

# Florida Workers' Compensation Insurance Guaranty Association

## Assessment FAQ

- 1) What major changes did Senate Bill 828 have on the FWCIGA assessment process?
  - Established an "Assessment Year" as a 12 month period beginning the 1<sup>st</sup> day of any calendar quarter (January, April, July and October).
  - Created a uniform assessment percentage and recoupment period to be applied by all member insurers thus eliminating the guaranty association assessment factor in the National Council on Compensation Insurance (NCCI) rate filing with the Office of Insurance Regulation (OIR).
  - Allowed assessments to be due immediately (not less than 30 days) or due in installments from insurance companies (IMMEDIATE vs. INSTALLMENT).
  - Required insurers to file reconciliation reports with FWCIGA after the completion of an assessment year.
  
- 2) Who determines if an assessment is due in (not less than) 30 days or can be paid in installments over 12 months?

The association may elect to use the INSTALLMENT method for collecting assessments if it projects having sufficient cash to cover current claims payments (covered claims include loss claims and unearned premiums). The association will review its cash needs for existing insolvencies as well as estimates for any imminent near term insolvencies to determine its ongoing cash needs. If cash is insufficient to cover current cash needs the IMMEDIATE method will be utilized. If sufficient cash exists the Board may elect to collect the assessments over time using the INSTALLMENT method. The final determination is at the sole discretion of the Board.

- 3) What is the assessment obligation for a company that just started doing business and did not write any premiums in the prior year?

If the IMMEDIATE assessment method is utilized new companies are required to collect and remit assessments to FWCIGA. If the INSTALLMENT method is used new companies would operate the same as existing companies.

- 4) What lines of business are assessable?

Generally speaking, if a claim qualifies as a "covered claim" pursuant to Section 631.904, Florida Statutes, the premium from which it was derived is assessable premium. The law has not changed what lines of business are assessable by the FWCIGA. FWCIGA covers claims on workers' compensation policies defined in Section 631.904(2), Florida Statutes (Unpaid Workers

Compensation including excess workers' compensation, Employers Liability and Unearned Premium Claims).

Assessable premiums are based on "full policy premium". Full Policy Premium" means direct written premium after all applicable adjustments (drug free workplace credit, safety credits, experience modification factor, standard discounts, expense constants, etc.) but prior to the application of discounts or credits resulting from the deductible clause in the policy. Assessments are determined using premium reported in NAIC annual statement lines 16 and 17.3 plus additional amounts for discounts or credits for deductibles obtained from supplemental reporting with FWCIGA.

5) When are assessment payments due?

Due dates for both IMMEDIATE and INSTALLMENT assessment will be stated in the levy order issued by the Office of Insurance Regulation. If funds are needed right away the assessment will be due in not less than 30 days. If the INSTALLMENT assessment method is used, assessments will be due as stated in the levy order. All insurers begin remitting assessments on the same date, as set forth in the levy order.

6) Where do I send my assessment payment?

Assessment payment can be remitted via check or wire transfer.

**Check**

FWCIGA  
P.O. Box 15159  
Tallahassee, FL 32317

**Wire**

FWCIGA  
Acct # 0780000883512  
Bank: SunTrust  
ABA # 061000104

7) Can I remit assessment payment for multiple companies in a group?

Yes, but you are required to provide the NAIC number and assessment amount for each company included in the group payment in the check remittance documentation or in the wire payment detail fields.

8) If the amount due is small can I wait until a subsequent period to make the payment?

Companies are allowed to accumulate assessment payments until the end of the assessment year or such time as the accumulated assessments due reaches \$1,000.

9) How will insurer assessment payments made be reconciled to assessment amounts determined using actual premium written during, and at the conclusion of, the assessment year?

FWCIGA is working with the Office of Insurance Regulation to add a FWCIGA assessment reconciliation reporting component similar to the General Emergency Assessment Reporting system (GEAR). Use of the system will simplify the reporting process through the utilization of a familiar reporting platform. Due to the length of time that may elapse between billing and the collection and audit of workers' compensation premium for policies issued or renewed with effective dates during the specific 12 month "assessment year", the statute provides for an initial reconciliation at 120 days following the end of the "assessment year" and then annually thereafter for three years.

10) What happens if assessments are over / under collected?

The IMMEDIATE assessment method will result in the over / under collections unless premiums in the prior year are identical to premiums in the assessment year. Over / under collections will be minimized using the INSTALLMENT method as remittances are based on actual premiums written rather than estimates. At the conclusion of an assessment year a reconciliation between assessments paid to assessments calculated based on reported written premium will be conducted. If the reconciliation results in an over collection, companies must remit the excess funds to FWCIGA. If the reconciliation results in an under collection, FWCIGA will reimburse companies for payment made in excess of recoupments collected.

11) Can a company pay an immediate assessment and not pass it on to policyholders?

Yes, the company can pay assessments without passing them on to policyholders. For example, if the cost of the assessment is less than the cost of making the necessary system changes for billing policyholders it may elect to not pass it on to policyholders. If you elect to not pass on an assessment you cannot recoup at a later date.

12) When premiums are billed on an installment basis are assessments due when the premiums are written or when an installment is paid?

Assessments are calculated using written premium and are due quarterly coinciding with annual and quarterly statement filings. The assessment can be collected in the down payment or first installment payment the company receives from the policyholder.

13) Is the assessment applicable to endorsements?

Yes. The assessment percentage should be applied to all endorsements to policies effective during the assessment year.

14) Is the assessment applicable to audit premiums and premium adjustments on retrospectively rated policies?

Yes. The assessment percentage should be applied to all premium adjustments to policies effective during the assessment year. Given the time period required to conduct premium audits and determine premium adjustments on retrospectively rated policies the reconciliation period may extend 24 to 36 months beyond the 12 month assessment year.

- 15) Are companies required to make any filings with the Office of Insurance Regulation to reflect the new surcharge?

The NCCI is in the process of filing a special endorsement with the OIR to address the change in the FWCIGA assessment process. Once filed and approved companies will be required to utilize the NCCI special endorsement.

Companies will also be required to make a filing to adjust other forms such as the Information Page and filings to adjust their rating plans or rates for independent programs such as Retrospective Rating Programs and Large Deductible Programs to reflect proper treatment of the surcharge. The OIR recommends a separate filing for this change to facilitate a faster review process. Filings must be made in accordance with Rule 690-189.016(5), Florida Administrative Code.

Please contact Cyndi Cooper at 850-413-5368 or Theresa Randall at 850-413-3821 at the OIR for questions regarding rule, rate or form filings.