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EMERGENCY ASSESSMENTS: CALCULATION, COLLECTION, REPORTING AND REMITTANCE PROCEDURES

The uniform percentage to be applied to all assessable insureds in Louisiana for the subject lines of business is:

Calendar year commencing	Percentage
1/1/07	3.6%
1/1/08	5.0%
1/1/09	5.0%
1/1/10	4.3%
1/1/11	4.0%

In accordance with LA R.S. 22:1430.16 and the Plan of Operation, LA Citizens Property Insurance Corporation (LA Citizens) has the authority to levy Emergency Assessments in both the FAIR and Coastal Plans provided the Governing Board determines that a deficit exists in excess of the amount recovered through Regular Assessments. Due to the devastation inflicted upon Louisiana in 2005 by Hurricanes Katrina and Rita, a 2005 FAIR Plan deficit was created in excess of the amount collected through Regular Assessments. Accordingly, in 2006 LA Citizens issued bonds to maintain its claim-paying capacity. FAIR Plan Emergency Assessments related to the 2005 storm season will continue until those bonds are retired. (See "Overview" on the LA Citizens website for further information regarding estimates of future years' assessments.) There was no Emergency Assessment necessary for the Coastal Plan as a result of the 2005 storms.

Calculation

1. The uniform percentage for the collection of Emergency Assessments shall be applied to all insureds' policy premiums on the following subject lines of business ("assessable insureds"):
 - a. Line 1 (Fire)
 - b. Line 2.1 (Allied Lines)
 - c. Line 4 (Homeowners)
 - d. Line 5.1 (Commercial Multi-Peril – Non-liability portion only)
 - e. All mobile home programs regardless to which line the mobile home business is allocated on Statutory Page 14.
2. If a subject line of business is part of an inseparable package premium (e.g., a commercial multi-peril policy or business owners policy), the assessable insurer shall make a reasonable estimate as to the portion of the package premium that should be



allocated to the subject lines of business and then apply the uniform Emergency Assessment percentage.

3. To the extent that an assessable insurer requires guidance as to whether an insurance program is to be included as a subject line of business, the assessable insurer is directed to be guided by the instruction for allocating the program's premium to the lines of business delineated on Statutory Page 14 of the Annual Statement. On a case-by-case basis the Louisiana Department of Insurance ("LA DOI") will address questions regarding specific insurance programs. See Directive 198 on either the LA DOI or the LA Citizens website for further information, including certain programs exempted from assessments.
4. Each Emergency Assessment amount shall be calculated separately and listed individually on the declarations page for all policies issued or renewed for the subject lines of business with an effective date of January 1, of the subject year through December 31 of the subject year. See Directive 198 for examples of how to display.
5. Emergency Assessments are levied at the time a policy is issued or renewed. For 2007, Emergency Assessments continue to be fully earned when levied and are not adjusted for any subsequent changes in written premium resulting from cancellations or endorsements. For 2008 and beyond the underlying law has been changed, and Emergency Assessments are to be adjusted for subsequent premium changes resulting from endorsement and cancellation activity.
6. Emergency Assessment percentages shall be applied for a full 12 month period. If an assessable insurer issues a policy with a term greater than 12 months, the assessable insurer shall adjust the assessment process so that the Emergency Assessment only impacts the equivalent of a 12 month premium that coincides with LA Citizens' Emergency Assessment.
7. Emergency Assessments are not to be considered premium and are not subject to premium taxes, commissions, service fees, or other charges.

Collection

1. LA Citizens shall be paid Emergency Assessments from the first dollars collected by assessable insurers from their policyholders. However, beginning in 2008 such amounts may be adjusted in subsequent quarters due to endorsement or cancellation activities.
2. Failure to pay the Emergency Assessment collection amount by the assessable insured shall be treated as a non-payment of premium by the assessable insured and shall be sufficient cause to cancel the policy.
3. The Emergency Assessment amount shall be shown in detail on the first billing statement for the policy term. The assessment amounts will be due in full on the first installment billing for the policy period. The policy holder will not have the option of paying the assessments in installments.
4. Notification to the LA DOI is not required for the implementation of Emergency Assessment collection.



Reporting and Remittance

1. On a quarterly basis each assessable insurer shall prepare and provide to LA Citizens an aggregate report showing premium written and Emergency Assessment collected by line of business. A template of the aggregate report is available as a downloadable Excel workbook on the LA Citizens website. The aggregate report should be emailed to assessments@lacitizens.com, and the subject line of the email should contain the name of the assessable insurer or a group name.

Assessable insurers who do not have premium written or Emergency Assessments collected during a quarter still have a reporting requirement even though the report will reflect no activity.

2. On a quarterly basis each assessable insurer shall remit Emergency Assessments directly to the LA Citizens Bond Trustee. Emergency Assessments should not be sent to LA Citizens. Funds should be sent to the Bond Trustee via wire rather than check. Wiring instructions for the Bond Trustee are as follows:

For domestic transfers:

Account name	Regions Bank Corporate Trust
Account number	43-0512-1787
Bank name	Regions Bank
	Birmingham, AL
ABA number	062005690

For international (non-domestic) transfers:

Use the same instructions as above and include the following SWIFT number.
SWIFT number FABSUS44BHM

Wires may be sent on behalf of a group instead of wires from individual assessable insurers. Specifically included in the wire should be information indicating from which assessable insurer or group the wire is coming.

3. The aggregate quarterly report and remittance of all Emergency Assessment collections are to be made on or before the end of the month following the close of each calendar quarter. Reports and remittances not received by LA Citizens and the Bond Trustee, respectively, by April 30th, July 31st, October 31st, and January 31st will be considered delinquent.
4. LA Citizens is no longer requiring the direct submission of policy-level reports. However, LA Citizens or the LA DOI may choose at any time to audit the details supporting the aggregate reports. Accordingly, assessable insurers should maintain detailed reports for a period of three years beyond each aggregate report's submission date. Detailed reports should include policy number, policy effective date, premium written at inception of the policy, premium allocated to subject lines of business if different than the premium written at inception of the policy (portion of the premium subject to the Emergency Assessment), Emergency Assessment amount collected, and date of collection (date of first receipt of a payment may be used if premium is paid on an installment basis).



Additional information

For further guidance with respect to calculation, collection, reporting and remittance procedures please see Directive 198, issued by the LA DOI and available on their website as well as the LA Citizens website.

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