



Understanding Citizens' Assessments

A review of assessments based
on Florida Law



Effective July 1, 2008



Course objective

Understand the assessment mechanism as it relates to Citizens' accounts.





Three Separate Accounts

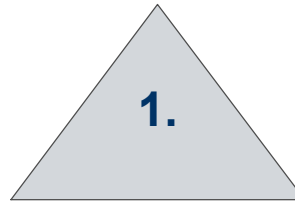
According to Florida Law, Citizens is required to maintain three distinct accounts:

- High Risk Account (HRA) – this account consists of premium dollars generated from the issuance of wind-only and multiperil policies
- Personal Lines Account (PLA) – this account consists of premium dollars generated from the issuance of personal residential multiperil policies
- Commercial Lines Account (CLA) – this account consists of premium dollars generated from the issuance of commercial residential multiperil and commercial nonresidential inland wind-only policies

These accounts are kept separate and assessments are calculated and levied based upon deficits incurred in each individual account.



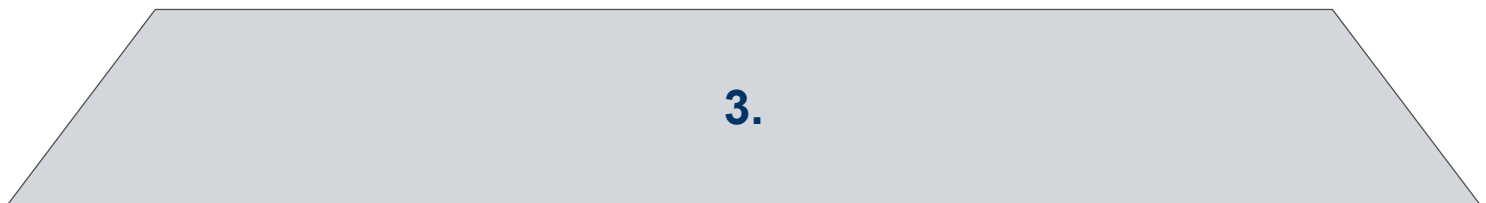
Overview



Citizens Policyholder Surcharge



Regular Assessment



Emergency Assessment



Citizens Policyholder Surcharge (Tier 1)

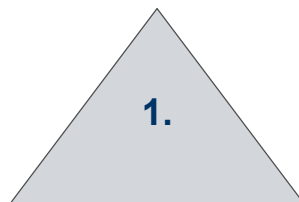
If a deficit is incurred in any individual account (HRA, PLA, CLA), up to a 15% of premium surcharge may be required for 12 months on all Citizens' policies.

Tier 1 assessments apply on a per account basis.

If there is a deficit in all three accounts, Citizens policyholders could receive up to a 45% of premium surcharge for 12 months.

- 15% for the HRA account deficit
- 15% for the PLA account deficit
- 15% for the CLA account deficit

Citizens policyholder surcharges would be collected upon issuance or renewal.



Citizens Policyholder Surcharge



Regular Assessment (Tier 2)

If the Tier 1 surcharge is insufficient to fully cure the deficit for any individual account, a regular assessment of up to 6% of premium or 6% of the deficit, whichever is greater, may be required.

- This applies to admitted and surplus lines property and casualty policies, including auto insurance (but excluding workers compensation, medical malpractice, federal flood and crop).
- Citizens policyholders are not subject to the regular assessment.

The regular assessment is levied against admitted carriers, and may be recouped from its policyholders. Agents collect the regular assessment directly from surplus lines policyholders.

Tier 2 assessments apply on a per account basis.



Regular Assessment



Emergency Assessment (Tier 3)

If the deficit is not fully cured by Tier 1 and 2 assessments for any individual account, an emergency assessment of up to 10% of premium or 10% of the deficit, whichever is greater, may be required.

- Applies to admitted and surplus lines policies, including auto insurance (but excluding workers compensation, medical malpractice, federal flood and crop); and
- Citizens policyholders.

The emergency assessment would be collected for as many years as necessary to cure the deficit, but not to exceed 10% in any calendar year.

Tier 3 assessments apply on a per account basis.



Emergency Assessment



Example

Assume a major hurricane strikes the state of Florida and Citizens depletes all reserves. What would be the potential amount that could be assessed to each of the following customers if a deficit is incurred in all three accounts (CLA, HRA and PLA)?

- Citizens Customer #1 –
 - Pays \$2,000 annual premium for a Personal Residential Multiperil (PR-M) policy - including the peril of wind.
- ABC Insurance Customer #2 –
 - Pays \$2,000 annual premium for a homeowners policy from a standard insurance carrier - including the peril of wind.

Example, Con't

	Customer #1	Customer #2
Annual Premium	\$ 2,000.00	\$ 2,000.00
Potential Tier 1 Citizens Policyholder Surcharge	\$ 900.00	\$ -
Potential Tier 2 Regular Assessment	\$ -	\$ 360.00
Potential Tier 3 Emergency Assessment *	\$ 600.00	\$ 600.00
Total Potential Assessment	\$ 1,500.00	\$ 960.00

*Emergency Assessment may be spread over multiple years, this example assumes a total emergency assessment of 10%.

Course Summary



1.

Citizens Policyholder Surcharge

Up to 15% for HRA, PLA, and/or CLA deficits
Applies at new business/renewal for all Citizens' policyholders

2.

Regular Assessment

Up to 6% for HRA, PLA and/or CLA deficits
Applies at new business/renewal for all non-Citizens' policyholders

3.

Emergency Assessment

Up to 10% per year for HRA, PLA and/or CLA deficits
Applies at new business/renewal for all Citizens' and non-Citizens' policyholders