



**INFORMATIONAL MEMORANDUM**  
**OIR-06-023M**  
**ISSUED**  
**November 20, 2006**  
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 September 14, 2006, the Board of Governors of Citizens Property Insurance Corporation (Citizens) determined a 2005 plan year deficit existed in the High Risk Account. The Legislature allocated \$715 million to Citizens to assist in curing the deficits reported in the three accounts: Personal Lines Account (PLA), High Risk Account (HRA), and Commercial Lines Account (CLA). The allocation completely satisfied the reported deficits in both PLA and CLA account, and satisfied almost half of the \$1.673 billion deficit in the HRA account. The Board decided that a \$163 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. An emergency assessment for the remaining deficit is expected later this year.

Pursuant to Section 627.351(6), 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. Section 627.3512, Florida Statutes, was amended by the 2006 Legislature to allow limited apportionment companies as defined in Section 627.351(6)(c), to recoup any regular assessment that has been levied by, or paid to, Citizens Property Insurance Corporation.

**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 Impairments 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.

The assessment shall be charged to expense (Taxes, Licenses and Fees) and a liability shall be accrued when the above criteria are met.

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 of 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 as “Citizens Prop 2006 Regular Assessment” in the NAIC quarterly and annual 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://iportal.fldfs.com/ifile/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 December 1, 2006.**

**All insurers must include proof of payment with the filing. Payment to Citizens must be made prior to the submission of the recoupment filing.**

Personal lines insurers must select the “recoupment only” filing option. Commercial lines insurers will need to select either the “rule filing” or “rate filing” option to submit the recoupment filing. The personal lines recoupment worksheet must be completed for the recoupment filings.

Pursuant to Section 44 of Senate Bill 1980, each insurer that recoups an assessment from its policyholders for the regular assessment must include on the premium notice or on a separate document included with the premium notice, specific language concerning the \$715 million appropriation to Citizens. Therefore, companies must submit the notice as “informational” with the recoupment filing to the Office, with the language specified in Section 44 of Senate Bill 1980.

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.

The Order issued to Citizens approving the Certification of the 2006 regular assessment is posted on the Office's website at [www.floir.com/Hurricanes/Citizens/RegAssess.htm](http://www.floir.com/Hurricanes/Citizens/RegAssess.htm).