FWCIGA
FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION

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FWCIGA Member Companies

RE: 2016 Senate Bill 828 – FWCIGA Assessment Changes

During the 2016 session the Florida legislature passed a bill giving the Florida Workers' Compensation Insurance Guaranty Association (FWCIGA) additional flexibility in its assessment process. The legislation retained FWCIGA'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 April 1, 2016 and is effective July 1, 2016. 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/2016/0828/Category

Bill Highlights:

- Moves assessment from a component of premium rates to a policyholder surcharge
- Increases self-insurance fund assessment cap from 1.5% to 2.0%, consistent with insurance carriers
- Allows the Board to recommend collecting insurer assessments in installments rather than receiving assessment payments upfront
- Creates specific assessment start and stop dates by quarter
- Requires an assessment year true up to 1) reconcile estimated assessment payments based on prior year premium to actual premium results; or 2) reconcile actual premiums written to assessments paid
- Eliminates premium tax on assessments
- Establishes the admissibility of assessment recoupment receivable assets

The two assessment methods are explained below:

<u>Immediate Assessment</u>

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 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 and ending on the dates specified in the order. At the conclusion of the assessment year a reconciliation between the estimated assessment payment and the assessment amount due based on actual premiums written will be performed with over recoupments being remitted to FWCIGA and under recoupments returned to member companies.

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 FWCIGA. 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 refunded to member companies.

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.

An FAQ has been developed and is available on the FWCIGA website at www.fwciga.org

This is a significant change in the assessment process which may impact the accounting treatment utilized by your company for recording guaranty fund assessments. Companies should review these changes with their independent auditors to determine their obligations under SSAP 35R and ASC 405-30.

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

Sincerely,

Sandra J. Robinson

Sandra J. Robinson
Executive Director