SB 324: in Senate Commerce & Tourism HB 211: in House Regulatory Affairs Committee

SB 324 & HB 211: Proposed Statutory Changes to the Timing and Collection of FIGA Assessments

CURRENT LAW

The Florida Insurance Guaranty Association (FIGA) is a not-for-profit corporation that was established by Section 631.57, Florida Statutes, to pay claims on behalf of insolvent insurance companies.

FIGA has two levels of assessments: emergency and regular. Both are capped at 2%, for a combined total of 4%, of an insurance company's direct written premium for the calendar year immediately preceding an assessment. FIGA has discretion on whether emergency assessments, which are only available after a hurricane, are paid by insurance companies within 30 days or spread out over 12 months. Regular assessments must be paid by insurance companies within 30 days and this bill seeks to strengthen solvent insurance companies during times (after a storm) when they need their strongest financial position.

ISSUE

Under current law, FIGA assessments are directly levied on insurance companies that could be required to pay up to 4% of the company's direct written premium within 30 days of an assessment – reducing the insurance company's surplus and the funds available to pay its own claims.

SOLUTION

This bill grants the FIGA board the flexibility to make funding decisions based on their needs. Current law does not give them the flexibility to adapt to market conditions.

SB 324 and HB 211 amend F.S. 631.57 in two ways:

1. Give FIGA's board the authority to determine if regular assessments will be levied directly on insurance companies, policyholders, or a combination thereof and the flexibility to determine if the capital markets have funding available before determining it is necessary to levy the assessments on insurance policyholders.
2. Allow insurance companies to reimburse FIGA as assessments are collected from policyholders, unless FIGA needs the money quickly and is unable to obtain funding.

Both the emergency and regular assessments will remain capped at 2% each as in current law. This bill does NOT increase assessments.

KEY POINTS

- ✓ As the law currently stands, FIGA's assessments impact Florida's homeowner's insurance market in the following ways:
    - They immediately reduce an insurance company's surplus;
    - They are a disincentive for new companies that are considering entering the market; and
    - They are a threat to the solvency of homeowner's insurance companies doing business in Florida after a storm.

- ✓ Currently, the insurance company could face up to 4% of an assessment due within 30 days and FIGA Board has very little discretion in levying assessments. If this proposal is accepted, an insurance company could face a smaller assessment upfront giving them the ability to provide a stronger financial picture for their insurance customers..
- ✓ These bills do not increase the amount of potential assessments or the financial exposure of Floridians. FIGA can still collect the same overall amount – these changes simply spread out the timing of the collection of the funds

THESE BILLS MAKE THE ASSESSMENTS FAIRER AND GIVE FIGA MORE FLEXIBILITY.

Revised April 10, 2013