IS-18-001: Livestock Gross Margin – User Fee Notification

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Date

February 21, 2018

To

All Approved Insurance Providers
All Risk Management Agency Field Offices
All Other Interested Parties

From

Robert Ibarra, Deputy Administrator for Insurance Services /s/ Robert Ibarra
2/21/2018

Subject

Livestock Gross Margin – User Fee Notification

FarmRisk, Inc. (FarmRisk), the developers of the Livestock Gross Margin (LGM) plan of insurance, advised the Federal Crop Insurance Corporation (FCIC) Board of Directors (Board) of their intent to continue maintenance of the LGM plan of insurance and charge a user fee to approved insurance providers (AIP) selling the plan. Section 522(b)(4)(C) of the Federal Crop Insurance Act (Act) allows submitters to maintain approved 508(h) products and charge a user fee to approved insurance providers (AIP) that elect to sell the policy.

Section 522(b)(4)(D)(ii) of the Act and 7 C.F.R. 400.712(l)(5) provide that the Board will determine the reasonableness and approve the amount of user fee that is payable to the applicant by the AIP. The user fee is owed by the AIP and cannot be passed on to producers as an increase in premium or an administrative charge.

On February 13, 2018, the Board approved the continuation of a user fee in the amount of 1.67% per earned premium dollar or $200 per policy earning premium, not to exceed a total annual amount of $75,000 for all policies covered under the LGM plan of insurance beginning with the 2019 reinsurance year. The Board will

review the user fee in future years to ensure that the amount is representative of the maintenance costs for the product.

The regulation provides that it is FarmRisk’s responsibility to collect the fees from AIPs, and any indebtedness for such fees must be resolved by FarmRisk and the AIP. Upon request, FCIC may provide the amount of premium earned by each AIP to FarmRisk.

If you have any questions regarding the user fees, please contact the Deputy Administrator at deputyadministrator@rma.usda.gov.