals or submissions made to the Board under section 508(h) of the Act;
  - (ii) The outcome of those concept proposals or submissions including whether such was approved, the submitter received a notice of intent to disapprove, or if the concept proposal or submission was disapproved by the Board and the general reasons for the latter two actions; and
  - (iii) If the concept proposal or submission was approved by the Board and implemented, a summary of the volume of sales, risks protected, states authorized, etc, and a copy of any review or evaluation that may be publicly available to the submitter.
- (3) A detailed description of the concept (policy or plan of insurance) being proposed.
- (4) A detailed description of:
  - (i) How the proposed policy or plan of insurance would satisfy the requirements of section (A)(2) (For the viability and marketability portion of this question, it would be helpful if the following were included: The amount and value of the commodity on a national basis and expected liability in the insured area.);
  - (ii) The need for the policy or plan of insurance;
  - (iii) The availability of any other insurance product or program in either the private or public sector covering the same risks for the commodity;

- (iv) Expected demand for the policy or plan of insurance among affected producers (It would be helpful if the following were included as part of this item: Information about the risk exposure and what producers are currently doing to manage risk, and what producer needs would be fulfilled by the proposed policy or plan of insurance. Only original, not form or substantially copied, letters of support from interested parties may be submitted.); and
  - (v) Potential impact of the policy or plan of insurance on producers, RMA, and the crop insurance delivery system (It would be helpful if the following were included as part of this item: The impact of time, money, labor, and computer systems for all parties.);
- (5) One of the criteria for approval is that the concept will likely result in a viable and marketable policy or plan of insurance. As with FCIC contracted research and development, viability is determined through a feasibility study. Therefore, a feasibility study of the concept proposal is required that contains:
- (i) An identification of the risks the proposed policy will cover, an explanation of how the identified risks are insurable under the Act, and an explanation of how a loss will be triggered for the proposed policy;
  - (ii) A summary of the data sources available that demonstrate that a submission, based on the concept proposal, can reasonably be developed;
  - (iii) A description of the long-term sustainability of the proposed policy or plan of insurance (i.e. If in the submitter's estimation, the policy or plan of insurance will be appropriate for several years and the necessary data and information needed to support the policy or plan of insurance is likely to continue to be available.);
  - (iv) The type of rating and pricing methodologies under consideration and a preliminary assessment that actuarially appropriate premium rates and prices can be established for the risks to be covered using these methods;
  - (v) The anticipated or most likely formulas for liability, premium, and indemnity for the proposed concept and explain how, given: (a) the risks to be covered, (b) the available data, and (c) the formulas provided for liability, premium, and indemnity, that actuarially appropriate rates can be developed for the proposed policy or plan of insurance; and
  - (vi) A statement and supporting explanation of whether one of the current reinsurance agreements (Standard Reinsurance Agreement or Livestock Price Reinsurance Agreement) will likely be appropriate to the policy or plan of insurance to be developed under the concept proposal or if a new reinsurance agreement will be required.

- (6) The amount of time the applicant has expended to date, and the total research and development costs the applicant expects to incur to develop the idea from the concept proposal into a complete submission as required in 7 C.F.R. § 400.705. To assist the Board in determining reasonableness of the estimate of research and development costs for its consideration of advance payments of a portion of research and development costs, general estimates of expenses for the following categories are required:
  - (i) The number of hours expected to be required to complete a submission as required by 7 C.F.R. § 400.705 by type of work and the hourly rate of each occupation;
  - (ii) An estimate of wage and benefit costs per hour (by employee) applicable to the occupations in paragraph (6)(i);
  - (iii) An estimate of expected contracted expenses;
  - (iv) An estimate of professional expenses by occupation;
  - (v) An estimate of computer system expenses; and
  - (vi) An estimate of travel expenses that will be incurred.
- (7) A completed Complexity and Scope Worksheet (See Attachment A for the Complexity and Scope Worksheet). This information may be used to determine the amount of an advance payment at the discretion of the Board.

**(F) Progress Reports**

If required by the Board, the applicant will provide progress reports to the Board that includes, at the discretion of the Board:

- (1) The status of research and development efforts in the process of completing the submission according to 7 C.F.R. § 400.705; and
- (2) Any other information the Board deems relevant.

**(G) Presentation of the Concept Proposal to the Board**

- (1) The Board will inform the applicant of the date, time, and place of the Board meeting.
- (2) The applicant is required to present the concept proposal to the Board in person. RMA will notify the applicant about the date of the Board meeting and the applicant must confirm, in writing, that the concept proposal will be presented to the Board on that date. If written acceptance is not received, the concept proposal will be held for the next subsequent Board meeting for which the applicant is available.

## **(H) Concept Proposal Review**

- (1) Prior to providing the submission to the Board to determine whether it is a complete submission, RMA will conduct an initial review of the concept proposal for completeness and sufficiency of quality. This review will include:
  - (i) Review of the concept proposal to determine if all necessary and appropriate documentation is included in accordance with section (E); and
  - (ii) Review of the concept proposal to determine whether it is of sufficient quality to conduct a meaningful review.
- (2) RMA will forward the concept proposal and results of RMA's initial review to the Board for determination of completeness and sufficiency of quality.
- (3) For concept proposals determined by the Board to be complete and of sufficient quality, the Board will contract with not less than 2 independent expert reviewers with qualifications appropriate to review the type of concept proposal submitted. The Board may also request review of the concept proposal by any other reviewers the Board determines appropriate.
- (4) For concept proposals determined incomplete or of insufficient quality by the Board, the Board will return the concept proposal to the applicant based on its discussions with the applicant. If the concept proposal is resubmitted at a later date, it will be considered a new concept proposal.
- (5) For concept proposals sent for review, the reviewers will provide at a minimum:
  - (i) An assessment of the likelihood the concept proposal can be developed into a viable submission;
  - (ii) A determination of whether the proposed policy or plan of insurance is significantly different than other available policies or plans of insurance or programs in the private or governmental sectors;
  - (iii) A determination of whether all the conditions in section (A)(2) have been met;
  - (iv) A determination of whether the proposed policy or plan of insurance would be in the best interests of producers and taxpayers;
  - (v) A determination of the impact of the proposed policy or plan of insurance on producers, the marketplace, taxpayers, and government for the commodity to be insured (It would be helpful to include estimated impacts involving time, money, labor, and computer systems);

- (vi) An analysis of the past experience available for a similar policy or plan of insurance covering the same commodity and risks, if available;
  - (vii) A determination explaining how the risk(s) covered by the policy or plan of insurance conform to the Act and RMA's regulations, and procedures;
  - (viii) An assessment of the marketability of the proposed policy or plan of insurance;
  - (ix) An assessment of whether the data identified as available for rating and pricing purposes is from a credible source, would be available as necessary in the future, and is appropriate and sufficient for rating and pricing purposes;
  - (x) An assessment that the actuarial methods identified as possibilities for rating and pricing are actuarially appropriate and will work with the specific data identified as applicable;
  - (xi) A completed Complexity and Scope Worksheet (See Attachment A);
  - (xii) An assessment on any additional items the Board may deem necessary;
  - (xiii) Any additional information determined relevant that the reviewer identifies as of potential interest for the Board consideration; and
  - (xiv) A recommendation for approval or disapproval of the concept proposal for advance payment.
- (6) For concept proposals sent for review under section (H)(3), the date the Board votes to contract with independent reviewers is the date the concept proposal is deemed to be a complete concept proposal for establishing the 120 day time-period for approval.
  - (7) All comments and reviews will be provided to the Board by a date determined by the Board to allow the Board adequate time for review. The Board may request additional information from any reviewer or from other interested parties the Board determines appropriate.
  - (8) Concept proposals may be approved by the Board for an advance payment of up to 50 percent of the estimated research and development costs, if the Board determines that all of the requirements of these procedures, the Act and subpart V have been met.
  - (9) In addition to the other provisions of these procedures, the Board may disapprove advance payments to applicants who have submitted:
    - (i) A prior concept proposal or submission that did not result in a marketable policy or plan of insurance, was not approved, received a notice of intent to disapprove, or was no longer reinsured due to a problem or lack of adequate performance; or

- (ii) A prior concept proposal or submission was of such of poor quality that it was not sent for expert review.
- (10) The Board may disapprove an advance payment to an applicant who submits the same concept proposal to the Board multiple times.
- (11) The timing periods and rules specified in 7 C.F.R. § 400.706 (e), (f), and (g) for submissions apply to all concept proposals.

**(I) Advance Payments**

- (1) All advance payments are subject to the availability of funds under section 522 of the Act.
- (2) Generally, if approved for an advance payment, the calculation of the advance payment will be made using the Advance Payment Calculation Sheet in Attachment B. The percent of reimbursement for an advance payment for a concept proposal will be:
  - (i) 30 percent of the total reasonable research and development costs (identified in Item 8 of the Advance Payment Calculation Sheet) adjusted for the estimated complexity and scope, or another amount at the Board's discretion, for concept proposals that are based on existing policies or plans of insurance or modifications to existing policies or plans of insurance (Complexity and Scope Factor = .50 or .75); or
  - (ii) Up to 50 percent of the total reasonable research and development costs (identified in Item 8 of the Advance Payment Calculation Sheet) adjusted for the estimated complexity and scope, based on the Board's discretion, for concept proposals that are original (Complexity and Scope Factor = 1.0).
- (3) The estimated research and development costs and the estimated Complexity and Scope Total Score, and any other items considered in the payment of an advance payment may be adjusted for reasonableness at the sole discretion of the Board.
- (4) If an applicant receives an advance payment for a concept proposal, the applicant must notify the Board, in writing, if:
  - (i) The amount of total reasonable research and development costs identified in Item 8 of the Advance Payment Calculation Sheet for concept proposals increases by more than 20 percent for those concept proposals with total reasonable research and development costs of \$300,000 or less; or
  - (ii) The amount of total reasonable research and development costs identified in Item 8 of the Advance Payment Calculation Sheet for concept proposals increases more than 10 percent for those concept proposals with total reasonable research and development costs of more than \$300,000.

**(J) Development of a Submission from an Approved Concept Proposal**

- (1) If a concept proposal is approved by the Board for advance payment, the applicant is responsible for independently developing a submission as specified in subpart V. All aspects of subpart V apply to the submission.
- (2) If the Board approves an advance payment for a concept proposal, it will establish a date by which the applicant will present a complete submission in accordance with section 508(h) of the Act and 7 C.F.R. § 400.705 to the Board for consideration of approval.
- (3) If the concept proposal is successfully developed into a submission and approved as a policy or plan of insurance under section 508(h) of the Act, the applicant shall be eligible for a payment of reasonable research and development costs, less any payments made pursuant to section (I).
- (4) Except as specified in subsection (5), if a concept proposal is developed into a submission that is not approved by the Board under section 508(h) of the Act, FCIC will:
  - (i) Not seek a refund of any payments made under section (I); and
  - (ii) Not make any further research and development cost reimbursements associated with the submission.
- (5) If an applicant receives an advance payment for a portion of the expected research and development costs for a concept proposal and fails to fulfill the obligation to provide a complete submission of sufficient quality in accordance with section 508(h) of the Act and 7 C.F.R. § 400.705, without just cause, the applicant shall return the amount of the advance payment plus interest at the rate of 1.25 percent simple interest per calendar month. The Board shall provide a notice of non-compliance to the applicant and allow 30 days for the applicant to respond prior to requesting a refund of the advance payment with interest.

**K. Formats Acceptable to RMA**

All materials must be submitted to RMA electronically in Microsoft Word, Excel, or other Microsoft format. Hard copy submissions must exactly match the electronic copies.

**ATTACHMENT A**

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**Complexity and Scope Worksheet**

Complexity (See Scoring Instructions Below):	Score
1. Policy and Policy Materials	_____
2. Rating Methodology	_____
3. Pricing Methodology	_____
Scope (See Scoring Instructions Below):	
4. Scope	_____
Total Score (sum lines 1-4)	_____
Scope and Complexity Factor	_____

If Total Complexity/Scope Score is  $\leq .25$  Complexity and Scope Factor = .50  
If Total Complexity/Scope Score is  $> .25$  and  $< .60$  Complexity and Scope Factor = .75  
If Total Complexity/Scope Score is  $\geq .60$  Complexity and Scope Factor = 1.00  
(Note: Scoring is consistent with that in 7 CFR part 400, Subpart V)

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Scoring Instructions:

(1) Policy and Policy Materials:

(a) Do you intend to use existing policy materials without modification or with minor modifications? This would include use of the Basic Policy, Commodity Provisions, Endorsements, Loss Adjustment Manuals, and any other policy materials. This would include adding an endorsement to an existing policy or plan of insurance. Enter Score = .15

(b) Do you intend to use existing policy materials with modifications? This would include use of the Basic Policy, Commodity Provisions, Endorsements, Loss Adjustment Manuals, and any other policy materials and would involve more than just minor modifications. This could mean using the structure of one of these documents to add a new commodity provisions for a previously uninsured commodity. Enter Score = .30

(c) Do you intend to create new policy materials that are not based on an existing Basic Policy, Commodity Provisions, Endorsement, Loss Adjustment Manual, and any other policy materials? This would be an entirely new policy, including a new Basic Policy, that does not use the general structure of an existing policy or policy materials. Enter Score = .60

(2) Rating Methodology (not 'rates', but the actual methodology to calculate rate):

(a) Do you intend to use an existing rating methodology without modification or with minor modifications? This would include using the existing methodology for rates for a new commodity even if different data or dates are required. Grouping data for rating areas while using the same basic methodology is included here. Enter Score = .05

(b) Do you intend to use the existing rating methodology with more than minor modifications in order to rate a new risk? This would include changing the statistical method used in the rating procedure, but using some of the rating procedure that has been used previously. This would not include using an existing methodology for rates for a new commodity. Enter Score = .10

(c) Do you intend to create a new rating methodology that is not based on an existing methodology? This methodology is totally original. Enter Score = .20

(3) Pricing Methodology (not 'prices', but the actual methodology to calculate prices):

(a) Do you intend to use an existing pricing methodology without modification or with minor modifications? This would include using the existing methodology for prices for a new commodity even if it meant using a different commodity market, pricing dates, or grouping of information. Enter Score = .05

(b) Do you intend to use the existing pricing methodology with modifications? This would include changing the statistical method used in the pricing procedure, but using some of the pricing procedure that has been used previously. This would not include using an existing methodology for prices for a new commodity. Enter Score = .10

(c) Do you intend to create a new pricing methodology that is not based on an existing methodology? Enter Score = .20

(4) Scope

(a) Regardless of the initial requested area for the policy or plan of insurance, does the policy or plan of insurance have the potential to be used nationwide? Enter Score = .10

(b) Regardless of the initial requested area for the policy or plan of insurance, does the policy or plan of insurance have the potential to be used only regionally (a limited region or number of counties or states)? Enter Score = .05

**ATTACHMENT B**

**Advance Payment Calculation Sheet**

1. The submitter's estimated Research and Development Costs Expenses and Total Score for Complexity and Scope and the resulting factor.

\$ \_\_\_\_\_  
Submitter's Est. R&D

\_\_\_\_\_/\_\_\_\_\_  
Submitter's Est. Total C/S  
Score/Factor

2. The external reviewer's estimate of Total Score for Complexity and Scope and resulting factor (Attach Complexity and Scope Worksheet).

\_\_\_\_\_/\_\_\_\_\_  
Reviewer Est. Total C/S Score/Factor

3. RMA estimate of Total Score for Complexity and Scope and resulting factor (Attach Complexity and Scope Worksheet).

\_\_\_\_\_/\_\_\_\_\_  
RMA Est. Total C/S Score/Factor

4. The range of expenses previously paid for for submissions similar to this concept proposal is:

\$ \_\_\_\_\_ to \$ \_\_\_\_\_

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**Board Determinations:**

5. The submitter's estimated research and development costs and/or the submitter's estimated complexity/scope score and factor for this Concept Proposal are:

Reasonable-Skip to Item 8

Not Reasonable-Go to Item 6 and/or 7

6. Board Determination: The Board determines a maximum Research and Development amount of the following amount in order to calculate the Advance Payment (See Note 1).

\$ \_\_\_\_\_  
Board Research and Development Expense Allowed

7. Board Determination: The Board determines to set the Total Score for Complexity and Scope to the following number in order to calculate the Advance Payment (See Notes 1 and 2).

\_\_\_\_\_/\_\_\_\_\_  
Board Det. Total C/S Score/Factor

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**Advance Payment Calculation:**

8. If the Board made determinations in Item 6 for Research and Development Expenses or Item 7 for the Total Complexity Score and a resulting Complexity/Scope Factor, enter the Board's determinations for each, as applicable, otherwise enter the submitter's estimates from Item 1:

$$\frac{\text{Total Est. Reasonable R\&D}}{\text{C/S Factor}} \times \frac{\text{Estimated Reimbursable Research \& Development Expenses}}{\text{C/S Factor}} = \frac{\text{Estimated Reimbursable Research \& Development Expenses}}{\text{C/S Factor}}$$

9. Calculate the estimated Advance Payment amount as shown in section (I)(2) of the Concept Proposal Submission Procedures:

If Scope and Complexity Factor = .50 or .75

$$\frac{\text{Total Est. Reimbursable R\&D}}{30 \text{ percent}} \times \frac{.30}{30 \text{ percent}} = \frac{\text{Advance Payment}}{30 \text{ percent}}$$

If Scope and Complexity Factor = 1.00

$$\frac{\text{Total Est. Reimbursable R\&D}}{50 \text{ percent}} \times \frac{.50}{50 \text{ percent}} = \frac{\text{Advance Payment}}{50 \text{ percent}}$$

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10. **Board Determination:** The Board may determine, at its discretion, to pay a different percent of the total estimated research and development costs for the advance payment but not to exceed an amount equal to 50 percent. If the Board chooses to reimburse a different percentage, enter the percent here and calculate the Advance Payment (See Note 1):

$$\frac{\text{Reimbursable R\&D-Item 8}}{\text{Board Percent Chosen}} \times \frac{\text{Board Percent Chosen}}{\text{Board Percent Chosen}} = \frac{\text{\$ Advance Payment}}{\text{Board Percent Chosen}}$$

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11. Enter the Advance Payment made to this submitter:

\$ _____ Advance Payment Amount
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**Notes:**

**Note 1:** This implies no wrongdoing on the part of the submitter, but is an estimate of expected cost or complexity and scope for a submission of this type based on past experience of the Federal Crop Insurance Corporation, and is made as a requirement for the determination of 'reasonableness' as related to expenses.

**Note 2:** The Complexity and Scope Total Scores result in the following Complexity and Scope Factors consistent with 7 CFR part 400, Subpart V:

If Total Complexity/Scope Score is $\leq .25$	Complexity and Scope Factor = .50
If Total Complexity/Scope Score is $>.25$ and $<.60$	Complexity and Scope Factor = .75
If Total Complexity/Scope Score is $\geq .60$	Complexity and Scope Factor = 1.00