

**PROGRAM DIVISION
BULLETIN**

2006-37

October 31, 2006

**Louisiana Citizens Property Insurance Corporation
2005 Recoupment Surcharge and Emergency Assessment**

On August 11, 2006 we sent a bulletin concerning our recoupment surcharge filing on behalf of Granite State Insurance Company (GSIC) and the New Hampshire Insurance Company (NHIC). This filing was made to recover a 2005 regular assessment paid to the Louisiana CPIC by these two companies.

In that filing we received approval for a 12% policy level surcharge on property risks for the period **June 22, 2006 through June 22, 2007**. The 12% recoupment surcharge is to be allocated as follows: 8% to the LA CPIC FAIR Plan and 4% to the LA CPIC Coastal Plan.

We have now received Louisiana Directive 191-Amended (September 28, 2006) and the LA CPIC memorandum instructions of September 15, 2006 concerning regular assessment recoupment procedures. Please review the following information carefully.

Surcharge Policy Language

- Please note that the preferred language to identify the 12% recoupment surcharge on the policy declarations page, is as follows:

Total Policy Premium: \$xx.xx
2005 LA FAIR Plan Regular Assessment: \$xx.xx
2005 LA Coastal Plan Regular Assessment: \$xx.xx
Total Amount Due: \$xx.xx

- As an alternative, the following language may also be used on the declarations page:

Total Policy Premium: \$xx.xx
2005 LA Citizens' Regular Assessment: \$xx.xx
Total Amount Due: \$xx.xx

However, if abbreviated language is used on the declarations page, the alternative shown, a policy endorsement must be included which provides a breakdown of the 12% surcharge into the Fair Plan and Coastal Plan individual amounts, as in the first example above.

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2007 Emergency Assessment

The Louisiana Citizens' Property Insurance Corporation (LA CPIC) has authorized an **emergency assessment against admitted insurers** to cover continuing operational deficits in its Fair Plan account resulting from the 2005 hurricane season.

Pursuant to Louisiana Directive 191-Amended (September 28, 2006), the LA CPIC memorandum instructions of September 15, 2006, and R.S. 22:1430.10, admitted companies are instructed to collect and remit the emergency assessment according to the following procedures.

Emergency Assessment Rate; Policies

An emergency assessment of 3.6% is to be collected by insurers from their policyholders as a 3.6% policy level surcharge, effective January 1, 2007 through December 31, 2007.

The emergency assessment is a direct surcharge to the policyholder, not the insurer.

- The emergency surcharge applies to all policies issued or renewed on or after January 1, 2007, covering the subject business lines.

Lines of Business

- The 3.6% emergency surcharge is to be applied to all policies covering fire, allied lines, homeowners' multi-peril and the property portion of commercial multi-peril risks.
- All mobile home programs are subject to the surcharge, regardless of how premium is booked and reported.

Premium Tax Exclusion; Policy Cancellation; Extended Term Policies; Failure to Pay

- **The emergency surcharge is not subject to premium tax, commissions, service fees or any other policy charges.**
- All emergency surcharges are fully earned on the effective date of the policy.
- For policies issued with an extended term of greater than (12) months, the surcharge is to be applied to the first (12) months' premium, only.
- Policyholders who fail to pay the surcharge are subject to policy cancellation by the insurer.

Surcharge Policy Language

- The emergency surcharge is to be separately identified on the policy declarations page in the following manner:

Total Policy Premium: \$xx.xx

2007 LA FAIR Plan Emergency Assessment: \$xx.xx

Total Amount Due: \$xx.xx

Surcharge Policy Language: Granite State Insurance Company; New Hampshire Insurance Company

There are two DBG companies, Granite State Insurance Company (GSIC) and the New Hampshire Insurance Company (NHIC), that are currently charging their property risks with Louisiana exposure a surcharge rate of 12% as recoupment of the LA CPIC regular assessment for calendar year 2005. The 12% recoupment surcharge is being applied to covered policies for the period June 22, 2006 through June 22, 2007, according to the following schedule: 8% to the LA CPIC FAIR Plan; 4% to the LA CPIC Coastal Plan.

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As a result, property policies issued by these two companies must now accommodate multiple LA CPIC assessments and surcharges.

- For the period January 1, 2007 through June 22, 2007, property policies issued by GSIC and NHIC are to identify the LA CPIC assessments on their declaration pages in the following manner:

Example (1)

Total Policy Premium: \$xx.xx

2005 LA FAIR Plan Regular Assessment: \$xx.xx

2005 LA Coastal Plan Regular Assessment: \$xx.xx

2007 LA FAIR Plan Emergency Assessment: \$xx.xx

Total Amount Due: \$xx.xx

- **For the period January 1, 2007 through June 22, 2007, property policies issued by GSIC and NHIC may, as an alternative, identify the LA CPIC assessments on their declaration pages in the following manner, if there is insufficient space for the language used in Example #1:**

Example (2)

Total Policy Premium: \$xx.xx

2005 LA Citizens' Regular/2007 Emergency Assessments: \$xx.xx

Total Amount Due: \$xx.xx

However, if the language in Example #2 is used, please note that a separate endorsement must be attached to the policy which includes all of the language used in Example #1.

- Effective June 23, 2007, all language referring to the 2005 LA CPIC regular assessment is to be removed from GSIC and NHIC property policies having Louisiana exposure.

Billing Statements; Installment Premium

In addition to disclosure of surcharge information on the policy declarations page, insurers are to include the same information for the emergency surcharge on the initial billing statement sent to an insured for each new policy term.

- For GSIC and NHIC, billing statements are to include information on both the regular and emergency surcharges, effective for the period January 1, 2007 through June 22, 2007. Effective June 23, 2007, information concerning the regular surcharge is to be removed.

If policy premium is billed in installments, the full amount of the emergency surcharge is due and payable with the first invoice for the policy period.

If you have a Proprietary system, please have these surcharges programmed accordingly. Cover-All has been notified and are in the process of programming the surcharges at this time. Also note that example 1 is the preferred method of displaying the surcharges on the declaration pages and Cover-All will be using this method on policies.

If you have any questions regarding the notice, or these procedures, please contact your Program Manager.

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