



Understanding Citizens' Assessments

A review of assessments based
on Florida Law





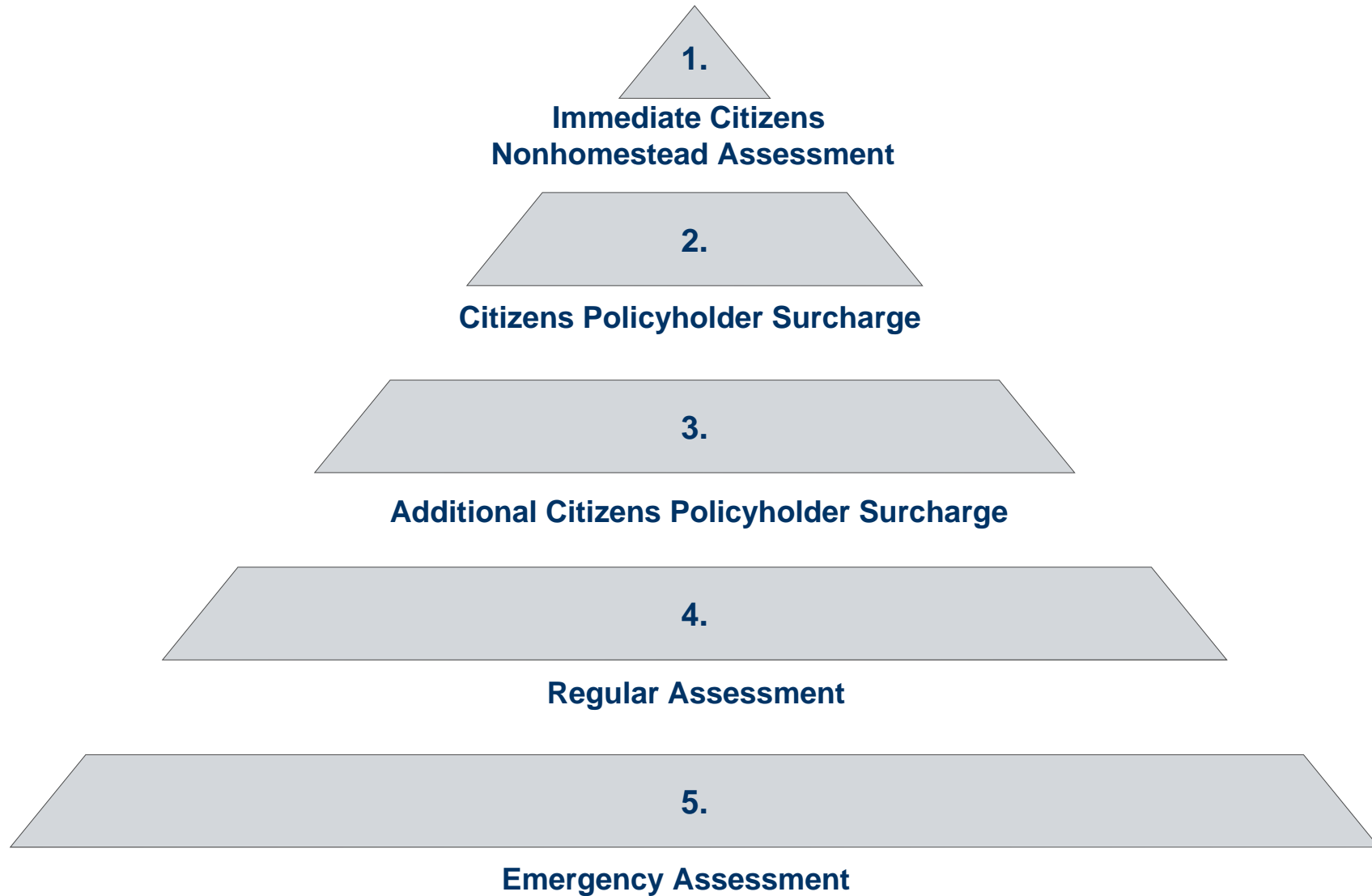
Course Objectives

- Understand the assessment mechanism as it relates to:
 - Citizens accounts
 - The status of property as homestead or nonhomestead*



*see Homestead Status Requirements found on [Agent Resources](#) page

Overview





Three Separate Accounts

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

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





Immediate Citizens Nonhomestead Policyholder Assessment (Tier 1)

If a deficit is incurred in any individual account (HRA, PLA, CLA) an assessment of up to 10% of the current premium may be levied for all Citizens nonhomestead policyholders.

- All applicants and policyholders must complete the Affirmation of Property Status (CIT-HS1) form to enable Citizens to confirm homestead status.
- It is critical that agents explain this form to their insured at the time of application and maintain accurate records with Citizens.

Tier 1 assessments apply on a per-account basis.

This assessment could be applied mid-term for all affected policyholders.



Immediate Citizens Nonhomestead Assessment



Citizens Policyholder Surcharge (Tier 2)

If the deficit is not fully cured by the Tier 1 assessment for any individual account in which a deficit occurs, a further assessment of up to 10% of the current premium may be levied upon all Citizens policyholders.

- Homestead policyholders would be assessed.
- Nonhomestead policyholders would be assessed again.

This assessment would be applied at the time of renewal or new business.

Tier 2 assessments apply on a per-account basis.



2.

Citizens Policyholder Surcharge



Additional Citizens Policyholder Surcharge (Tier 3)

If the deficit is not fully cured by Tier 1 and Tier 2 assessments for any individual account, a further assessment of up to 10% of the current premium may be levied against all Citizens policyholders.

- Homestead policyholders would be assessed for the second time.
- Nonhomestead policyholders would be assessed for the third time.

This assessment would be applied at the time of renewal or new business.

Tier 3 assessments apply on a per-account basis.



3.

Additional Citizens Policyholder Surcharge



Regular Assessment (Tier 4)

If the deficit is not fully cured by Tier 1, 2 and 3 assessments for any individual account, an assessment of up to 10% of the current premium may be levied against all non-Citizens policyholders

- This applies to admitted and surplus lines policies, including auto insurance but excluding workers compensation & medical malpractice.

This assessment would be applied at the time of renewal or new business.

This assessment applies on a per-account basis.

4.

Regular Assessment



Emergency Assessment (Tier 5)

If the deficit is not fully cured by Tier 1, 2, 3 and 4 assessments for any individual account, an assessment of up to 10% of the current premium may be levied against all policyholders

- Applies to admitted and surplus lines policies, including auto insurance but excluding workers compensation & medical malpractice, and
- Citizens policyholders.

This assessment would be applied at the time of renewal or new business.

This assessment applies on a per-account basis.

This assessment would be collected for as many years as necessary to cure the deficit

5.

Emergency Assessment



Example

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

- Nonhomestead Customer #1 –
 - Pays \$2,000 annual premium for a Personal Residential Multiperil (PR-M) policy - including the peril of wind.
- Homestead Customer #2 –
 - Pays \$2,000 annual premium for a Personal Residential Multiperil (PR-M) policy - including the peril of wind.

Example, Con't

	Customer 1	Customer 2
Annual Premium	\$ 2,000.00	\$ 2,000.00
Citizens Homestead Status	Non-homestead	Homestead
Potential Tier 1 Immediate Assessment	\$ 600.00	\$ -
Potential Tier 2 Policyholder Surcharge	\$ 600.00	\$ 600.00
Potential Tier 3 Additional Policyholder Surcharge	\$ 600.00	\$ 600.00
Potential Tier 4 Regular Assessment	\$ -	\$ -
Potential Tier 5 Emergency Assessment *	\$ 600.00	\$ 600.00
Total Potential Assessment**	\$ 2,400.00	\$ 1,800.00

*Emergency Assessment may be spread over multiple years

**total maximum percentage of premium that can be levied as assessments depends on Citizens homestead status –

- Nonhomestead = 120%
- Homestead = 90%

Course Summary

1.

Immediate Citizens Nonhomestead Assessment

Charged immediately to nonhomestead policyholders only

2.

Citizens Policyholder Surcharge

Applies at new business/renewal for all Citizens' policyholders

3.

Additional Citizens Policyholder Surcharge

Applies at new business/renewal for all Citizens' policyholders

4.

Regular Assessment

Applies at new business/renewal for all non-Citizens' policyholders

5.

Emergency Assessment

Applies at new business/renewal for all Citizens' and non-Citizens' policyholders