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## OFFICE OF INSURANCE REGULATION

**KEVIN M. McCARTY**  
COMMISSIONER

**From:** Claude Mueller, Director  
Property & Casualty Financial Oversight

**To:** All Licensed Property and Casualty Insurers Subject to Assessment

**Date:** December 1, 2006

**Re:** Supplemental Memorandum to Informational Memorandum OIR-06-023M

On November 20, 2006, the Office issued Informational Memorandum OIR-06-023M regarding the regular assessment by Citizens Property Insurance Corporation certified by its Board at the September 14, 2006 meeting. This memorandum is issued to provide additional clarification regarding the financial reporting associated with the assessment and an insurer's ability to recoup the assessment through policy surcharges.

The statutory guidance for the financial reporting is provided in SSAP 35, Guaranty Fund and Other Assessments. The liability for the assessment is recorded when probable and reasonably estimable. In this case, at the time Citizen's Board certified the assessment.

SSAP 35 permits the recognition of an asset for policy surcharges. The liability for assessments shall be established gross of any probable and estimable recoveries from premium surcharges. Because assessments are generally paid before policy surcharges are collected, an asset may result, which represents a receivable for policy surcharges which will be collected in the future. This amount, to the extent it is probable it will be realized, meets the definition of an admissible asset, as specified in SSAP No. 4. The asset shall be established and reported independent from the liability (not reported net). If an insurer does not intend to make a filing for the recoupment or is unable to do so because it has withdrawn from the market and will not have renewal policies to which it can apply the surcharge, it cannot record an asset.

Subject to the above guidance, an insurer should recognize both the liability and asset in its financial statements, disclosing the treatment in the notes to the financial statements.

Should you have any questions, please call Steve Szygula at 850-413-3825.