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Federal Crop  
Insurance  
Corporation

FCIC-17030 (06-2017)

**APPROVED  
PROCEDURES  
FOR SUBMISSION  
OF CONCEPT  
PROPOSALS  
SEEKING  
ADVANCE  
PAYMENT OF  
RESEARCH &  
DEVELOPMENT  
COSTS**

**Effective upon approval until  
obsolete**



**RISK MANAGEMENT AGENCY  
KANSAS CITY, MO 64133**

<b>TITLE: APPROVED PROCEDURES FOR SUBMISSION OF CONCEPT PROPOSALS SEEKING ADVANCE PAYMENT OF RESEARCH AND DEVELOPMENT COSTS</b>	<b>NUMBER: FCIC-17030</b>
<b>EFFECTIVE DATE: Upon Approval Until Obsolete</b>	<b>ISSUE DATE: June 13, 2017</b>
<b>SUBJECT:</b>  <b>Provides the standards for developing and submitting concept proposals to the FCIC Board of Director for consideration of reimbursement for research and development costs.</b>	<b>OPI: FCIC Board of Directors</b>
	<b>APPROVED:</b>  <b>Deputy Administrator for Product Management</b>

**REASON FOR ISSUANCE**

This handbook is issued to provide approved standards for the submission of concept proposals seeking advance payment of research and development costs. All concept proposals submitted to the FCIC Board of Directors for approval of advance payments must be submitted in accordance with this handbook.

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

**CONTROL CHART**

Approved Procedures for Submission of Concept Proposals Seeking Advance Payment of Research and Development Costs							
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Page(s)	Date	Directive Number
Remove	Entire Handbook					August 2016	FCIC-17030
Insert	Entire Handbook					June 2017	FCIC-17030
Current Index	1-2	1-2	1-10	1 2	11 12	June 2017	FCIC-17030

**FILING INSTRUCTIONS**

This handbook replaces FCIC-17030, Approved Procedures for Submission of Concept Proposals Seeking Advance Payment of Research and Development Expenses, dated August 2016. This handbook is effective upon approval and until obsolete.

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

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# **PART 1 GENERAL INFORMATION**

## **1 Basis, Purpose, and Applicability**

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These procedures establish guidelines and responsibilities of the FCIC and the applicant for the submission of a concept proposal to the FCIC Board of Directors (Board) for approval of advance payment of estimated research and development costs as authorized under section 522(b) of the Act.

## **2 Confidentiality**

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Refer to 7 C.F.R. § 400.702 for confidentiality requirements. In addition to the requirements in 7 C.F.R. § 400.702, 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.”

## **3 Timing and Format**

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Refer to 7 C.F.R. § 400.703 for timing and format requirements.

## **4-10 (Reserved)**

## PART 2 SUBMISSION STANDARDS

### **11 Contents of a Complete Concept Proposal**

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A complete concept proposal must contain the following material, as applicable, in the order given.

- (1) The applicant's name (entity name), tax identification number, D-U-N-S number, address or primary business location, phone number, and e-mail address.
- (2) A notation that it is a concept proposal submitted in accordance with FCIC procedures handbook 17030, Approved Procedures for Submission of Concept Proposals Seeking Advance Payment of Research and Development Costs.
- (3) A summary of the qualifications of the applicant, including:
  - (a) Any prior concept proposals or submissions made to the Board under section 508(h) of the Act;
  - (b) 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
  - (c) 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.
- (4) A detailed description of the concept (policy or plan of insurance) being proposed.
- (5) A detailed description of:
  - (a) For the viability and marketability, provide the amount and value of the commodity on a national basis (if available) and expected liability in the proposed insured area;
  - (b) The need for the policy or plan of insurance that includes:
    - (i) A description or complete explanation of what the issue is that the concept proposal is to specifically address;
    - (ii) A discussion of how it has conclusively been determined to be a legitimate issue citing pros and cons of the issue, benefits, and anticipated impacts to all parties;
    - (iii) Proposed steps that will be employed to resolve the issue;



## **11 Contents of a Complete Concept Proposal (Continued)**

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- (c) The availability of any insurance product, program, or compensation scheme in either the private or public sector covering the same risks for the commodity;
- (d) Expected demand for the policy or plan of insurance among affected producers. Provide the following:
  - (i) Information about the risk exposure and what producers are currently doing to manage their risk; and
  - (ii) 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);
- (e) A marketability assessment from the applicant AIP who is part of the applicant and from at least one other AIP. If a marketability assessment is not provided by a separate AIP who is not part of the applicant, the applicant must provide information regarding the names of the persons and AIPs contacted and the basis for their refusal to provide the marketability assessment. The marketability assessment will include:
  - (i) An assessment of whether producers will buy the proposed 508(h) submission;
  - (ii) An assessment of whether AIPs and their agents will want to sell and service the proposed 508(h) submission;
  - (iii) An assessment of the risks associated with the proposed 508(h) submission and its likely effect under the SRA;
  - (iv) Estimated computer system impacts and costs;
  - (v) Estimated administrative and training requirement and costs;
  - (vi) An analysis of the complexity of the product; and
  - (vii) What, if any, efficiency will be gained or potential effects on the workload of AIPs or others participating in the program.
- (6) One of the criteria for approval is that the concept will likely result in a viable and marketable policy or plan of insurance. Therefore, a complete concept proposal must contain:
  - (a) 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;

## **11 Contents of a Complete Concept Proposal (Continued)**

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- (b) A summary of the data sources available and examples of the available data, that demonstrate a submission, based on the concept proposal, can reasonably be developed. Include an explanation of the strengths and limitations of the proposed data including the expected long term availability of the data and potential issues that may limit the availability of the data;
  - (c) A description of the long-term sustainability of the proposed policy or plan of insurance (i.e. the submitter's estimation of whether the policy or plan of insurance will be appropriate for several years and if the necessary data and information needed to support the policy or plan of insurance will likely continue to be available);
  - (d) 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 and the data available to support such methods (indicate the rating and pricing methodology that appears to be the most appropriate given the available data);
  - (e) The anticipated or most likely formulas for liability, premium, and indemnity for the proposed concept and an explanation of how these formulas will work given:
    - (i) The risks to be covered; and
    - (ii) The available data.
  - (f) 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 from the concept proposal, or if a new reinsurance agreement will be required.
- (7) The amount of time the applicant has expended to date and 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.
- (a) The number of hours expected to complete a submission as required by 7 C.F.R. § 400.705 by type of work and the hourly rate of each occupation.
  - (b) An estimate of wage and benefit costs per hour (by employee) applicable to the occupations in item (a).
  - (c) An estimate of expected contracted expenses.
  - (d) An estimate of professional expenses by occupation.
  - (e) An estimate of computer system expenses.

## **11 Contents of a Complete Concept Proposal (Continued)**

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- (f) An estimate of travel expenses that will be incurred.
- (8) A statement that “(insert applicant name) will provide progress reports as required by the Board.”
- (9) A statement of whether the applicant intends to request:
  - (a) Reinsurance;
  - (b) Risk subsidy; or
  - (c) A&O subsidy.
- (10) A statement of whether the submitter wants the concept proposal to remain confidential.

## **12 Progress Reports**

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If required by the Board, the applicant will provide progress reports that include:

- (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.

## **13 Presentation to the Board**

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Refer to 7 C.F.R. § 400.707 for information on presenting Concept Proposals to the Board.

**14-20 (Reserved)**

## PART 3 REVIEW AND CONSIDERATION FOR ADVANCE PAYMENTS

### 21 Review

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- (1) In addition to the requirements in 7 C.F.R. § 400.706(a), prior to providing a concept proposal to the Board, RMA will cross-reference the DO NOT PAY list to ensure the applicant is eligible for reimbursement. If all the requirements contained herein and in 7 C.F.R. § 400.706(a) are met, RMA will forward the concept proposal and results of RMA's initial review to the Board for determination of completeness.
- (2) For concept proposals sent for review, the reviewers will provide, at a minimum:
  - (a) An assessment of whether the concept proposal meets the requirements in 7 C.F.R § 706(c)(4);
  - (b) A determination of whether the proposed policy or plan of insurance meets the requirements in 7 C.F.R § 706(c)(5);
  - (c) A determination of whether all other conditions in subparagraph 1 (2) have been met;
  - (d) A determination of whether the proposed policy or plan of insurance would be in the best interests of producers and taxpayers;
  - (e) A determination of the impact of the proposed policy or plan of insurance on producers, the marketplace, taxpayers, and government (estimated impacts on the delivery system should be included);
  - (f) An analysis of the past experience available for a similar policy or plan of insurance covering the same commodity and risks, if available;
  - (g) 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;
  - (h) 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 the proposed rating and pricing methodologies;
  - (i) 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;
  - (j) An assessment on any additional items the Board may deem necessary;
  - (k) Any additional information determined relevant that the reviewer identifies as of potential interest for the Board consideration; and
  - (l) A recommendation for approval or disapproval of the concept proposal for advance payment.

## **21 Review (Continued)**

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- (3) In addition to the other provisions of these procedures and the provisions contained in 7 C.F.R. part 400, subpart V, the Board may disapprove advance payments to applicants who:
  - (a) Have submitted 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;
  - (b) Have submitted a prior concept proposal or submission that was of such of poor quality that it was not sent for expert review; or
  - (c) Are determined to be ineligible to receive federal payments.
- (4) The Board may disapprove an advance payment to an applicant who submits the same concept proposal to the Board multiple times.
- (5) The time periods and rules specified in 7 C.F.R. § 400.706 (h), (i), and (j) for submissions apply to all concept proposals.

## **22 Advance Payments**

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- (1) All advance payments are subject to the availability of funds under section 522(b) of the Act.
- (2) To assist the Board and the submitter in tracking costs and determining reasonableness of costs, the submitter is required to notify the Board in writing when 90 percent of the estimated costs in the Estimated Cost Budget provided with the Concept Proposal, submission, or maintenance request have been expended, and actual costs are expected to be incurred that will exceed the original Estimated Cost Budget.
  - (a) The written notice provided by the submitter must include:
    - (i) A new Estimated Cost Budget for completion of the work; and
    - (ii) A detailed explanation and justification as to why the total costs will be higher than the budgeted amount.
  - (b) The Board will review the notice and provide feedback as appropriate.
  - (c) Any costs exceeding the original estimate of costs does not mean those costs are not reasonable or justified. In the Board meeting, the submitter will be provided an opportunity to explain to the Board the basis for the increased estimated costs. After discussion with the submitter, the Board may take actions it deems appropriate regarding the necessity of additional expenditures and the viability of the product.

## 22 Advance Payments (Continued)

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- (d) The Board understands that during the development process, unexpected issues may arise causing costs to escalate, so this requirement is not intended to discourage the efforts of submitters in bringing products to fruition. Reasonable cost overruns generally involve expenses that could not be anticipated at the time the budget was submitted, or improvements that are discovered during the research or review process.

**Example 1:** A product relies on National Agricultural Statistics Service (NASS) data. During the development process NASS announces that it will no longer collect the data. The submitter must do additional research to discover an alternative data source. The research will increase the budget for the project to an amount higher than the Board approved amount so the submitter takes a revised actual and estimated budget to the Board for discussion.

**Example 2:** The product proposal was to offer the new product in 3 states. However, after consultation with the growers, the submitter believes it will be prudent to add two more states to better serve producers and test the product. Additional listening sessions will be needed in the added states to gain the necessary underwriting information. The research will increase the budget for the project to an amount higher than the Board approved amount so the submitter brings a revised actual and estimated budget to the Board for discussion.

- (e) In accordance with section 400.705(j) of the submission regulation, failure of the submitter to provide the required notice to the Board may result in the denial of reimbursement in amounts that exceed the amount contained in the original Estimated Cost Budget.
- (3) At any time after an applicant has been approved for an initial advance payment for research and development costs of up to 50 percent, the applicant may submit a one-time request for an additional advance payment of up to 25 percent by submitting a written request.
    - (a) The request must include a progress report in accordance with paragraph 12 and the additional amount of advance payment being requested.

## **22 Advance Payments (Continued)**

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- (b) An explanation of how the intended policy or plan of insurance will provide coverage for a region or crop that is underserved by the Federal crop insurance program, including specialty crops.
- (c) The reason the additional funds are needed.
- (d) The Board will evaluate the request to ensure the concept proposal will provide coverage for a region or crop that is underserved, including specialty crops, and the submitter is making satisfactory progress towards developing a viable and marketable 508(h) submission.

**23-30 (Reserved)**

## PART 4 APPROVED CONCEPT PROPOSALS

### **31 Development of a Submission from an Approved Concept Proposal**

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- (1) If a concept proposal is approved by the Board for advance payment, the applicant is responsible for developing a complete 508(h) submission as specified in 7 C.F.R. part 400, subpart V. All aspects of 7 C.F.R. part 400, 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 will be eligible for a payment of reasonable research and development costs, less any payments made pursuant to paragraph 22.
- (4) Except as specified in subparagraph 31 (5) below, 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:
  - (a) Not seek a refund of any payments made under section 522(b); and
  - (b) 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 must return the amount of the advance payment plus interest at the rate of 1.25 percent simple interest per calendar month. The Board will 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.



**Acronyms and Abbreviations**

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The following table provides the acronyms and abbreviations used in this handbook.

<b>Approved Acronym/Abbreviation</b>	<b>Term</b>
C.F.R.	Code of Federal Regulations
FCIC	Federal Crop Insurance Corporation
RMA	Risk Management Agency
USDA	United States Department of Agriculture

## Definitions

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The definitions from 7 C.F.R. part 400, subpart V apply to these procedures unless otherwise specified in this exhibit. In addition to the definitions in subpart V:

Meaningful coverage provides predictable indemnities in the event an insured cause of loss occurs, which is sufficient to recover a portion of the loss that is consistent with the value of the insured commodity and the coverage level selected by the insured.

Originality means 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 Revenue Protection. It is possible that certain aspects, such as a pricing methodology, may be considered original and this will be taken into consideration when determining complexity.

Reasonable expected market prices are prices that are consistent with prices a producer would expect to receive in the open market.

Scope is 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).