



# PRIVATE PRODUCT SUBMISSIONS

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# The Federal Crop Insurance Act

- Section 508(h) – General submission guidelines and approval criteria for policies and materials to the Board
- Section 522(b) – Reimbursement, Advance payment for Concept Proposals and Maintenance; results in a 508(h) submission
- Section 523(d) – Insurance companies propose coverage with reduced premium rates

## What is a 508(h) Submission?

- Developed by private persons or entities
  - Policies/provisions of policies and rates of premium
  - Modifications or endorsements to existing plans
  - Viable & marketable policy
  - Coverage in significantly improved form
- Owned and maintained by developer
  - Changes to approved plan made by developer
  - Developer responsible any error, mistake or flaw
- If approved, can be reimbursed for R&D costs

# What is a Concept Proposal?

- Developed by private persons or entities
- An idea for a 508(h) submission based on need, marketability, demand and impact on producers and delivery system
- Not fully formed or vetted, but must show potential for reasonable development
- Ultimately submitted as a 508(h) submission

## What is a 523(d) Submission

- “to determine whether approved insurance providers (AIP’s) will compete to market policies or plans of insurance with reduced rates of premium. . .”
- While maintaining the financial soundness of AIP’s and;
- Maintaining the integrity of the Federal crop insurance program.

# Approval Criteria – 508(h) and Concept Proposals

- 508(h)(3) Submission Approval Criteria
  - Provides new kind of coverage likely to be viable/marketable
  - Coverage for new/underserved crop; or addresses program flaw/problem
  - Actuarially appropriate rates, terms, etc.
  - Sound insurance principles, viable & marketable
  - Interest of producers adequately protected, no significant adverse impact on delivery system
- Concept Proposals
  - Authority under statute, new coverage, or addresses flaw or problem, underserved area or crop
  - Viable, marketable & consistent with 508(h) submission
  - Proposed budget/timetable reasonable

## Approval Criteria – 523(d)

- 523(d) Submission Approval Criteria
  - Protects interests of producers within the pilot area
  - Premium rates are actuarially appropriate
  - Size of proposed pilot is adequate
  - Does not unfairly discriminate among producers
  - If the proposed pilot were available nationally, it would;
    - not have a significant adverse impact on the crop insurance delivery system
    - not harm program integrity
    - be actuarially appropriate
    - not place an additional financial burden on the Federal government.
  - proposal meets “other requirements of this title determined appropriate by the Board”

## Approval Criteria – 523(d)

- Other factors considered by the Board:
  - Is the potential premium rate reduction significant?
    - At least 10%
  - Is the basis for the reduction controlled by the grower or any outside third party?
    - Intrinsic v. Extrinsic
  - Is there are reasonable and efficient process for independent verification that the producer qualifies for the reduction?



## Approval Criteria – 523(d)

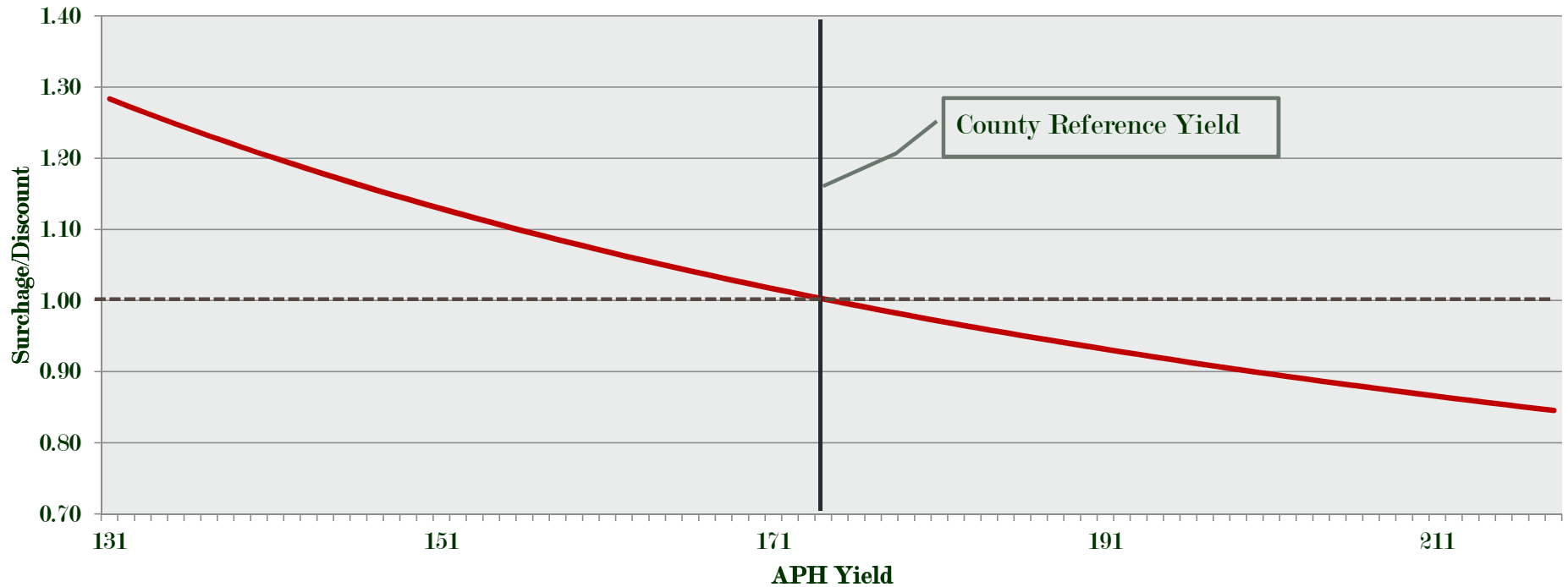
- Other factors considered by the Board:
  - Is the proposed reduction actuarially appropriate?
  - Are the data supporting the reduction credible? (Amount and quality of data)
    - Are data sufficient to provide a credible measurement of the appropriate reduction?
    - Are the data reliable? (Independent Source)
  - Is the analysis of the data sound?
    - Would other experts reach similar results?
  - Is there a way to collect additional loss data so that the reduction may be evaluated/adjusted?
    - Is there a post-implementation independent strategic plan to review the results of the reduction and evaluate its performance?

## Approval Criteria – 523(d)

- Other factors considered by the Board:
  - Is the proposed reduction significantly different from other discounts currently available or is it already accounted for in the current premium rates?
    - If not, the currently-available reductions should be applied
  - Is the burden to the crop insurance delivery system reasonable?
    - Compliance;
    - IT System Modifications;
    - Data Reporting Requirements;
    - Complexity of Premium Rates

# Yield-Based Rate Adjustment

**Yield-Based Rate Adjustment  
Corn, Kossuth County, IA**



## Example

- Corn; Adair County, IA; Basic Unit; APH 170 Bu/Acre; 75% Coverage

Revenue Premium	\$22.55
Yield Premium	\$13.95
Subsidized Yield Premium	\$6.28
20% discount	\$1.26
Expected Revenue	\$ 785.40

## Guidance for Submitters

- The Federal Crop Insurance Act-Section 508(h)
- Subpart V-Submission of Policies, Provisions of Policies, and Rates of Premium-Code of Federal Regulations 7, Part 400.700
- Board Procedures - Submit Concept Proposal
- Board Procedures – Reimbursement Reasonableness
- RMA Website: <http://www.rma.usda.gov/fcic/privatesector.html>

# Timeline

- Products submitted first five business days of each calendar quarter (Jan, Apr, Jul & Oct)
- 120 days for approval
  - Expert, OGC and RMA reviews done simultaneously
  - All reviews go to Board for determination
- Within 90 days, Board must inform applicant of intent to disapprove
  - Submitter may ask for a time delay to address issues
- Concept Proposals follow similar timeline

# Reimbursement for Development

- For approved 508(h) submissions –
  - Research and development costs reimbursed
  - Maintenance costs reimbursed for 4 years following R&D reimbursement
  - After maintenance period - submitter may charge AIP a fee for maintenance costs – or turn product over to RMA
- No reimbursement for 523(d) submissions