



INFORMATIONAL MEMORANDUM

OIR-05-013M

ISSUED

August 26, 2005

Florida Office of Insurance Regulation

Kevin M. McCarty, Commissioner

To All Licensed Property and Casualty Insurers in the State of Florida Subject to Assessment

Information Regarding Regular Assessment by Citizens Property Insurance Corporation

During its regularly scheduled meeting on August 17, 2005, the Board of Governors of Citizens Property Insurance Corporation (Citizens) determined a 2004 plan year deficit existed in the High Risk Account. The Board decided that a \$515 million Regular Assessment is in the best interest of Citizens and consistent with Florida Statutes. On this basis, the Board certified the need for a Regular Assessment.

Pursuant to Section 627.351, Florida Statutes, and Citizens' Plan of Operation, once the Board certified the need for an assessment to the Office of Insurance Regulation (Office), the Office reviewed the arithmetic calculations involved in the Board's determination and verified and approved the certification by order. A copy of the order is attached. All assessable insurers are required to pay the assessment to Citizens within 30 days of receipt of an invoice from Citizens.

Pursuant to Section 627.3512, Florida Statutes, insurers are permitted to recoup the assessment by adding a surcharge to policies in an amount not to exceed the amount paid by the insurer to Citizens. This memorandum provides guidance on financial reporting related to the assessment and instructions on filing with the Office to recoup the assessment, as allowed in Section 627.3512, Florida Statutes – Recoupment of Residual Market Deficit Assessments.

Financial Reporting of Assessments

Instructions and guidance regarding financial reporting related to the assessment can be found in SSAP 35 – Guaranty Fund and Other Assessments within the Accounting Practices and Procedures Manual, published by the National Association of Insurance Commissioners ("NAIC"). SSAP 35 applies SSAP 5 – Liabilities, Contingencies and Impairment of Assets to guaranty fund and other assessments. SSAP 5 requires accrual of a liability when both of the following conditions are met:

- a. Information available prior to issuance of the statutory financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the statutory financial statements. It is implicit in this condition that it is probable that one or more future events will occur confirming the fact of the loss or occurrence of a liability; and
- b. The amount of loss can be reasonably estimated.

For the purposes of b. above, loss generally means assessment or assessment rate.

SSAP 35 also requires the liability for assessments to be established gross of any probable and estimable recoveries from premium tax credits and premium surcharges (recoupment). Subject to conformity with the requirements SSAP 35, to the extent an insurer is able to recoup the assessment through future policy surcharges, an asset representing those recoverables is permitted, as specified in SSAP 4 – Assets and Nonadmitted Assets. Such recoverable does not meet the definition of an admitted asset if the insurer has not complied with the provisions of Section 627.3512, Florida Statutes. The asset, if admitted, shall be established and reported independent from the liability (netting of asset and liability is not permitted). Any asset or liability resulting from the recording and recouping of the assessment should be reported as Aggregate Write-ins in financial statements.

Recoupment of Assessment

Instructions for recoupment of assessments and the required forms for filing are available via IFILE on the Office website at <https://portal.fldfs.com/iframe/default.asp>. Please note that a separate filing must be submitted to remove or revise the recoupment factors if it is necessary to continue the recoupment process for an additional year. Any amounts collected in excess of that which is paid to Citizens must be refunded to the policyholders.

In order to avoid negative financial statement impact as a result of payment of the assessment (or booking the liability) without the ability to establish the corresponding assessment receivable asset, the Office strongly recommends that all insurers planning to recoup should make their recoupment filing prior to September 15, 2005.

If you have any questions regarding the financial reporting of the assessment, please contact Property and Casualty Financial Oversight at (850) 413-3148. Questions regarding the recoupment of assessments should be directed to Property and Casualty Product Review at (850) 413-3146.

Click [here](#) to see Citizens' Order Approving Certification of Assessment.