LLOYD'S

MARKET BULLETIN

REF: Y3983

Title	Florida: Residual market – Citizens Property Insurance Corporation ("CPIC")
Purpose	(1) Update concerning the requirement that insurers adjust wind losses for CPIC. (2) Update concerning the collection of an emergency assessment to address the certified deficit in respect of CPIC
Type	Event
From	James Walmsley, Senior Manager, Lloyd's International Market Access (extension 5131)
Date	19 March 2007
Deadline	
Related links	**Lloyd's market bulletin Y3835, dated 22 June 2006** **Lloyd's market bulletin Y3962 , dated 26 January 2007** **Order No. 87822-06, dated 11 January 2007** **Consent Order 88826-07, dated 25 January 2007**

Purpose of bulletin

The purpose of this bulletin is to inform the market of the developments relating to the Florida residual market, Citizens Property Insurance Corporation ("CPIC"). These developments relate to two areas:

- A requirement to provide claims adjusting services for CPIC's wind coverage – see Lloyd's market bulletin Y3835, dated 22 June 2006, paragraph headed "Requirement that ex-wind insurers adjust wind losses for CPIC".

- The levying and collection of an emergency assessment to address certified deficits – see Lloyd's market bulletin Y3962 , dated 26 January 2007.

Citizens Property Insurance Corporation ("CPIC")

(1) Requirement to provide claims adjusting services to CPIC

Legislation enacted in 2006 requires CPIC's Plan of Operation to provide that, from 1 June 2007, CPIC will contract with each insurer providing the non-wind coverage for risks insured by CPIC in the high-risk account, requiring that the insurer provide claims adjusting services for CPIC's wind coverage. An insurer will be required to enter into this contract as a condition of providing non-wind coverage for a risk insured by CPIC in the high-risk account. CPIC may waive this requirement if it finds, after a hearing, that the insurer is not capable of providing adjusting services at an acceptable level of quality.

CPIC has informed admitted market companies that they must either sign the adjusting contract or explain why they would qualify for a waiver by April 1. We are seeking clarification from CPIC on the issue of whether they intend to apply the adjusting requirement to surplus lines insurers (such as Lloyd's underwriters), and on the procedure for requesting and receiving waivers. Lloyd's managing agents are advised not to take any action with respect to the CPIC adjusting requirement at this point, pending further clarification.

(2) Collection of an emergency assessment to address the certified deficit in respect of CPIC

The Florida Office of Insurance Regulation ("FOIR") issued Order No. 87822-06, dated 11 January 2007, approving the certification of an emergency assessment by CPIC for its high-risk account. The Order requires insurers to begin collecting the emergency assessments for policies issued or renewed on or after 1 July, 2007. This is an annual assessment on the direct written premium of all subject lines of business of 1.4%.

This emergency assessment applies to licensed insurers but not to surplus lines insurers. Separate arrangements exist for the collection of assessments on surplus lines insurance, under which surplus lines insureds are subject to the emergency assessments, which are collected by the surplus lines agent.

On 25 January, 2007, the FOIR issued Consent Order 88826-07, approving an agreement with the Florida Surplus Lines Stamping Office (FSLSO). Under the agreement, funds collected by FSLSO in excess of the amount needed to satisfy the surplus lines portion of the CPIC 2004 plan year deficit regular assessment will be retained in an interest-bearing account and be used to offset future CPIC regular and emergency assessments of surplus lines insureds.

The agreement means that there will be no CPIC assessment collected on surplus lines insureds' policies (new and renewals) in 2007. Endorsements on 2006 policies will still incur the 2006 CPIC assessment of 6.84%

Further Information

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