

## **PM-18-031: User Fee Billing and Collection Process**

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Date

June 25, 2018

To

All Approved Insurance Providers

All Risk Management Agency Field Offices

All Other Interested Parties

From

Richard H. Flournoy, Deputy Administrator /s/ Richard H. Flournoy

Subject

User Fee Billing and Collection Process

### **Background**

With the number of privately-developed products operating on a user fee basis increasing, it is in the best interests of the Risk Management Agency (RMA), Approved Insurance Providers (AIP), and 508(h) private product owners (PPOs) to establish an efficient process to aid the collection of user fees. The process described herein establishes the timing and transmission of RMA's eligible crop insurance contract (ECIC) data to PPOs and AIPs.

### **Action**

Beginning with the 2018 reinsurance year (RY), RMA is revising its timeline for providing the ECIC data required for PPOs to collect user fees from AIPs (7 C.F.R. 400.712(l)(10)).

*Timing*

- The initial ECIC data will be compiled for PPOs and AIPs following the October accounting transaction cutoff, following the end of the reinsurance year and provided thereafter.

For example, a user fee has been approved for the private product “Specialty Crop” beginning with the 2018 RY. The 2018 RY ends on June 30, 2018. The initial ECIC data would be provided to PPOs and AIPs in October 2018. PPOs will be able to bill AIPs according to the data provided, subject to the annual capping process (as detailed in 7 C.F.R. 400.712(l)(6)).

- The final ECIC data will be provided after the accounting transaction cutoff date in October the following year, following the first annual settlement for the applicable reinsurance year.

Continuing with the example, the 2018 RY annual settlement would occur in October 2019.

- It is the responsibility of the PPO to reconcile and settle any differences in the amount of user fee indicated by the initial and final ECIC data with the applicable AIPs. There is a possibility that accepted ECIC counts or associated premium may decrease between the initial and final datasets. This would result in the PPO potentially owing an AIP the user fee difference between the initial and final ECIC data. However, this possibility should be mitigated by the fact that a new ‘initial’ dataset for the most recent reinsurance year will be provided concurrently with the ‘final’ dataset for the previous reinsurance year. This allows the PPO to net any necessary reductions to the initial user fee from the ‘new’ initial fee to be billed for the subsequent (most recent) reinsurance year.

Continuing the example: An initial “Specialty Crop” fee of \$20,000 was charged to AIP Z in October 2018, for 2018 RY policies. In October 2019, the final data resulted in a corrected fee of \$19,000 to AIP Z for 2018 RY policies, a difference of \$1,000. Simultaneously in October 2019, the initial 2019 RY data is provided, resulting in a fee of \$25,000 for AIP Z. The difference of \$1,000 (2018 RY policies) is subtracted from the \$25,000 (2019 RY policies), resulting in a net user fee of \$24,000, billable in October 2019.

*Transmission*

- To PPO: RMA will provide a password-protected dataset with the number of accepted policies earning premium and associated total premium for each product, aggregated by AIP. The file will include the user fee per policy or percent of premium amount, including any applicable capping and amount of the reduced user fee.
- To Applicable AIP: RMA will provide a password-protected dataset of each individual AIP's number of accepted policies earning premium, associated total premium, and applicable fee per policy or percent of premium, including any necessary capping calculation, for each applicable 508(h) product.

### *Public Display of Approved User Fees*

By the close of business today, the following information will be added to RMA's website at [User Fees](#).

List of private products and the following applicable information:

- Owner of product (legal entity)
- User Fee Rate
- Annual User Fee Cap
- First applicable reinsurance year

### **DISPOSAL DATE:**

December 31, 2018