



CALIFORNIA INSURANCE GUARANTEE ASSOCIATION

May 12, 2017

Dear Member Insurer:

In accordance with section 1063.5 of the California Insurance Code, the California Insurance Guarantee Association (the “Association”) is required to collect initial premium charges from each member insurer for the insolvency insurance provided by the Association in the amount necessary to pay covered claims and expenses of insolvent member insurers. The statute authorizes separate premium charges for each of the three categories of covered claims (automobile and homeowners claims, workers compensation claims and all other claims) the Association pays.

For about the past decade, the Association was allowed to charge not only a “regular” premium charge capped at one percent (1%) of written premiums for the accounts noted but also a “special bond assessment” premium charge that was not limited in amount. The special bond assessment was utilized to pay principal and interest on \$750 million in bonds issued by the Association in August of 2004. Those bonds were paid in full during calendar year 2014 and no outstanding bond debt remains. Recognizing this development, the California legislature passed legislation in 2014 that took effect on January 1, 2015 that provided that “regular” premium assessments will be limited to two percent (2%) of written premiums if there are no bonds outstanding. Accordingly, the premium charges for 2017 for workers compensation are subject to a two percent (2%) limitation as there are no bonds outstanding.

On May 10, 2017 the Board of Governors of the Association (the “Board”) approved a two percent (2%) regular initial premium charge for the workers’ compensation category levied pursuant to California Insurance Code section 1063.5. The Board determined such premium charge was necessary to cover the Association’s obligations in the workers compensation account. The initial premium charge is applied to the 2016 net direct written premium. The initial premium charge will also be adjusted as provided in Section 1063.5.

It is important to note that in accordance with section 1063.14 of the California Insurance Code the recoupment period for these premium charges will be the calendar year from January 1, 2018 through December 31, 2018. All of your California workers’ compensation premium billings for policy transactions during the 2018 calendar year should include a two percent (2%) Association surcharge. Please note that recoupment of the assessment is called for in the Insurance Code.

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Section 1063.5 of the California Insurance Code requires the Association to make an adjusted premium calculation for the 2015 initial premium charges (billed to you on May 15, 2015 and based upon your 2014 California direct written premium as reported on your 2014 annual statement) in the second year following the year of the initial premium charge. The adjusted premium is calculated by applying the same rate of premium charge initially charged against each member insurer's 2014 California direct written premium to each member insurer's direct written premium for the second year following the year the initial premium charge was made (based upon your 2016 California direct written premium as reported on your 2016 annual statement.) If your adjusted premium charge is greater than your initial premium charge, you will be billed for that additional amount. If your adjusted premium charge is less than your initial premium charge, you will receive a credit against current and/or future premium charges for the difference on your premium account statement.

Section 1063.5 of the California Insurance Code states that the initial premium charges and adjusted premium charges shall be charged or credited to each member insurer by the Association as soon as practical after the filing of the annual statements of the member insurers with the commissioner. Each member is responsible for payment of the total amount due as itemized on the member insurer's statement. If the statement shows an overall credit, the member insurer will receive a refund of the balance due by the end of July 2017. Attached is your premium charge statement with your current 2017 initial premium charge invoice and your 2015 adjusted premium charge invoice for 2017 reflecting the adjusted premium charges for the regular assessment. Your 2017 initial premium charge of \$0.00 and your 2017 adjusted premium charge (credit) of \$0.00 are now due and payable. Payment is due by June 12, 2017. Section 1063.5 of the California Insurance Code also provides that interest at a rate equal to the current federal reserve discount rate plus two and one-half percent (2 ½%) per annum shall be added to the premium of any member insurer which fails to submit the premium requested by the Association within 30 days after the mailing request.

Please remit payment as follows:

By check made out to:

California Insurance Guarantee Association

Mailed to:

Los Angeles Lockbox

California Insurance Guarantee Association

P.O. Box 53627

Los Angeles, CA 90074-3627

By wire transfer to:

Bank of America

California Insurance Guarantee Association

2049 Century Park East

Los Angeles, CA 90067

Attn: Rebecca Gundersen 213-621-8737

ABA: 0260-0959-3

Account Name: California Insurance Guarantee
Association

Account Number: 14173-50417

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At this time the Association is not making a premium charge for the Automobile/Homeowners or All Other categories. If, however, the Board of Governors determines at a later date that an initial premium charge is needed in one or both of these categories the appropriate charges will be made by the Association.

If you have any questions, you may contact Tony Kennedy at the Association.

Sincerely,

A handwritten signature in blue ink that reads "Wayne D. Wilson". The signature is written in a cursive, flowing style.

Wayne D. Wilson
Executive Director

Enclosures