



## INFORMATIONAL MEMORANDUM

OIR-06-008M

ISSUED

May 4, 2006

Florida Office of Insurance Regulation

Kevin M. McCarty, Commissioner

### To All Property and Casualty, Surplus Lines Insurers, and Surplus Lines Agents in the State of Florida

#### Notice of Anticipated Florida Hurricane Catastrophe Fund Assessment

Due to the unprecedented hurricane seasons of 2004 and 2005, the Florida Hurricane Catastrophe Fund (FHCF) has exhausted nearly all of the \$6 billion in reserves it has accumulated since its inception in 1993. In the near future the Florida State Board of Administration (SBA), the body that oversees the FHCF, is expected to direct the Office to levy an emergency assessment upon all property and casualty business in the state of Florida, pursuant to Section 215.555(6)(b)1., Florida Statute, and Rule 19-8.013, Florida Administrative Code.

This notice is particularly important to those insurers (including surplus lines insurers) that do not insure residential property in the State of Florida. The companies and lines of business subject to an assessment by the FHCF (assessment base), as defined in statute and rule, is much broader than the residential property lines of business for which the FHCF provides reinsurance coverage. The assessment base encompasses all premiums written on risks located in the State of Florida, with the exception of federal flood, medical malpractice (until May 30, 2007), accident and health, and workers compensation. Assessable insurers and insureds, as defined below, are responsible for levying, collecting and remitting the assessment in a timely manner as specified by Order of the Office.

The assessment shall be levied upon the following:

**Assessable insurers** include authorized insurers (as defined in Section 624.09, Florida statutes) writing property and casualty business and entities created under Section 627.351, Florida Statutes (residual markets).

**Assessable insureds** include insureds procuring property and casualty coverage from surplus lines insurers regulated under Part VIII of Chapter 626.

This Informational Memorandum is being disseminated as notice to all property and casualty insurers and surplus lines insurers and agents of what to expect in the next several months with regards to the anticipated FHCF assessment in order to take the necessary steps to:

- Make system modifications to levy the assessment,
- Create a reporting mechanism to accumulate data required for reporting to the Office,
- Make arrangements to report required premium and remitted assessment information to the Office, and
- Make arrangements to remit assessments to the appropriate designated location.

The Office anticipates the SBA will issue the directive near the end of May 2006 for the Office to levy the assessment. Immediately following, the Office will issue Orders directing all assessable insurers and assessable insureds to levy the assessment beginning on a specified effective date in the future. Ample lead time will be allowed for insurers to make the necessary process and system modifications required for the assessment process. Assessments will be required to be remitted on a quarterly basis consistent with annual and quarterly statement filings (5/15, 8/15, 11/15 and 3/1), based on a percentage of direct written premium as specified in the Orders. The Orders will also contain guidance on required reporting and remittance of assessments. Assessable insurers

and assessable insureds should be aware that assessments and reporting will be required until further notice as long as the bonds issued by the FHCF are outstanding.

The Office is developing an electronic data reporting mechanism to allow insurers to report quarterly direct written premium data to the Office in an industry-recognized format, the NAIC Annual Statement State Page, along with other information needed to validate proper collection and remittance of the assessment. Prior to the first required assessment remittance due date, the Office will schedule and conduct a required reporting cycle to ensure that all insurers required to report are aware of their obligation and are prepared to report and remit assessments.

A rule workshop will be held on May 22, 2006 regarding the development of a new rule applicable to the FHCF emergency assessment. The rule will contain the following: information to be submitted by assessable insurers to the Office, types of non-compliance, and penalties for non-compliance. For more information, please refer to the notice of rule development to be published in the Florida Administrative Weekly on May 12, 2006.

The successful collection and remittance of assessments required by law is critical to the timely payment of debt service on bonds issued by the FHCF to pay hurricane losses. Because of the critical nature of the assessment mechanism, violation of the directives of the Order will be subject to fines, interest penalties, administrative costs and other administrative remedies, up to and including, suspension or revocation of an insurer's Certificate of Authority in Florida.

For further information, please contact:

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