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# **Insurance & Banking Subcommittee**

## **Action Packet**

**Wednesday, January 12, 2011  
9:00 AM - 12:00 PM  
404 HOB**

**COMMITTEE MEETING REPORT**  
**Insurance & Banking Subcommittee**

**1/12/2011 9:00:00AM**

**Location:** 404 HOB

**Summary:** No Bills Considered

Committee meeting was reported out: Wednesday, January 12, 2011 1:47:12PM

**COMMITTEE MEETING REPORT**  
**Insurance & Banking Subcommittee**

**1/12/2011 9:00:00AM**

**Location:** 404 HOB

**Attendance:**

	<i>Present</i>	<i>Absent</i>	<i>Excused</i>
Bryan Nelson (Chair)	X		
Ben Albritton	X		
Mack Bernard			X
Jim Boyd	X		
Rachel V. Burgin	X		
Janet Cruz	X		
Daniel Davis	X		
Erik Fresen	X		
Bill Hager	X		
Clay Ingram	X		
Evan Jenne	X		
John Julien	X		
Perry Thurston, Jr.	X		
John Wood	X		
Ritch Workman	X		
<b>Totals:</b>	<b>14</b>	<b>0</b>	<b>1</b>

Committee meeting was reported out: Wednesday, January 12, 2011 1:47:12PM

**COMMITTEE MEETING REPORT**  
**Insurance & Banking Subcommittee**

**1/12/2011 9:00:00AM**

**Location:** 404 HOB

**Other Business Appearance:**

Citizens Property Insurance

Ron Broadrick, President (General Public) - Information Only

Florida Association of Sinkhole Stabilization Specialists

2620 Hunt Road

Land O Lakes FL 34638

Phone: 813-909-8000

Citizens Property Insurance Corporation

Binnun , Sharon, CFO (Lobbyist) - Information Only

Citizens Property Insurance Corporation

101 N Monroe St Ste 1000

Tallahassee FL 32301

Phone: (850)513-3770

Florida Hurricane Catastrophe Fund

Nicholson , Jack, Chief Operating Officer (Lobbyist) (State Employee) - Information Only

State Board of Administration

PO Box 13300 1801 Hermitage Centre

Tallahassee FL 32317-3300

Phone: (850)413-1340

Solvency Issues

Miller , Belinda, Deputy Commissioner, Property & Casualty (Lobbyist) (State Employee) (At Request  
Of Chair) - Information Only

Office of Insurance Regulation

200 E Gaines St Ste 121

Tallahassee FL 32399

Phone: (850)413-5000

Committee meeting was reported out: Wednesday, January 12, 2011 1:47:12PM

**Citizens Property Insurance Corporation**  
**Selected Return Time Scenarios**  
**Estimated Use of Resources**



**1-in-50 Year Event**

*Probability of Single-Event Occurrence = 2%*

	[1]	PLA/CLA	HRA	Total
		----- (in billions) -----		
Accumulated Surplus	[2]	\$ 2.195	\$ 2.485	\$ 4.680
Florida Hurricane Catastrophe Fund ("FHCF") Reimbursements	[3]	2.487	3.865	6.352
Citizens Policyholder Surcharge ("CPS") amount	[4]	-	0.388	0.388
CPS as a Percent of Assessment Base	[4]	0%	15%	15%
Regular Assessments ("RA")	[5]	-	1.843	1.843
RAs as a Percent of Assessment Base	[5]	0%	6%	6%
Emergency Assessments ("EA")	[6]	-	1.432	1.432
EAs as a Percent of Assessment Base	[6]	0%	4%	4%
<b>Total</b>		<b>\$ 4.682</b>	<b>\$ 10.013</b>	<b>\$ 14.695</b>

**1-in-100 Year Event**

*Probability of Single-Event Occurrence = 1%*

	[1]	PLA/CLA	HRA	Total
		----- (in billions) -----		
Accumulated Surplus	[2]	\$ 2.913	\$ 2.486	\$ 5.399
Florida Hurricane Catastrophe Fund ("FHCF") Reimbursements	[3]	2.487	3.865	6.352
Citizens Policyholder Surcharge ("CPS") amount	[4]	0.777	0.388	1.165
CPS as a Percent of Assessment Base	[4]	30%	15%	45%
Regular Assessments ("RA")	[5]	1.657	1.843	3.500
RAs as a Percent of Assessment Base	[5]	5%	6%	11%
Emergency Assessments ("EA")	[6]	-	7.047	7.047
EAs as a Percent of Assessment Base	[6]	0%	21%	21%
<b>Total</b>		<b>\$ 7.834</b>	<b>\$ 15.629</b>	<b>\$ 23.463</b>

*Please see accompanying notes and assumptions.*

**Citizens Property Insurance Corporation**  
**Selected Return Time Scenarios**  
**Estimated Use of Resources**



**2 10-Year Events**

*Probability of Both Occurrences = 1%*

	[1]	PLA/CLA	HRA	Total
		----- (in billions) -----		
Accumulated Surplus	[2]	\$ 1.901	\$ 2.486	\$ 4.387
Florida Hurricane Catastrophe Fund ("FHCF") Reimbursements	[3]	-	0.704	0.704
Citizens Policyholder Surcharge ("CPS") amount	[4]	-	0.388	0.388
CPS as a Percent of Assessment Base	[4]	0%	15%	15%
Regular Assessments ("RA")	[5]	-	0.641	0.641
RAs as a Percent of Assessment Base	[5]	0%	2%	2%
Emergency Assessments ("EA")	[6]	-	-	-
EAs as a Percent of Assessment Base	[6]	0%	0%	0%
<b>Total</b>		<b>\$ 1.901</b>	<b>\$ 4.219</b>	<b>\$ 6.120</b>

**5-Year Event and 25-Year Event**

*Probability of Both Occurrences = 0.8%*

	[1]	PLA/CLA	HRA	Total
		----- (in billions) -----		
Accumulated Surplus	[2]	\$ 1.576	\$ 2.486	\$ 4.062
Florida Hurricane Catastrophe Fund ("FHCF") Reimbursements	[3]	1.389	3.145	4.534
Citizens Policyholder Surcharge ("CPS") amount	[4]	-	0.388	0.388
CPS as a Percent of Assessment Base	[4]	0%	15%	15%
Regular Assessments ("RA")	[5]	-	0.259	0.259
RAs as a Percent of Assessment Base	[5]	0%	1%	1%
Emergency Assessments ("EA")	[6]	-	-	-
EAs as a Percent of Assessment Base	[6]	0%	0%	0%
<b>Total</b>		<b>\$ 2.965</b>	<b>\$ 6.278</b>	<b>\$ 9.243</b>

*Please see accompanying notes and assumptions.*

**Citizens Property Insurance Corporation**  
**Selected Return Time Scenarios**  
**Estimated Use of Resources**



**Notes:**

- [1] Each account is accounted for separately as required by Florida Statutes. However, the Personal Lines Account ("PLA") and the Commercial Lines Account ("CLA") are evaluated together for reinsurance and credit purposes. Therefore, the amounts above for the PLA/CLA are aggregated, not combined as one account. The High-Risk Account ("HRA") is accounted for and separately stated for all purposes. The Total column is the aggregate of all three accounts, not the results of combining all three accounts.
- [2] Accumulated surplus is determined in accordance with Statutory Accounting Principles (SAP) and projected at \$2.627 billion and \$2.007 billion for the PLA/CLA and HRA, respectively, at December 31, 2011.
- [3] FHCF coverage uses estimated payment multiples for 2011. The actual amount of coverage for 2011 will be based on actual exposures on policies in force at June 30, 2011. Amounts included hereon are based on estimates of preliminary exposure data, rating factors and payout multiples. Final amounts may be significantly different from these provisional estimates.
- [4] The assessment base for Citizens Policyholder Surcharge ("CPS") is Citizens' Direct Written Premium for the preceding calendar year, subject to a maximum assessment percentage of 15% per account. Therefore, the maximum CPS for 2011 is 15% of Citizens' 2010 Direct Written Premium, projected to be \$2.59 billion, or \$0.388 billion per account. Surcharges are levied against Citizens' policyholders and are collected upon issuance or renewal.
- [5] The assessment base for Regular Assessments ("RA") is statewide Direct Written Premium on most lines of business for the preceding calendar year (not including Citizens) subject to a maximum assessment percentage of 6% per account. Therefore, the maximum RA for 2011 is 6% of statewide 2010 Direct Written Premium on most lines of business, projected to be \$30.72 billion, or \$1.843 billion per account. Regular Assessments are levied against admitted carriers and may be passed through to policyholders through the rate filing process. Issuers are obligated to pay within 30 days of levy.
- [6] The assessment base for Emergency Assessments ("EA") is statewide Direct Written Premium on most lines of business for the preceding calendar year (including Citizens) subject to a maximum assessment percentage of 10% per account. Therefore, the maximum EA for 2011 is 10% of statewide 2010 Direct Written Premium on most lines of business, projected to be \$33.31 billion, or \$3.331 billion per account. Emergency Assessments apply to policies issued by admitted and surplus lines carriers and can potentially be recovered over multiple years, but not to exceed 10% of the assessment base in any calendar year.

FLORIDA OFFICE OF  
INSURANCE REGULATION

KEVIN M. MCCARTY  
*Insurance Commissioner*



# House Insurance & Banking Subcommittee Meeting: January 12, 2011



Rank	NAIC Company Code	Company NAME	State of Domicile	# of States Licensed	Net Underwriting Gain/(Loss)	Net Investment Gain/(Loss)	Net Income/(Loss)	Surplus
1	10064	CITIZENS PROPERTY INSURANCE CORPORATION	FL	1	550,846,821	(76,541,357)	505,467,256	4,648,024,583
2	10739	STATE FARM FLORIDA INSURANCE COMPANY	FL	2	(208,271,896)	44,311,076	(84,179,915)	310,729,297
3	10861	UNIVERSAL PROPERTY & CASUALTY INSURANCE COMPANY	FL	5	(32,538,261)	7,504,740	(16,365,635)	106,000,341
4	11844	ST. JOHNS INSURANCE COMPANY, INC.	FL	2	(9,535,610)	1,041,870	(4,711,157)	44,409,898
5	25941	UNITED SERVICES AUTOMOBILE ASSOCIATION	TX	54	501,194,749	215,261,905	551,865,976	15,992,400,520
6	30511	CASTLE KEY INSURANCE COMPANY	IL	2	(36,030,790)	5,739,232	(18,805,979)	143,084,585
7	12196	ASI ASSURANCE CORP.	FL	1	(34,999)	1,383,807	656,914	32,764,963
8	10835	CASTLE KEY INDEMNITY COMPANY	IL	2	-	486,505	434,330	14,534,806
9	10132	FLORIDA PENINSULA INSURANCE COMPANY	FL	2	(10,569,527)	(506,017)	(7,106,149)	59,092,065
10	12538	ROYAL PALM INSURANCE COMPANY	FL	1	(8,474,194)	7,113,645	(1,278,335)	43,181,089
11	10117	SECURITY FIRST INSURANCE COMPANY	FL	1	338,418	844,793	1,526,336	22,468,162
12	11986	UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA	FL	3	(1,965,483)	2,867,497	678,685	38,867,535
13	10948	NATIONWIDE INSURANCE COMPANY OF FLORIDA	OH	2	(22,719,061)	10,132,145	(5,815,618)	268,842,454
14	12438	HOMEWISE INSURANCE COMPANY, INC.	FL	2	(2,613,647)	12,209	(2,316,763)	18,042,181
15	12841	AMERICAN INTEGRITY INSURANCE COMPANY OF FLORIDA	FL	1	(7,023,683)	503,878	(3,951,286)	24,104,418
16	11027	TOWER HILL PRIME INSURANCE COMPANY	FL	1	792,516	543,830	4,319,146	32,058,554
17	10111	AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA	FL	53	65,553,008	38,585,587	70,940,235	421,693,127
18	10688	FLORIDA FAMILY INSURANCE COMPANY	FL	1	(1,413,652)	2,116,059	492,255	20,313,692
19	10136	SOUTHERN FIDELITY INSURANCE COMPANY	FL	3	(3,299,120)	2,053,633	257,765	62,442,343
20	10872	AMERICAN STRATEGIC INSURANCE CORP.	FL	22	5,416,162	7,222,387	6,960,545	154,200,816
21	23035	LIBERTY MUTUAL FIRE INSURANCE COMPANY	WI	52	(94,416,257)	161,667,876	51,019,455	1,205,553,564
22	10969	UNITED PROPERTY & CASUALTY INSURANCE COMPANY, INC.	FL	2	(9,556,409)	2,219,586	(5,652,554)	50,004,311
23	10860	SUNSHINE STATE INSURANCE COMPANY	FL	3	473,915	219,738	101,621	13,001,813
24	25968	USAA CASUALTY INSURANCE COMPANY	TX	53	301,578,427	196,869,531	392,759,445	3,946,517,085
25	29050	TOWER HILL PREFERRED INSURANCE COMPANY	FL	1	(5,166,074)	833,714	(2,113,069)	28,021,829

NOTE: Financial Figures are nationwide results for those companies licensed in multiple states.

# Surplus Lines Assessments

The Nonadmitted and Reinsurance Reform Act of 2010 is part of the Dodd-Frank “Wall Street Reform Bill” H.R. 4173-214 that was signed into law in June 2010.

The Act says: *No State other than the home State of an insured may require any premium tax payment for nonadmitted (surplus lines) insurance.*

The Act also says: *The States may enter into a compact or otherwise establish procedures to allocate among the States the premium taxes paid to an insured’s home state....*

The Act defines premium tax as: *any tax, fee, assessment, or other charge imposed by a government entity directly or indirectly based on any payment made as consideration for an insurance contract....*

The Service Office estimates the loss of premium tax for multi-state surplus lines policies to be potentially 14-18 million dollars a year. If Citizens and FHCF assessments cannot be imposed for these policies, it will shift more of the assessment burden to the admitted market.

NAIC Surplus Lines Implementation Task Force suggested language from Texas:

The comptroller may enter into a cooperative agreement, reciprocal agreement, or compact with another state to provide for the collection of taxes imposed by this state and the other states on insurance taxes that may be due the states and this state based on a standardized premium allocation adopted by the states under the agreement. The comptroller may also enter into other cooperative agreements with surplus lines stamping offices located in this state and other states in the reporting and capturing of related tax information. In addition, the comptroller may enter into cooperative agreements with processing entities located in this state or other states related to the capturing and processing of insurance premium and tax data.

Tex. Ins. Code Ann. Sec. 229.002