

Reasonableness Procedures



**FEDERAL CROP INSURANCE CORPORATION
BOARD OF DIRECTORS MEETING
FEBRUARY 24, 2010**

Statement of Chairman



- ...the Board realizes that it must make a closer review of the costs claimed in the requests for reimbursement to ensure that the taxpayer dollars are spent on actual research and development and not for startup costs for new companies, education in crop insurance, or failure or delays in making changes recommended by RMA or expert reviewers.
- ...the Board is directing RMA to develop procedures for the Board's approval that would require submitters to maintain sufficient records to allow the Board to conduct a meaningful review of the costs claimed.

Reasonableness Procedures

Key Themes Included



- Establishes categories that each submission will be considered under and provides a definition for each.
- Categories are:
 - Copy
 - Modification
 - Original
- Establishes and defines cost sub-categories as follows:
 - Actuarial costs
 - Non-actuarial costs
 - Other

Reasonableness Procedures

Key Themes Included



- **Sends the following messages:**
 - Submitters may have to further justify and substantiate costs that exceed what the Board determines reasonable
 - Costs to perfect a submission that has been determined to be of insufficient quality to refer to expert review **may be considered non-reimbursable**
 - Costs associated with addressing expert review responses will be evaluated based on the amount of time necessary to address the specific issue raised and **may** be reimbursed
 - All hours and hourly wages claimed, including those for Professional Services such as actuarial certification, legal review, etc. are subject to review for reasonableness

Reasonableness Procedures

Key Themes Included



- **Advises all submitters/potential submitters that the Board may, at its discretion:**
 - Consider the average costs of one or more similarly approved products to determine reasonableness
 - May request RMA to provide its estimate of time and level of effort