

FROM THE GIIP:

The Georgia Legislature enacted changes to the Georgia Insurers Insolvency Pool (GIIP) Act in 2005 that became effective on July 1, 2006 relating to assessment recoupment. The GIIP Board of Directors adopted changes to the Plan of Operation in accordance with the statutory changes noted above on November 10, 2006. Specific language changes are as follows.

“O.C.G.A. 33-36-7.1 Surcharge on premiums to recoup assessments; disclosure to insureds; excess surcharges; exception where the expense of collection would exceed the amount of the surcharge.

- (a) The plan adopted pursuant to Code Section 33-36-6 shall contain provisions whereby each member insurer is required to recoup over the year following the year of the assessment a sum calculated to recoup the assessments paid by the member insurer under this chapter by way of a surcharge on premiums charged for insurance policies to which this article applies. Amounts recouped shall not be considered premiums for any other purpose, including the computation of gross premium tax or agents' commission.
- (b) The amount of any surcharge shall be separately stated on either a billing or policy declaration sent to an insured. Member insurers who collect surcharges in excess of assessments paid pursuant to Code Section 33-36-7 for an insolvent insurer shall remit the excess to the pool as an additional assessment within 30 days after the pool has determined the amount of the excess recoupment and given notice to the member of that amount. The excess shall be applied to reduce future assessment charges in the appropriate category.”

Since inception of the GIIP in 1970, the method of recoupment of assessments levied on member insurers has been inclusion of the assessment as an appropriate factor in the making of rates. Premium rates for policies issued after January 1, 2007 should no longer include any factor relating to GIIP assessments. Effective with the enclosed assessment notice the method of recoupment shall be by application of a surcharge to the premium charged for each policy, in the amount of the percentage of the assessment, issued in the appropriate account, by the member after January 1, 2007 until the amount of the assessment is recouped.

This assessment, in the amount of 2% of written premium, is levied only on the Workers' Compensation (WC) account, so only WC policies issued after January 1, 2007 will be impacted. By way of example, if a WC policy issued to Widgets Inc. generates a premium of \$100,000, a surcharge on that policy in the amount of 2%, or \$2,000, should be shown on the declaration page of the policy as a surcharge for this GIIP assessment.