



United States
Department of
Agriculture



Federal Crop
Insurance
Corporation

FCIC-17060 (08-2016)

**FCIC BOARD OF
DIRECTORS
PROCEDURE FOR
REVIEW OF NEW
AND REVISED
CROP INSURANCE
PRODUCTS AND
DETERMINATION
OF
PILOT/PERMANENT
STATUS**

**Effective upon approval until
obsolete**

FEDERAL CROP INSURANCE CORPORATION

TITLE: FCIC BOARD OF DIRECTORS PROCEDURE FOR REVIEW OF NEW AND REVISED CROP INSURANCE PRODUCTS AND DETERMINATION OF PILOT/PERMANENT STATUS	NUMBER: RMA-17060
EFFECTIVE DATE: Effective Upon Approval and Until Obsolete	ISSUE DATE: August 12, 2016
SUBJECT: Provides the procedures for the Board's review of new and revised crop insurance products and determination of pilot or permanence status of products.	OPI: FCIC Board of Directors
	APPROVED: /s/ Robert Johansson Chairman, FCIC Board of Directors

REASON FOR ISSUANCE

This handbook is being issued to provide approved procedures the FCIC Board of Director's review of new and revised crop insurance products and determination of pilot or permanence status of products. All new and revised products subject to Board approval must be reviewed according to this handbook.

**FCIC BOARD OF DIRECTORS PROCEDURE FOR REVIEW OF NEW AND REVISED
CROP INSURANCE PRODUCTS AND DETERMINATION OF PILOT/PERMANENT
STATUS**

CONTROL CHART

RMA New Product Review Standards Handbook							
	TP Page(s)	TC Page(s)	Text Page(s)	Exhibit Number	Exhibit Page(s)	Date	Directive Number
Insert	Entire Handbook						

FILING INSTRUCTIONS

This handbook replaces the unnumbered Procedure for the Submission and Review of New and Revised Crop Insurance Policies, dated August 8, 2013. This handbook is effective upon approval and until obsolete.

**FCIC BOARD OF DIRECTORS PROCEDURE FOR REVIEW OF NEW AND REVISED
CROP INSURANCE PRODUCTS AND DETERMINATION OF PILOT/PERMANENT
STATUS**

TABLE OF CONTENTS

	PAGE NO.
PART 1 GENERAL INFORMATION	
1 Applicability and Precedence	1
2 Confidentiality	1
3 Timing and Format	1
4-10 (Reserved)	
PART 2 REVIEW AND CONSIDERATION	
11 Expert Reviewers	2
12 Expert Reviews.....	3
13 Other Reviews.....	10
14 Consideration by the Board.....	10
15 Board Determination of Permanence.....	10
16-20 (Reserved)	
EXHIBITS	
1 Acronyms and Abbreviations	11
2 Definitions.....	12

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PART 1 GENERAL INFORMATION

1 Applicability and Precedence

This procedure is applicable to all submissions to the Federal Crop Insurance Corporation Board of Directors (Board) for consideration of approval, unless otherwise indicated. This procedure also provides guidance to the Board on the determination of pilot or permanent status of FCIC crop insurance products. If there is a conflict between these procedures and either the Federal Crop Insurance Act (Act) or the submission regulation, the Act and the submission regulation shall take precedence.

2 Confidentiality

Any submission provided to the Board for consideration of approval including all reports and other proprietary information and data generated or derived from applicants, as required herein, will be considered to be confidential commercial or financial information and will not be released to the public, unless authorized in writing by the applicant.

3 Submission

Concept Proposals, 508(h) submissions, and Index-based Weather Plans (IBWP) will be submitted in accordance with the submission regulation and applicable procedures. Neither RMA nor the Board will accept for review and consideration any submission that is not complete, or that the Office of General Counsel (OGC) determines would be in violation of the Act if approved.

4-10 (Reserved)

PART 2 REVIEW

11 Expert Reviewers

- (1) The Secretary to the Board will nominate persons to serve as expert reviewers to the Board subject to the following limitations:
 - (a) Only one employee of the Federal Government may serve as an expert reviewer of any Concept Proposal, 508(h) submission, or IBWP (Employees of RMA, FCIC, Office of the Chief Economist, USDA employees under the jurisdiction of any Board member or the Office of the General Counsel do not constitute expert reviewers).
 - (b) In the case of RMA submitted plans of insurance, at least one reviewer will be from the AIP pool.
 - (c) In the case of Concept Proposals, 508(h) submissions and IBWPs, no reviewer may be from the AIP pool.
 - (d) There must be at least one actuary and one underwriter nominated for each RMA or 508(h) submission requiring expert review.
- (2) Nominated person's names, qualifications, experience, availability, and any identified potential conflicts of interest will be provided along with a statement from the Secretary to the Board regarding whether the person is qualified as an actuary or underwriter in accordance with these procedures.
- (3) The Board will approve or disapprove each candidate based on whether the person meets the qualifications as an underwriter or actuary in accordance with these procedures. When approved by the Board, these expert reviewers will be placed in the general or AIP pool, as applicable.
- (4) The Secretary to the Board will acquire the services of the expert reviewers from the pools in a timely and efficient manner.
- (5) The Secretary to the Board will award contracts to qualified reviewers from the appropriate pool for each original or revised submission, taking into account known conflicts of interest and other pertinent information.
- (6) The Board will evaluate the quality and usefulness of the reports provided by expert reviewers and, based on the completeness and quality of these expert reviews, may instruct the Secretary to the Board to remove persons as expert reviewers. The Board may also direct the removal of persons who routinely decline requests to review submissions.

12 Expert Reviews

(A) General Information about Expert Reviews

- (1) Original and revised submissions determined complete by the Board, and that the Board determines have a reasonable possibility to be approved may be sent out for expert review. Submissions that the Board determines do not meet the approval criteria and for which the Board determines it is unlikely to approve, do not have to be sent out for expert review.
- (2) For RMA, IBWP or 508(h) submissions requiring expert review, the Secretary to the Board will propose to the Board a list of at least five recommended expert reviewers, and five alternate expert reviewers in case any recommended reviewers are unavailable to perform the review.
- (3) For Concept Proposals requiring expert review, the Secretary to the Board will propose to the Board a list of at least two recommended expert reviewers, and two alternate expert reviewers in case any recommended reviewers are unable or unwilling to perform the review.
- (4) The Board, or its designated Chairman, will select the expert reviewers for each submission from the list provided by the Secretary to the Board consistent with the limitations contained in paragraph 11.
- (5) After approval of the expert reviewers by the Board, the Secretary to the Board will make contract awards to the approved expert reviewers, and will forward a copy of the entire submission and a copy of this procedure to each reviewer.
- (6) Expert reviewers may request additional materials, background information, analyses, and interpretations from the Secretary to the Board. The Secretary to the Board will contact New Product Management Team who will obtain this information from the submitter.
- (7) The contract will inform the expert reviewers of confidentiality and non-disclosure requirements, instructions for destruction of data as appropriate, and penalties for non-compliance.
- (8) In accordance with the expert review contract, the expert reviewers' written reports will consist of an executive summary and a report that thoroughly reviews the submission.
 - (a) The executive summary, not to exceed two pages in length, will summarize the findings of the reviewer, including significant weaknesses of the submission. The executive summary must be written for a layperson.

12 Expert Reviews (Continued)

- (b) The report must include the following sections:
 - (i) For 508(h), IBWP, and RMA submissions, a discussion regarding each of the items listed in subparagraph 12(B). These issues should be clearly discussed, including the rationale for any “yes” or “no” answers and any strengths and weaknesses.
 - (ii) For Concept Proposals, a discussion regarding each of the items listed in subparagraph 12(C). These issues should be clearly discussed including any strengths and weaknesses.
 - (iii) A description of any methodology used by the expert reviewer to check rates, prices, marketability, or anything else in the submission.
 - (iv) An appendix that includes any supporting material or data. All relevant discussions and analysis should be contained in the body of the report.
 - (v) Short biographies (not to exceed one page) for each person who took a substantial part in the expert review. The biography should include any experience, degrees, certificates, or other information to support the qualifications of the participant.
- (c) All written reports must be provided electronically, in a single file in MS Office Word format. Emailed versions shall be sent to the Secretary to the Board. The specific email address will be provided in each task order statement of work.
- (d) The date that expert review written reports are due will be at least 35 days before the Board meeting scheduled to consider the submission.
- (9) The Secretary to the Board will forward the expert reviewers’ reports to the Board at least 15 days before the Board approval date.
- (B) Expert Reviews for 508(h) and RMA Submissions

The expert reviewers’ written reviews for 508(h), and RMA submissions will address each of the following items within the scope of the expert reviewer’s knowledge, and may include additional information at the discretion of the expert reviewer. The Board may remove or add items for the expert reviewers to analyze, depending on the nature of each submission.

12 Expert Reviews (Continued)

- (1) Protection of the Interests of Agricultural Producers and Taxpayers
 - (a) **Meaningful Coverage:** Does the policy provide meaningful coverage that is of use to many producers, and is the coverage provided in a cost-efficient manner?
 - (b) **Policy:** Is the policy clearly written so that producers will be able to understand the coverage that they are being offered? Does the policy language permit actuaries to form a clear understanding of the payment contingencies for which they will set rates? Is it likely that an excessive number of disputes or legal actions will arise from misunderstandings over policy language?
 - (c) **Calculations:** Is the calculation for determining liability (i.e., the amount of coverage) clearly stated and supported by an example? Is the calculation for determining the amount of premium clearly stated and supported by an example? Is the calculation for determining the amount of indemnity clearly stated and supported by an example?
 - (d) **Marketplace Issues:** Could the product adversely affect the agricultural economy or the general marketplace of the crop that is proposed for coverage, or of other crops or areas? Does the product exclude or discourage participation of any portion of the industry? Does the product contain a consultation report that supports this conclusion?
- (2) Actuarial Appropriateness
 - (a) **Rates**
 - (i) **Data:** Is adequate, credible, and reliable rate-making data available? 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?
 - (ii) **Assumptions:** Are the explicit and implicit assumptions used in the rating process reasonable?
 - (iii) **Rating Methodology:** Is the actuarial methodology for the rates correct and appropriate for the policy? Will the methodology result in actuarially sound rates? Are the proposed premium rates likely to cover anticipated losses and a reasonable reserve?

12 Expert Reviews (Continued)

- (iv) Experience: Does experience from prior years and relevant crops and areas support the validity of the proposed rates? Is the relation to any reference crop or area supported and logical?
- (v) Do models or simulations validate the proposed rates for the risk to be covered?
- (b) Prices
 - (i) Price Data: Is adequate, credible, and reliable pricing data available? Is the data used for pricing appropriate, reliable, and the best available? Is it likely that the data will continue to be available? Is the data available when it is needed and does it represent an appropriate price for the product? Is the data vulnerable to tampering if the proposed policy is approved?
 - (ii) Pricing Methodology: Is the methodology or method used to determine the prices appropriate for the proposed policy? In the case of price or revenue policies, are the mechanisms for establishing price clearly stated in the materials? Is the proposed methodology or procedures for establishing prices feasible?
- (3) Recognized Insurance Principles
 - (a) Over-insurance: Does the policy avoid providing coverage in excess of the expected value of the insured crop?
 - (b) Losses: Does the policy contain indemnity or other provisions that can be objectively verified by loss adjusters, underwriters, or auditors? If applicable, does the loss adjustment manual provide all the information needed to determine losses consistent with the policy provisions?
 - (c) Equal Treatment: Is the policy likely to treat all producers equally?
 - (d) Reasonable Requirements: Will insured's be able to comply with all requirements of the policy?
 - (e) Waste/Fraud/Abuse: Does the policy create vulnerabilities to waste, fraud, or abuse?
 - (f) Shifting Risk: Does the submission increase or shift risk to another FCIC-reinsured policy?

12 Expert Reviews (Continued)

(4) Requirements of the Act

- (a) Available Coverage: Does this policy provide coverage that, in whole or in part, is generally available from the private sector?
- (b) Legal Authority: Does the policy propose to insure a peril that is not authorized by the Act?
- (c) Requirements/Current Direction: To the extent of the reviewer's knowledge, does the policy comply with all requirements of the Act and the public policy goals of FCIC?

(5) Excessive Risk

Are the risks proposed to be covered excessive such that they encourage adverse selection, moral hazard, or premium rates cannot be adequately or appropriately determined?

(6) Underwriting Principles

- (a) Does the product follow sound, reasonable, and appropriate underwriting principles?
- (b) If applicable, does the underwriting guide contain all the information needed to determine eligibility for insurance and amount of coverage?

(7) New and Improved Coverage

- (a) Will the plan of insurance provide a new kind of coverage that is likely to be viable and marketable?
- (b) Will the plan of insurance provide crop insurance coverage in a manner that addresses a clear and identifiable flaw or problem in an existing policy?
- (c) Will the plan of insurance provide a new or improved coverage for a commodity that previously had no available crop insurance, or has demonstrated a low level of participation or coverage level under existing coverage?

12 Expert Reviews (Continued)

(8) Delivery System

- (a) Does the policy place an unreasonable administrative burden on the insureds, AIPs, or the Federal crop insurance program? Administrative burden includes time, effort, or financial resources expended by persons to generate, maintain, or provide information to or for a Federal agency, including the resources expended for reviewing instructions; acquiring, installing, and utilizing technology and systems; adjusting the existing ways to comply with any previously applicable instructions and requirements; searching data sources; completing and reviewing the collection of information; and transmitting or otherwise disclosing the information.
- (b) If applicable, are training plans reasonable and appropriate?
- (c) Are the submitter conclusions on administrative requirements and costs supported by a marketability assessment?

(9) Marketability

- (a) 508(h) and IBWP submissions
 - (i) Is the submitter's determination of marketability reasonable and supported by the marketability assessment, market research studies, focus group results, and other evidence?
 - (ii) Is the proposed policy or plan of insurance likely to result in a viable and marketable policy that can reasonably attain levels of participation similar to other like policies?
 - (iii) Does the information gathered in the focus groups regarding what the producers are willing to pay support that producers will be willing to purchase the product at the proposed rates.
 - (iv) Will the product have a significant adverse impact on the crop insurance delivery system? Is this supported by information contained in the marketability assessment?
 - (v) Is evidence provided that AIPs and their agents will sell and service the product?

12 Expert Reviews (Continued)

- (b) RMA submissions
 - (i) Does the policy provide coverage that is likely to be purchased by producers? What indications support the marketability of this product? Are there any indications that show that marketability may be limited?
 - (ii) Does the proposed product fit appropriately under the SRA or the proposed Reinsurance Agreement?
 - (iii) Estimated AIP computer system impacts and costs.
 - (iv) Estimated AIP administrative and training requirement and costs.
 - (v) An analysis of: (1) The complexity of the product; (2) Agents' willingness to sell and service the policy; and (3) Loss adjusters' willingness to adjust this policy.
 - (vi) The potential effects on the workload of AIPs or others participating in the program (include added work or efficiencies).

(10) Other Review Areas

- (a) Special Questions: Questions specific to this review provided by FCIC.
- (b) Additional Reviewer Observations: The expert reviewer's written report may also include additional information at the discretion of the expert reviewer.

(C) Expert Reviews for Concept Proposals

Refer to paragraph 21 of the Approved Procedures for Submission of Concept Proposals Seeking Advance Payment of Research and Development Costs (FCIC – 17030 for review requirements for Concept Proposals.

(D) Expert Reviews for Index-based Weather Plans of Insurance

Refer to paragraph 21 of the Approved Procedures for Submission of Index-based Weather Plans of Insurance FCIC – 17050 for review requirements for IBWPs.

13 Other Reviews

(A) OGC Review

The Secretary to the Board will forward a copy of the submission to the OGC at the same time that they are delivered to the expert reviewers. OGC will review the submission for legal sufficiency and provide either an oral or a written opinion.

(B) RMA Review

RMA will submit to the Board a docket in accordance with the Risk Management Agency New Product Review Standards Handbook (FCIC-17010), or any subsequent procedures.

14 Consideration by the Board

The Board will consider the following when making a decision to approve/disapprove a product.

- (1) The Board will consider the information provided by all expert reviewers.
- (2) OGC will present legal findings and opinion, and answer any questions or concerns the Board may have.
- (3) RMA will present its own findings and recommendation, and answer questions requested by the Board.
- (4) The Board may request the presence of any expert reviewer in order to answer questions in person, and will pay the associated travel costs and fees.

15 Board Determination of Permanence

When requested by RMA, for all new and revised crop insurance products approved by the Board, the Board will make a determination of the status of the product. The status of either pilot or permanent will be assigned to all such products. This determination will be made in accordance with Standard Operating Procedures for the Determination of Program Status as Pilot or Permanent.

16-20 (Reserved)

Acronyms and Abbreviations

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

Approved Acronym/Abbreviation	Term
AIP	Approved Insurance Provider
CFR	Code of Federal Regulations
CP	Concept Proposal
FCIC	Federal Crop Insurance Corporation
IBWP	Index-based Weather Plan of Insurance
OGC	Office of General Council
RMA	Risk Management Agency
USDA	United States Department of Agriculture

Definitions

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

508(h) 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 §400.705. 508(h) submissions, as referenced in these procedures, do not include concept proposals, index-based weather plans of insurance, or non-reinsured supplemental policies.

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

Actuary - A person having technical competence relating to the current financial implications of future contingent events, especially as this affects the establishment of premium rates for insurance, as evidenced by: 1) membership, as either a fellow or associate, in the Casualty Actuarial Society; 2) at least 10 years of professional level work experience as an actuary setting rates for crop insurance or related lines such as hail, livestock, or farm insurance; or 3) at least 15 years of professional level insurance premium rate setting experience in, or equivalent to, the GS-1510 (Actuary) job series.

Approved Insurance Provider (AIP) - A legal entity that has entered into a reinsurance agreement with FCIC for the applicable reinsurance year.

AIP Pool - Persons with expertise as actuaries or in the underwriting of insurance policies that are nominated to serve by an AIP or are currently or regularly employed by or otherwise affiliated with an AIP, or any entity associated with or controlled by one or more AIPs, and who are approved by the Board to serve as reviewers of policies.

Board - The Board of Directors of FCIC.

Concept proposal (CP)- A written proposal for a prospective 508(h) submission, submitted under section 522(b) of the Act for advance payment of research and development costs, and containing all the information required in 7 C.F.R. Part 400 Subpart V and the Procedures Handbook 17030 - Approved Procedures for Submission of Concept Proposals Seeking Advance Payment of Research and Development Costs, which can be found on the RMA website at www.rma.usda.gov, such that the Board is able to determine that, if approved, will be developed into a viable and marketable policy consistent with Board approved procedures, these regulations, and section 508(h) of the Act.

Complete - A 508(h) submission, concept proposal, or index-based weather plan of insurance determined by RMA and the Board to contain all required documentation in accordance with 7 C.F.R §400.705 and be of sufficient quality.

Definitions (Continued)

Days - Calendar days.

Disapproval date - The date by which the Board will provide notice of intent to disapprove a submission.

Expert reviewers – Independent persons, meeting the criteria as underwriters or actuaries, contracted by the Board to review submissions and provide advisement to the Board.

Federal Crop Insurance Corporation (FCIC) – A wholly owned government corporation within the USDA, whose programs are administered by RMA.

General Pool – Potential expert reviewers not affiliated with an AIP. May contain actuaries, academic faculty, government experts, etc.

Index-based weather plan of insurance (IBWP) - A risk management product in which indemnities are based on a defined weather parameter exceeding or failing to meet a given threshold during a specified time period. The weather index is a proxy to measure expected loss of production when the defined weather parameter does not meet the threshold.

Limited Resource Producer - Has the same meaning as the term defined by USDA at: www.lrftool.sc.egov.usda.gov/LRP_Definition.aspx or a successor website.

Manager – The Manager of FCIC.

Notice of intent to disapprove - Written notice from the Board to the submitter that the Board intends to disapprove a submission.

Original 508(h) submission - A 508(h) submitted for the first time to FCIC and that contains all the materials required by the submission regulations published at 7 C.F.R. Part 400, Subpart V.

Person – An individual or organization; such as a partnership, corporation, or other business entity, or a government entity.

Policy - Has the same meaning as the term in section 1 of the Basic Provisions (7 CFR 457.8).

Revised original 508(h) submission - An original 508(h) submission that is changed by the submitter with replacement, supplemental, or new material prior to the Board taking action to approve, disapprove, or agree to an extension of time.

Definitions (Continued)

Revised rejected 508(h) submission - An original or revised original 508(h) submission for which the Board provided notice of intent to disapprove and that is then changed by the submitter with replacement, supplemental, or new material and resubmitted to the Board.

The Risk Management Agency (RMA) - An agency of the U. S. Department of Agriculture.

Socially Disadvantage Producer – Has the same meaning as section 2501(E) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279(e)).

Submission – A 508(h), concept proposal, index-based weather plan of insurance, or RMA submission.

Submission date – The date when an original 508(h) submission or revised rejected 508(h) submission is determined complete by the Board, in accordance with Section 400.706.

Submission regulation – The regulation that provides the information necessary to submit a plan of insurance, policy provisions, or rates of premium to FCIC, and published in 7 C.F.R. Part 400.700, Subpart V—Submission of Policies, Provisions of Policies, Rates of Premium, and Non-Reinsured Supplemental Policies.

Submitter - Any person or entity that submits to the Board for approval a 508(h) submission under section 508(h) of the Act, a concept proposal under section 522 of the Act, or an index-based weather plan of insurance under section 523(i) of the Act, who must include the AIP that has committed to be involved in the development and submission process and to market, sell and service the policy or plan of insurance.

Sufficient quality - A determination made by RMA and the Board that the material presented is clearly written in plain language in accordance with the Plain Writing Act of 2010 (5 U.S.C. 301), unambiguous, and is supported by detailed analysis and data so that expert reviewers, RMA and the Board can understand, comprehend and make calculations, draw substantiated conclusions or results to determine whether the 508(h) submission, concept proposal, or index-based weather plan of insurance meets the standards required for approval.

Targeted Producer – Producers who are considered small, socially disadvantaged, beginning and limited resource or other specific aspects designated by FCIC for the review.

Definitions (Continued)

Underwriter - A person having technical competence and experience with the design of insurance policies, the classification and acceptance or rejection of risks, or the class of asset or activity (*e.g.* - the production risks or economics of specific crops) proposed to be insured, and who applies such knowledge to assure the proper functioning of insurance programs, as evidenced by: 1) at least 10 years of professional level work experience as a crop insurance underwriter; 2) at least 15 years of professional level work experience as a property and casualty underwriter in fields related to crop insurance, such as hail, livestock, or farm insurance; 3) at least 15 years of experience as an agricultural risk management consultant; 4) a Ph.D. in agricultural economics with at least 5 years of post-doctoral work in crop insurance or agricultural risk management; or 5) a Ph.D. with at least 5 years of post-doctoral work in a field of agriculture, risk management, etc.