



**FLORIDA
INSURANCE GUARANTY
ASSOCIATION, INC.**
A Florida Nonprofit Corporation

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FIGA Member Companies

RE: 2015 Senate Bill 836 – FIGA Assessment Changes

During the 2015 session the Florida legislature passed a bill giving the Florida Insurance Guaranty Association (FIGA) additional flexibility in its assessment process. The legislation retained FIGA's ability to obtain funds quickly (not less than 30 days) but also introduced an option for insurers to collect and remit assessments in installments over 12 months. This was done to ease the negative cash flow impact on member companies when funds are not immediately required. The legislation was signed by Governor Scott on May 21, 2015 and was effective July 1, 2015. This notice is being sent to notify all member companies of the changes in the assessment statute and to explain how the assessment process will work under the new law.

The entire bill is available at: <http://www.flsenate.gov/Session/Bill/2015/0836/?Tab=BillHistory>

Bill Highlights:

- Creates a uniform assessment percentage and recoupment period for all insurers
- Eliminates assessment recoupment rate filings with the Office of Insurance Regulation
- Creates specific assessment start and stop dates by quarter
- Requires a good faith premium estimate for assessing new insurers under the immediate method
- Requires an assessment year true up to 1) reconcile estimated assessment payments based on prior year (or good faith estimates) to actual premium results; or 2) reconcile actual premiums written to assessments paid
- Allows the Board to recommend collecting insurer assessments in installments rather than receiving assessment payments upfront
- Eliminates premium tax on regular assessments consistent with emergency assessments
- Clarifies the admissibility of assessment recoupment receivable assets

The two assessment methods are explained below:

Immediate Assessment

The immediate assessment method works similar to the historic practice. The Board certifies the need for an assessment and the OIR levies an assessment on member companies. Where this method differs is that the certification and levy will include a uniform percentage and a specific four quarter assessment year. Member companies will be invoiced an estimated assessment (based on prior year or good faith estimate of written premium) with funds being due in not less than 30 days. After payment is made member companies will implement the levied recoupment factor and recoup amounts over the next four quarter assessment year, beginning on the same date specified in the order. At the conclusion of the assessment year a reconciliation between the

estimated assessment payment and actual recoupments will be performed with over recoupments being remitted to FIGA and under recoupments receiving a credit against future assessments.

Installment Assessment

The installment method is new. Similar to the immediate assessment method above, the Board certifies the need for an assessment and the OIR levies an assessment on member companies, however, if sufficient cash is available the Board may request the assessment be implemented using the installment method. Similar to above, this method will include the certification and levy with a uniform percentage and a specific four quarter assessment year, but will also include guidance on when and how the assessment collections are to be remitted to FIGA. Insurers will not be required to remit the full assessment up front, but can remit amounts quarterly as premiums are written over the course of the assessment year. At the conclusion of the assessment year a reconciliation between the assessment amount based on actual premiums written and assessment amounts remitted will be performed and remittance deficiencies will be billed and remittance excesses will be retained by FIGA for future insolvencies.

An FAQ has been developed and is available on the FIGA website at www.figafacts.org

If you have any questions, please feel free to contact Tom Streukens at (850) 386-9200.

Sincerely,

Sandra J. Robinson
Executive Director