

## U.S. DEPARTMENT OF AGRICULTURE

<b>FEDERAL CROP INSURANCE CORPORATION DIRECTIVE</b>		<b>NUMBER: 17010</b>
<b>SUBJECT:</b>  <b>REVIEW AND APPROVAL OF PRIVATE CROP INSURANCE PRODUCTS</b>	<b>DATE:</b> March 2009	
	<b>OPI:</b> Product Administration and Standards Division	
	<b>APPROVED:</b> Deputy Administrator for Product Management /s/ <i>Tim B. Witt</i>	

### **A. PURPOSE**

This document outlines the Risk Management Agency's (RMA) internal procedure for the review of private sector crop insurance products submitted in accordance with 7 CFR Part 400 - General Administrative Regulations Subpart V – Submission of Policies, Provisions of Policies, Rates of Premium (Subpart V), Concept Proposal procedures, and Non-Reinsured Supplemental Policies and the Standard Reinsurance Agreement (SRA) Section V(F)(1) or as specified in the Federal Crop Insurance Act (Act). The following procedures outline the process for review and areas of analysis by functional areas within RMA to determine if a submission is compatible with Federal Crop Insurance Corporation (FCIC) standards and administrative procedures, as well as any applicable Federal directives, mandates, and laws. Comments from each RMA area of responsibility are to be returned to the Product Administration and Standards Division (PASD) within the appropriate timeframes and must include specific recommendations, with supporting rationale and analysis as appropriate.

### **B. RMA PROCEDURES DOCUMENTATION**

This directive is effective on the date issued and will remain in effect until superseded.

### **C. ABBREVIATIONS AND ACRONYMS**

Act	Federal Crop Insurance Act
APDD	Actuarial and Product Design Division
Board	FCIC Board of Directors
CP	Concept Proposal
DAB	Data Acceptance Branch
DAS	Data Acceptance System
FCIC	Federal Crop Insurance Corporation
IS	Insurance Services
MPCI	Multiple Peril Crop Insurance

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NRS	Non-reinsured Supplemental Policy
OGC	Office of General Counsel
PAAD	Product Analysis and Accounting Division
PASD	Product Administration and Standards Division
PM	Product Management
RMA	Risk Management Agency
RO	Regional Office
RSD	Reinsurance Services Division
SRA	Standard Reinsurance Agreement

### **D. DEFINITIONS**

**Board Package:** The written memorandum from the Administrator, RMA to the FCIC Board of Directors that summarizes the product being presented, commonly known as the “docket”, power point presentation and any other related materials prepared by RMA regarding the submission for Board consideration. The actual submission is also provided to the Board.

**Sufficient Quality:** The material presented in the submission or concept proposal is understandable and unambiguous, and presented in a format acceptable by RMA. Liability (guarantee), premium, and indemnity are clearly defined and consistent in calculation throughout the policy materials. As applicable, the policy, loss adjustment methods, underwriting procedures, and actuarial rating and pricing methodologies correspond to the risk(s) intended to be covered. The submission does not contain any obvious shortcomings that would predictably result in a negative review.

### **E. TYPES OF SUBMISSIONS**

1. New products, revisions to existing products, and revised rates of premium.
2. Concept proposals
3. Supplemental products not requesting reinsurance. (Submitted as NRS in accordance with SRA.)
4. Any other products submitted using 508(h) procedures as required by the Act.

### **F. REINSURANCE AND SUBSIDIES**

Reinsurance, administrative and operating subsidy, and premium subsidy can either be requested or not requested for a private insurance product. Reinsurance without any producer subsidy can also be requested. Each product is different and will be reviewed independently.

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### **G. PRODUCT STANDARDS**

The analysis of a private submission will include examination of the following standards of acceptance. These standards were obtained from the Federal Crop Insurance Act, and the 7 CFR Part 400 General Administrative Regulations:

1. All products must be submitted in Microsoft for Windows format (Word, Excel, Access, etc.) to RMA.
2. Does the policy provide meaningful coverage that is of use to producers, and provide it in a cost-efficient manner?
3. Policy terms, statements, provisions, and conditions must be based on sound underwriting principles. Definitions, amount of commodity, relevant dates, coverage levels, applicable options, commodity, insurance eligibility, insurance period, settlement of claim, amount of production, rates, prices, yields, guarantee or amount of insurance (liability), duties, premium, fees, share, contract changes, reporting procedures, causes of loss, exclusions, other procedures, indemnity, and all calculations must be included in the policy and must be consistently referenced throughout the submission in all examples and references.
4. Liability, premium, and indemnity calculations must be well-defined in the policy and the submission must include examples of each calculation and presented in a format agreeable to RMA.
5. As applicable, questions and answers may be furnished and must be appropriate for the policy, procedures, and other materials.
6. The rating, revenue, and/or yield methodology/determination must be included and presented in a manner that is coherent, logical and understandable, be actuarially appropriate and applicable to the policy submitted and the risks covered.
7. Subsidy payments made to producers must be consistent with the Act.
8. Pricing mechanisms must be economically sound and supported by analysis and documentation showing examples and historical scenarios, as applicable. The pricing methodologies must include how and when the price determination is made for the insurance offer.
9. Available data are appropriate for determining any applicable yields and revenues, as well as rating and pricing the risks to be covered.
10. Applicable loss adjustment procedures for the product must be included.
11. The submission must clearly specify if reinsurance, administrative and operating

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subsidy, and/or premium subsidy is requested.

12. NRS submissions will be reviewed to determine that they will not: 1) Increase or shift risk to Federally reinsured policies; 2) Reduce or limit the rights of the insured of the underlying policy; and 3) Cause any disruptions in the marketplace for products reinsured by FCIC.
13. All applicable instructions for forms in the format required by the Document and Standards Handbook, and procedures necessary to establish the amount of a loss, must be submitted.

## **H. REVIEW PROCESSES**

### **1. SUBMISSIONS OF POLICIES, MODIFICATIONS TO POLICIES, OR RATES OF PREMIUM-PRODUCTS REQUESTING REINSURANCE**

#### **All reviewers are responsible for:**

1. Maintaining confidentiality. Every product submitted by private sources is to remain confidential until Board approval. Only actual reviewers should receive information pertaining to the submission. Any submission disapproved by the Board will remain confidential in accordance with Section 508 (h)(4)(A) of the Act and 5 U.S.C. 552 (b)(4).
2. Making no assurances to persons or companies submitting products that approval of the product will be given or will be given in time for sales in any given crop year.
3. Reviewing the submission on behalf of their functional area, focusing on their specific area of expertise.
4. Pointing out any potential problem or area of concern, regardless of whether it is in the reviewer's functional area or not.
5. Providing their review comments, suggestions, and recommendation for approval or disapproval in either hardcopy or electronic format (word document) by the due date on the Concurrence Cover Sheet (Exhibit 1). The submission is considered confidential and must be disposed of in a manner suitable for confidential materials. Reviewers may return the submission packet to PASD.
6. Promptly conducting the necessary reviews and comments of the submission, submission materials or documents prepared by RMA in support of the submission review process to ensure appropriate timeframes are met.

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### **Task 1. RECEIPT AND CONTROL OF SUBMISSIONS**

Submissions are received by the Deputy Administrator, Product Management. The submission will be logged in and forwarded to PASD. PASD will:

1. Coordinate the review of the submission
2. Record receipt in the Private Products Log (Exhibit 2).
3. Distribute submissions to each functional area within Product Management.
4. Assemble a PM Review Team from each functional area within Product Management. PASD will contact Division Directors for their assignment of team members.

### **Task 2. REVIEW AND ANALYSIS OF SUBMISSION**

1. The PM Review Team will review the submission to determine whether or not all required components of the submission are present and if the submission is of sufficient quality to result in a meaningful, independent expert review. (Note: Dependent on the scheduled Board meeting, the review generally will occur within 10 business days of receipt of the submission.) As necessary, PASD will meet with PM review team members to discuss issues related to the completeness and quality of the submission. See Exhibit 3 for the submission checklist.
2. If any information is missing, or of insufficient quality, the applicant will be notified explaining that additional, or improved, information is needed, and that the submission is not accepted.

### **Task 3. PREPARATION OF SUBMISSION FOR CONSIDERATION BY BOARD OF DIRECTORS FOR INDEPENDENT EXPERT REVIEW**

1. If all required components appear to be present and of sufficient quality, as determined by the PM Review Team, PASD will prepare a letter for the Deputy Administrator, PM's signature to advise the applicant that the submission appears complete and will be forwarded to the Board for a final determination of completeness.
2. PASD will prepare the Board package, which includes a docket, power point presentation and any other materials deemed necessary for the Board to make an informed decision as to whether to forward the submission for independent expert review. The Board package will be routed through the PM concurrence process.
3. PASD will send copies of the submission (generally electronically) to the

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Secretary to the Board, Board Members, and the Office of General Counsel.

### **Task 4. RMA INTERNAL REVIEW PROCESS**

1. Upon Board determination of completeness and approval for expert review, PASD will coordinate a simultaneous internal RMA review of the submission. Note: The Act provides a 120 day timeframe for approval after the Board approves the submission complete. The Board must notify the submitter within 90 days of their intent to disapprove the submission. RMA has generally allotted 35 days for the functional areas to complete their internal review of the submission.
2. PASD will route copies of the submission to all RMA functional areas outside of PM, as appropriate, and the contracting official. The Concurrence Cover Sheet is used to transmit the submission. (Exhibit 1).
3. PASD will meet with all applicable individuals within PM to initiate and coordinate the PM review and to provide an overview of the submission.
4. Individual functional areas will review the submission for the following elements:

### **PASD**

Reviews and determines that:

1. The policy, other related materials and other components of the program are based on sound underwriting principles and are consistent with one another. The causes of loss covered and excluded are consistent with sound underwriting principles, and reflect those observed by the insured.
2. The worksheets that provide calculations are in sequential order and follow all policy provisions.
3. The insurance application and related policy forms and instructions for completing and processing such forms match the policy and other related materials, and collect all necessary data for calculating liability, premium, and indemnity.
4. The underwriting rules including, producer acceptance procedures, rules for determining program eligibility, minimum commodity requirements (bushels, pounds, CWT, etc), premium requirements, dates, production reporting requirements, and all parts of the policy and procedures are consistent, protect the interests of producers, and support actuarial appropriateness.
5. The detailed calculation for determining commodity prices, premium rates, applicable yields and/or revenues, coverage levels, applicable options,

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guarantees of insurance (liability), premium, indemnity, and any other calculations are compatible with the policy language, protect the interests of producers, and support actuarial appropriateness.

6. All available options are defined in the policy, protect the interests of producers, and support actuarial appropriateness.
7. The materials and information needed to establish coverage, compute indemnities and determine prices must be made available during the insurance period (must specify how and when the price determination is made), protect the interests of producers, and support actuarial appropriateness.
8. Loss adjustment procedures, examples, and worksheets showing the steps and any other detail necessary to calculate an indemnity, prevented planting payment, replant payment and any other calculations, if applicable, and ensure that calculations are consistent with policy provisions, are feasible, protect the interests of producers, and support actuarial appropriateness.
9. The submission meets public policy goals and objectives as stated in the Act, statements of the Secretary, or similar officials or laws.
10. The policy, other related materials, and other components of the program are based on appropriate underwriting principles and are consistent with one another.
11. The accumulated insurance experience from all years and all states where the submission may have been previously offered and a comparison of this experience with other crop insurance programs demonstrates the proposed program will be marketable, will not negatively impact the market place and capable of operating in an actuarially appropriate manner.
12. Any coverages or provisions not expressly authorized under the Act are consistent with public policy, based on sound underwriting principles, capable of being effectively administered, and do not impede the operation of an actuarially appropriate program.
13. Results of simulations of the performance of liability, proposed premiums, premium rates, and prices, including total premiums and indemnities that would be paid under the submission, demonstrate sound underwriting principles, establishment of appropriate guarantees, and do not show potential to materially affect supply and demand of the product to be insured.

PASD assigned reviewers provide the PASD Lead with comments by the due date.

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### **APDD**

Will review and determine if:

1. The method for calculating subsidies (if subsidies are requested) is consistent with the Act.
2. The assumptions made in the rating, yield, and/or revenue methodology or processes are reasonable, prudent and appropriate for the plan of insurance or product proposed.
3. The technical analyses (e.g., stochastic and other simulations) are technically correct and are appropriate for the policy materials and risks covered. Are based on the same assumptions as those used to develop the premium rates and prices. Do they provide credible, relevant results? Results of simulations, including sensitivity tests, show the submission is actuarially sound. Are they appropriate for the risks covered?
4. Is the data used for the analyses appropriate, reliable, and the best available? Is it likely that the data will continue to be available? Is the data vulnerable to tampering if the proposed policy is approved?
5. Does experience from prior years and relevant crops and areas support the validity of the proposed rates?
6. All supporting documentation and analysis from an accredited associate or fellow of the Casualty Actuarial Society or other similarly qualified professional who did not participate in the primary development, or a peer review panel, or both, demonstrates that the product is actuarially appropriate.
7. Available policy options and the methodology to rate these options are valid, appropriate, and accurate.
8. The method of establishing coverage levels and determining claims are actuarially appropriate.
9. The calculations for liability, premium, and indemnity are valid and accurate.
10. All necessary actuarial materials are included for the actuarial filing.
11. The form instructions submitted will collect the information necessary to rate and price the product in future years.
12. Any previous feasibility or product development work done by RMA for similar products exists and whether the prior work supports or indicates potential problems with the submission.



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13. The submission can be processed or supported in the ADM/AFS system. If not, does the submission propose changes to the current system and provide an explanation of how significant the changes will be.
14. The detailed calculation for determining commodity prices, coverage levels, amounts of insurance, and liability follow the policy language and are based on appropriate underwriting principles.

APDD will provide comments to PASD Lead by the due date.

## **PAAD**

Will review and determine that:

1. The submission complies with standards listed in the DAS Handbook (Appendix III) or acceptable to DAS, for processing and acceptance of data.
2. All formulas and equations used to determine liability, subsidized and unsubsidized premiums, indemnity, options, and any other calculations are compatible with DAS requirements.
3. The instructions for completing the insurance application and related policy forms and the instructions for processing such forms create forms that are compatible with DAS requirements.
4. Policy materials, including producer acceptance procedures, rules for determining program eligibility, minimum acreage requirements, dates, production reporting requirements, and any other applicable items are compatible with DAS requirements or as agreed upon by PAAD.
5. The amount and method for reporting administrative fees is compatible with DAS requirements.
6. Submitted options are compatible with DAS requirements.
7. Information necessary to establish coverage and to determine claims (including prices) is compatible with DAS requirements.
8. The information to conduct edit checks is compatible with DAS requirements. The current DAS system can process the submission, or, if not, PAAD will provide a list of the necessary modifications to process the submission under the current system, or an estimated cost to modify the DAS system to accept the submitted product.

PAAD will provide comments to PASD Lead by the due date.

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### **IS (Including RO's)**

Will review and determine, as applicable, the following:

#### **Reinsurance Services**

1. Whether it is appropriate for FCIC to provide reinsurance and subsidies for the submitted product.
2. The administrative and operating expense rate to properly market, service and administer the product.
3. Contractual terms (responsibilities and expectations of the contractual parties) that are appropriate for the proper delivery of reinsured crop insurance products.
4. If a Memorandum of Agreement (MOA) is needed to specify additional responsibilities, including implementation, delivery, and oversight, that one has been submitted and is acceptable.

#### **Regional Offices, as applicable**

1. The policy, other related materials and other components of the program are based on sound underwriting principles and are consistent with one another. The causes of loss covered and excluded are consistent with sound underwriting principles, and reflect those observed by the insured.
2. The worksheets that provide calculations are in sequential order and follow all policy provisions.
3. The insurance application and related policy forms and instructions for completing and processing such forms match the policy and other related materials, and collect all necessary data for calculating liability, premium, and indemnity.
4. The underwriting rules including producer acceptance procedures, rules for determining program eligibility, minimum commodity requirements (bushels, pounds, CWT, etc), premium requirements, dates, production reporting requirements, and all parts of the policy and procedures are consistent and the, protect the interests of producers, and support actuarial appropriateness.
5. The materials and information needed to establish coverage, compute indemnities and determine prices must be made available during the insurance period (must specify how and when the price determination is made), protect the interests of producers, and support actuarial appropriateness.
6. Loss adjustment procedures, examples, and worksheets showing the steps and

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any other detail necessary to calculate an indemnity, prevented planting payment, replant payment and any other calculations, if applicable, and ensure that calculations are consistent with policy provisions, are feasible, protect the interests of producers, and support actuarial appropriateness.

7. Whether different production and/or marketing considerations were considered across regions where the program may be offered.
8. Review training materials for completeness, adherence to the policy and handbooks and to ensure examples are appropriate for the area.

Comments will be provided to PASD Lead by the due date.

## **Compliance**

Will review and determine if:

1. The submission presents a compliance risk or is likely to fail to protect the interests of producers or support actuarial appropriateness.
2. The submission necessitates special compliance reviews or quality-control requirements.
3. The submission is designed to capture all the information needed to properly assure compliance.

Compliance provides comments to PASD Lead by the due date.

## **Senior Actuary**

The Senior Actuary:

1. Reviews the submission, APDD's analysis of the submission, and any other pertinent issues raised by internal reviewers to determine if there are any additional actuarial issues in the submission.
2. Assists in resolving and defining issues identified during the review.

## **Senior Underwriter**

The Senior Underwriter:

1. Reviews the submission, PASD's analysis of the submission, and any other pertinent issues raised by internal reviewers to determine if there is any additional underwriting and/or actuarial issues in the submission.

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2. Assists in resolving and defining issues identified during the review.

### **Senior Economist**

The Senior Economist:

1. Reviews the submission, PASD's and APDD's analysis of the submission, and any other pertinent issues raised by internal reviewers to determine if any additional underwriting and/or actuarial issues in the submission.
2. Assists to resolve and define issues identified during the review.

### **Task 5. PREPARATION OF SUBMISSION FOR CONSIDERATION BY BOARD FOR PRODUCT APPROVAL**

#### **PASD**

1. Collects all comments from internal reviewers.
2. Coordinates a meeting(s) with PM functional areas and assigned Review Team members to discuss issues raised during the RMA review and to identify issues significant and of importance to raise for Board consideration.
3. Prepares the applicable Board package and routes for PM concurrence by the due date.
4. Upon final PM concurrence by all functional areas, sends a copy of the Board package via electronic mail to the Board Secretary who distributes the information to the Board members and OGC.

### **Task 6. IMPLEMENTATION OF APPROVED PRODUCT**

If the proposed product is approved for implementation by the Board, PASD will assemble an Implementation Team from each functional area within Product Management. (Note: The Implementation Team may include members from the initial Review Team, dependent upon workload and Division Director determination.) PASD will contact Division Directors for their assignment of team members. In general, implementation will include:

1. Finalizing premium rates and prices for the product;
2. Creating appropriate filing materials; and
3. Modifying DAS for the product, if applicable.

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### **Implementation Team**

1. Works with the submitter to coordinate finalization of all necessary materials to implement or maintain the insurance product.
2. Works with all other areas of RMA to coordinate finalization of all items necessary to implement or maintain the insurance product.
3. Works with the External Affairs Division to create a Fact Sheet and create press releases, as applicable.
4. Coordinates final formatting of the final policy documents and Legal Review.
5. If required, works with IS and the applicant to finalize the Memorandum of Agreement.
6. If applicable, works with IS to complete the reinsurance agreement between FCIC and the applicant. The agreement specifies reinsurance terms, the type of coverage, premium, administrative and operating subsidies, and any other necessary items.

### **PASD**

1. Provides the web team with all policy documents and instructions on where the policy materials should be placed on the web. Also reviews the placement of the policy materials on the test web.
2. Prepares an Informational Memorandum, coordinating sign off from all necessary divisions, notifying interested parties of the availability of the insurance product, and including basic information about the release and materials.
3. Maintains official files for the product including information on the original submission, all reviews, legal guidance, board action, and all changes.

## **2. REVIEW PROCESS OF REIMBURSEMENT FOR RESEARCH AND DEVELOPMENT COSTS AND MAINTENANCE COSTS**

All requests for reimbursement of research and development costs and maintenance costs (RDMC) must be submitted to the RMA Administrator and the Deputy Administrator of PM by August 1. The reimbursement request will then be forwarded to PASD.

### **Task 1. Review of Research and Development Expenses**

1. PASD will forward a copy of the reimbursement request for research and development costs or maintenance costs to PAAD.

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2. PAAD will determine if the research and development costs submitted sum to the total requested reimbursement.
3. PAAD will ascertain that all supporting documentation for the requested reimbursement is complete. If additional information is required to clarify the request, PAAD will contact PASD to make contact with the submitter to request the information. Because of time constraints, PAAD will request the information no later than August 15.
4. PAAD will prepare a recommendation of all allowable reimbursements the Board may consider approving based on the submitted salary, wage and benefit information. Their recommendation will be forwarded to PASD by August 30.

## **PASD**

1. PASD will review the applicant's work statements and hours of work for research and development costs and maintenance costs preformed, for reasonableness. PASD may consult with other individuals and divisions within RMA to ascertain if work preformed and hours are reasonable for the task(s) that reimbursement is requested. (For instance, research and evaluation issues or task orders for similar kinds of development activity will be considered.) A list of similar approved submissions will be developed and compared to the request. PASD may contact the applicant to request additional information or clarify information sent by the applicant. Because of time constraints, PASD will request the information no later than August 15.
2. PASD will evaluate the complexity and scope of the product for which reimbursement of research and development costs is requested using the criteria and guidelines in Subpart V.
3. PASD will review all costs from all products submitted for reimbursement of RDMC to determine the total amount from all sources being claimed.
4. If all eligible costs exceed the legislated limit, then costs will be adjusted according to the total funds available for reimbursement and total eligible for reimbursement according to Subpart V. PASD will prepare a combined report with recommendations and provide a list of similar approved reimbursement requests for the Board to consider in making a determination of reimbursement. The RMA report will be forwarded to the Secretary of the Board by September 15.

## **3. REVIEW PROCESS FOR CONCEPT PROPOSALS**

### **Task 1. RECEIPT AND CONTROL OF CONCEPT PROPOSALS**

CP's are received by the Deputy Administrator, Product Management. The CP will be

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logged in and forwarded to PASD.

### **PASD will:**

1. Record the CP in the Private Products Concept Proposal Log (Exhibit 4).
2. Distribute copies of CP's to each functional area within PM and;
3. Assemble a PM Review Team from each functional area within PM. PASD will contact Division Directors for their assignment of team members.
4. The PM Review Team will remain in effect for a period of one year in order to ensure consistent application of evaluation criteria.

### **Task 2. REVIEW AND ANALYSIS OF CONCEPT PROPOSAL**

The PM Review Team will:

1. Determine whether or not all necessary components are present and if the CP is of sufficient quality to result in a meaningful independent expert review.
2. Evaluate the complexity and scope of the product for which reimbursement of research and development costs is requested using the criteria and guidelines in Subpart V.
3. If any information is missing or of insufficient quality, the applicant will be notified that additional, or improved, information is needed, and that the submission is not accepted.

### **Task 3. PREPARATION OF APPLICABLE MATERIALS NECESSARY FOR THE BOARD'S CONSIDERATION OF THE CONCEPT PROPOSAL FOR REVIEW**

1. If all of the necessary components appear to be present and of sufficient quality, as determined by the PM Review Team, PASD prepares a letter for the Deputy Administrator, PM's signature to advise the applicant that the CP appears complete and will be forwarded to the Board for a final determination of completeness.
2. If the PM Review Team determines that the CP is of sufficient quality and all of the components are present, PASD will prepare a Board package for consideration of review by two independent expert reviewers.
3. The Board package will be routed through the PM concurrence process.

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### **Task 4. RMA INTERNAL REVIEW PROCESS**

#### **The PM Review Team will:**

1. If required by the Board, provide a review to the Board covering, at a minimum, the items specified in section H(5) of the Concept Proposal Procedures.
2. Will rout the recommendation through the PM concurrence process.

#### **4. REVIEW PROCESS OF REIMBURSEMENT FOR ADVANCE PAYMENT OF PORTION OF RESEARCH AND DEVELOPMENT**

#### **The PM Review Team will:**

1. Review all anticipated costs for the Concept Proposal for possible advance payment of reimbursement for research and development cost.
2. Review the applicant's estimate of hours of work for research and development costs for reasonableness. The PM Review Team may consult with other individuals and divisions within RMA to ascertain if estimates of work to be performed and hours are reasonable for the task(s) that reimbursement is requested. (For instance, research and evaluation contracts or task orders for similar kinds of development activity will be considered.) A list of similar approved submissions will be developed and compared to the request. At the request of the PM Review Team, PASD may contact the applicant to request additional information or clarify information sent by the applicant.
3. If eligible anticipated costs from all concept proposals and 508(h) submissions exceed the legislated limit, then costs will be adjusted according to the total funds available for reimbursement and total eligible for reimbursement according to Subpart V.
4. PASD will prepare a combined report containing the PM Review Team's review for the Board to consider in making a determination of advance payment of the research and development cost reimbursement. The RMA report will be forwarded to the Secretary of the Board.

#### **5. REVIEW PROCESS FOR NON-REINSURED SUPPLEMENTAL (NRS) POLICIES**

##### **Task 1. RECEIPT AND CONTROL OF NRS**

NRS products may be submitted to the Deputy Administrator, Product Management. The submission is then forwarded to PASD for coordination. PASD will assemble a PM Review Team from each functional area within Product Management. PASD will contact Division Directors for their assignment



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of team members.

### **Task 2. REVIEW AND ANALYSIS OF NRS**

#### **The PM Review Team will:**

1. Coordinate the review of the submission with the Senior Actuary, Senior Underwriter and Senior Economist.
2. Determine if the product under review:
  - a. Increases or shifts risk to any underlying federally reinsured product(s);
  - b. Reduces or limits the rights of the insured with respect to the underlying policy; or
  - c. Causes disruption in the market place for products reinsured by FCIC. Marketplace disruption includes adversely affecting sales or administration of the underlying reinsured policy, undermining producers' confidence in the Federal crop insurance program, decreasing the producer's willingness or ability to use Federally reinsured risk management products, or harming public perception of the Federal crop insurance program.

### **Task 3. DETERMINATION BY DEPUTY ADMINISTRATOR, PRODUCT MANAGEMENT OF NRS**

The PASD Lead prepares a letter informing the submitter of the Review Team's findings regarding whether the NRS appears to shift risk to the underlying policy, disrupts the marketplace or limit the rights of the insured, 60 days prior to the first sales closing date or provide notice why RMA is unable to respond in the allotted timeframe specified in 7 C.F.R. 400 Subpart V, 400.413(d). If coverage appears to increase the risk, disrupt the marketplace or limit the rights of the insured, the letter will provide reasons RMA believes the NRS should not be sold in combination with the underlying Federally reinsured policy. Refer to 7 C.F.R. 400 Subpart V, 400.413(c) regarding penalties for selling a NRS prior to RMA review.

Copies of the letter will be forwarded to RSD, IS and the applicable State Insurance Commission.

# Exhibit 1

**RISK MANAGEMENT AGENCY  
PRODUCT ADMINISTRATION and STANDARDS DIVISION  
CONCURRENCE COVER SHEET**

For the review of private crop insurance policies

Name of Submission:
Submitted By:
Contact Person:

**Remarks:** The attached package requires your review in accordance with the RMA Procedures for the Review and Approval of Private Crop Insurance Products (Bulletin #24120). Please send your **electronic and/or written comments** regarding this product to the contact person listed above by the due date shown below.

Division	Date Routed	Written Comments Due to Product Development Division	Date/Signature of Person Reviewing the Product
Senior Actuary			
Senior Underwriter			
Director, Actuarial Product Design - (Mary)			
Director, Product Analysis & Accounting (Denise)			
Deputy Administrator, Compliance			
Director, Reinsurance Services Division (2 copies)			
Deputy Administrator, Insurance Services			
Office General Counsel			
Board Secretary (5 copies)			
Director, Contract Management and Special Projects (6 copies)			

**RISK MANAGEMENT AGENCY  
 PRODUCT ADMINISTRATION and STANDARDS DIVISION  
 CONCURRENCE COVER SHEET**

For the review of private crop insurance policies

PASD – Policy Development and Standards Branch			
PASD – Loss Adjustments Standard Branch			
PASD – Underwriting Standards Branch			

\*Please provide comments in electronic and/or hardcopy format.

Copies: 6 CDs for Board members, 5 hard copies/5 CDs for Secretary of Board, # for RMA.

# Exhibit 2

## 508(h) Submissions

Name of Product and Company	Date Submission Received in RMA (Day 0)	Date of Component Review	Forwarded to RMA Divisions, OGC and Board Secretary (Day 10)	Status of Submission	Date Approved by Board as a complete submission	90 Day RMA Drop Dead Date	120 Day End Date	Initial Review Due Date (Day 10)	Passed Initial Screening	Date Returned to Submitter for incompleteness
508(h) Submission	06/23/00	06/29/00	No	Returned		09/21/00	10/21/00	07/03/00	No	08/01/00

Date of next Board Meeting: 04/24/08

03/06/09

Date Responses Due from RMA Divisions (Day 35)	Date RMA Responses Due to Board Secretary (Day 70)	Date of Board Meeting	Board Notice of Intent (Day 90)	Board Action Required	Date Submitter Notified of Board Response (Written Response to Submitter)	Date Resubmitted	Negotiated Extension	Submission Outcome	Comments	Assigned to: Initials
N/A	N/A	N/A	N/A	N/A	N/A		N/A	N/A		LAN & WB

# Exhibit 3

# 508(h) Submission Checklist

Product: \_\_\_\_\_

Date: 3/6/2009

Submitter: \_\_\_\_\_

- 1. First Sales Closing Date Proposed: 01/00/00
- 2. Date Submission Received by RMA: 01/00/00  
Days Between 1 and 2: 0

## Section 400.705 - Contents of Submission

### A. Each submission must include the following material:

- (1) Applicant's name
- (2) Type of submission
- (3) Proposed crops, types, varieties, or practices covered.
- (4) Geographical areas in which the submission will be applicable.
- (5) Potential crop acreage, production, and liability that could be written. This should be estimated by crop and state.
- (6) Percentage of crop acreage, production, and liability that is expected to be written. This should be estimated by crop and state.
- (7) Crop year in which the submission is proposed to be effective.
- (8) Proposed duration of the approval, if applicable.
- (9) A statement of the applicant's intent to expand the program in future crop years to different geographical areas or crops, types, varieties, or practices, as applicable.
- (10) A statement of whether the applicant is requesting reinsurance, administrative and operating subsidy, or risk subsidy for the submission, and if so, the proposed methods of calculating the risk subsidy or A&O subsidy.
- (11) The method for calculating the subsidies if subsidies are requested.
- (12) Whether or not the submission will be filed with the applicable Commissioner of Insurance for each state proposed for sales, and, if not, the reasons.
- (13) Notice as to whether or not the submission complies with standards listed in the Data Acceptance System Handbook (Manual 13) for processing and acceptance of data. (Unless prior agreement was made as part of the development process of the product.)
- (14) Identification of contacts for policy and procedural issues and questions that may arise in

**X - Information Provided**  
**na - Not Applicable**

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administering the program, if it is approved.

- (15) Identification of parties responsible for the product liability and the basis for such responsibility including liability for flaws in product design.
- (16) Procedures for annual reviews to ensure compliance with all requirements of the Act including contact persons responsible for each task, the title of these persons, the date to be completed, and the date by which information (policy information, forms, and any other related documents) will be available for release. Documents must be available for release to producers 30 days prior to the earliest sales closing date and available to all companies 75 days before the earliest sales closing date.
- (17) A description of how the benefits of the submission will offer producers coverages or costs that differ significantly from existing programs and that the type of insurance being proposed does not already exist in the private sector. This should be supported by market research results that identify the respondents by group and type, the number of respondents, and provides verifiable evidence of the demand for the submitted product.
- (18) A description for taxpayers of how the submission meets public policy goals and objectives as stated in the Act, statements of the Secretary, or similar officials or laws. This must include the rationale and data supporting the request for RMA's financial commitment.
- (19) Any accumulated insurance experience from all years and all states where the submission has previously been offered and a comparison of this experience with other crop insurance programs.
- (20) An explanation of any provisions not authorized under the Act and the premium apportioned to these provisions.
- (21) A certification from applicant's legal counsel that the submission meets and complies with the requirements of the Act, applicable regulations, and any reinsurance agreement.
- (22) Executed certification statements in accordance with the following:
  - (a) Applicant claim that amounts set forth in section 400.712 are correct and due and owing to applicant by FCIC.
  - (b) Applicant understands that in addition to criminal fines and imprisonment, the submission of false or fraudulent statements or claims may result in civil and administrative sanctions.
- (23) An estimate of all applicable research and development costs associated with the submission.

**B. With respect to any submission that impacts the amount of premium charged to the producer, the applicant must provide with the submission:**

- (1) A detailed description of the rating methodology, including all formulae and equations used to determine subsidized and unsubsidized premiums or rates of premium.
- (2) A list of the assumptions used in the formulation of the premiums or rates of premium.

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(3) Simulations of the performance of the proposed premiums or rates of premium based on one or more of the following:

- (a) By determining the total premiums and anticipated losses that would be paid under the submission and comparing these totals to a comparable insurance plan offered under the authority of the Act (Such simulations must utilize all experience available and include at least one year where indemnities exceed total premiums.); **or**
- (b) Results of a stochastic simulation of the submission that is based on the same assumptions as those used to develop the premium rates, including sensitivity tests that demonstrate the probable impact of an erroneous assumption; **or**
- (c) By means of any simulation that can be proven to provide results comparable to those described above.

(4) Worksheets that provide the calculations in sequential order and in sufficient detail to allow verification that the premiums charged for the coverage are consistent with policy provisions. (Any unique premium component must be explained in sufficient detail to determine whether the existence or amount of the premium or premium rate is appropriate.)

(5) A certification that includes an evaluation of all supporting documentation and analysis from an accredited associate or fellow of the Casualty Actuarial Society or a similar uninterested third party who did not participate in the primary development, or a peer review panel, or both. The evaluation must demonstrate that the submission is consistent with sound insurance principles, practices, and the requirements of the Act.

**C. With respect to those submissions that involve new or revisions of an existing crop insurance program, the applicant must provide with the submission:**

(1) An insurance application and related policy forms and instructions for completing and processing such forms.

(2) The insurance policy provisions.

(3) A sample of the actuarial documents.

(4) The underwriting rules, including but not limited to:

(a) The procedures for accepting the application; **and**

(b) The rules for determining program eligibility, including but not limited to, minimum acreage, premium requirements, sales closing dates, production reporting requirements, and inception or termination dates of the policy.

(5) The application of administrative fees as required by the Act.

(6) **If** required by FCIC, a description of available options that are different from any existing crop insurance program.

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- (7) Information necessary to establish coverage and to determine claims, including prices that must be made available during the insurance period. (This information must specify how and when such determination is made and that the process is in compliance with policy provisions.)
  - (8) **If** required by FCIC, any other applicable underwriting requirements.
  - (9) Agent training plans.
  - (10) **If** required by FCIC, statements from at least three commercial reinsurers or reinsurance brokers regarding the availability of commercial reinsurance, the amount of commercial reinsurance available, and the proposed terms of reinsurance.
  - (11) Loss adjustment procedures and calculations that include, but are not limited to:
    - (a) Procedures that clearly specify the methods for determining the existence of and the amount of any payable loss under the submission and that demonstrate that such determinations are consistent with policy provisions; **and**
    - (b) Examples and worksheets that provide the steps for calculating the amounts of any payment for indemnity (loss in price or yield), prevented planting payment or replant payment in sequential order and in sufficient detail to allow review and verification that the indemnity calculations are consistent with the policy provisions. Any unique component must be explained in sufficient detail to determine whether the existence or amount of the claim is appropriate.
  - (12) A detailed calculation for determining commodity prices, coverage levels, the amounts of insurance, and production guarantees.
  - (13) A detailed description of the causes of loss covered and excluded under the submission.
- D. The submission must also include:**
- (1) Computer disks or other electronic media in a format acceptable to RMA.

# Exhibit 4

## 508(h) Concept Proposal Submissions

Name of Product and Company	Date Concept Proposal Received in RMA (Day 0)	Date of Component Review	Forwarded to RMA Divisions, OGC and Board Secretary (Day 10)	Status of Concept Proposal	Date Approved by Board as a complete Concept Proposal	90 Day RMA Drop Dead Date	120 Day End Date	Initial Review Due Date (Day 10)	Passed Initial Screening	Date Returned to Submitter for incompleteness
508(h) Concept Proposal Submission	06/23/00	06/29/00	No	Returned		09/21/00	10/21/00	07/03/00	No	08/01/00

Date of next Board Meeting: 04/24/08

Date of Board Meeting	Board Action Required	Date Submitter Notified of Board Response (Written Response to Submitter)	Date Resubmitted	Negotiated Extension	Concept Proposal Outcome	Comments	Assigned to: Initials
N/A	N/A	N/A		N/A	N/A		LAN & WB