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## **HURRICANE WILMA: INSURANCE UPDATE**

Because of the widespread damage, power outages, and mail disruption caused by Hurricane Wilma, the Florida Office of Insurance Regulation (“OIR”) has issued an emergency order to provide storm victims with temporary relief. Effective immediately, insurance companies are prohibited from canceling insurance policies covering persons and businesses located in the 20 counties affected by Hurricane Wilma.

These counties are: Brevard, Broward, Charlotte, Collier, DeSoto, Glades, Hardee, Hendry, Highlands, Indian River, Lee, Martin, Miami-Dade, Monroe, Okeechobee, Osceola, Palm Beach, Polk, St. Lucie and Sarasota. If you or your business are located in one of these counties, your insurance is protected until November 19, 2005. This includes homeowners insurance, auto insurance, life insurance, health insurance, and workers’ comp. And, your insurance is protected even if you did not personally have any damage from Hurricane Wilma.

If your home was damaged by the storm, and you reside in one of the 20 counties listed above, your homeowners insurance policy is protected even further. It cannot be cancelled until 90 days after any needed repairs have been completed.

Please note: if your insurance policy was scheduled to cancel anywhere between October 19<sup>th</sup> and November 19<sup>th</sup> and is now extended until November 19<sup>th</sup> under this Emergency Order, your extended coverage is not free. Your insurance company is entitled to charge you the appropriate amount for this additional coverage, and you will be expected to pay for it. If you do not want to pay this extra money and do not want to have your policy

extended, you can ask your insurance company to cancel your policy immediately. Doing so will relieve you of having to pay additional premium for extended coverage.

If you have your workers’ comp insurance through FUBA Workers’ Comp and you received a notice from us that your policy would cancel between October 19<sup>th</sup> and November 19<sup>th</sup>, your policy will now be active until November 19<sup>th</sup>. You will have to pay the additional premium for your policy through November 19. If you do not wish to pay this additional money, you can ask us to cancel your policy immediately. To do so, please call your local insurance agent and ask them to fax a written policy cancellation request to our Policy Services Department at 850-201-6801. If you do not pay the additional premium owed through November 19<sup>th</sup>, we will cancel your policy back to its original cancellation date once the emergency order is lifted.

If you have any questions about how the emergency order affects your workers’ comp policy, please call the FUBA Workers’ Comp offices at 888-262-4483.

## **HURRICANE WILMA: ROOFING UPDATE**

Florida Governor Jeb Bush has extended his previous Executive Order allowing certain state-licensed contractors to perform roofing work in some counties affected by Hurricane Dennis. This Order was issued on July 19<sup>th</sup> and allowed state-licensed general contractors, building contractors and residential contractors to repair and install roofs made of wood shakes, asphalt shingles or fiberglass shingles. The Order initially expired September 17<sup>th</sup>, but, due to Hurricane Wilma, it has now been

extended through December 15, 2005. It applies in all Florida counties, not just those damaged by this season's storms. Any work started by December 15<sup>th</sup> can be completed after that date, as long as the permit was issued prior to the December 15<sup>th</sup> deadline.

You must pay the appropriate workers' comp premiums for all roofing jobs you perform. The current premium for roofing work is \$37.58 for each \$100 of payroll associated with a roofing job. You should immediately inform your workers' comp insurance company if you start doing roofing work, and you should keep separate payroll records for all payroll associated with roofing jobs.

If you are insured with FUBA Workers' Comp and have questions about roofing work, please call our Policy Services Department at 888-262-4483.

## **WORKERS' COMP RATES GOING DOWN AGAIN**

Florida's Insurance Commissioner has called for an average reduction in workers' comp rates of 13.5%. This reduction is an average over hundreds of class codes; the rate reduction for your individual business may be higher or lower.

This is the third year in a row workers' comp rates have gone down; the cumulative rate decrease since 2002 is now more than 29%. The new, lower rates will apply to workers' comp policies written starting January 1, 2006. If you are insured with FUBA Workers' Comp, you will see the new rates on your renewal policy in April. Please look for more specific information on the new rates in next month's newsletter.

## **DO YOU WANT TO BE A SUBCHAPTER S CORPORATION?**

Due to a change in the workers' compensation laws requiring those in the construction industry to form a corporation (or LLC) in order to get an exemption, many new corporations have been started in the last several years. When you form a corporation, the federal Internal Revenue Code allows you to elect to have the corporation's profits taxed either as a corporation, using the corporate tax rates or to have profits taxed individually to its owners at personal income tax rates.

A corporation which meets the requirements

and elects to have its profits taxed individually to its owners is called an S Corporation (also known as a Subchapter S Corporation). A corporation must file a form with the Internal Revenue Service ("IRS") to obtain S status; otherwise, the corporation is considered a C Corporation (or Subchapter C Corporation) and pays taxes at the corporate rate.

To elect S Corporation status, you must file Form 2553 with the IRS by the 15<sup>th</sup> day of the 3<sup>rd</sup> month of the tax year in which the corporation was created; otherwise, you are a regular C Corporation which must pay federal income taxes on Form 1120 instead of the easier 1120 S.

If you formed a corporation recently and need to make a late election for S Corporation status, you must meet certain requirements and you need to file Form 2553 with the IRS. On the top of the form, write **FILED PURSUANT TO REV. PROC. 2003-43**. The other requirements are:

- The corporation must meet the S-Corporation eligibility criteria (the main requirement is that it have not more than 75 shareholders);
- The corporation failed to qualify as an S Corporation solely because it did not file Form 2553 in a timely manner;
- Less than 24 months have passed since the original due date of Form 2553;
- The corporation either has reasonable cause or just inadvertently failed to file Form 2553 in a timely manner;
- The corporation has not yet filed tax returns to the first tax year for which it intended to file as an S Corporation, or the corporation has filed its first tax return using Form 1120S and the shareholders properly reported their share of income in a manner consistent with the corporation's intention to be an S Corporation;
- Form 2553 is filed not later than 6 months after the due date (without regard to extensions) of the first tax return for which the corporation intended to file as an S Corporation; and
- Shareholders and other taxpayers have not reported their income in a manner inconsistent with the corporation's intent to file as an S Corporation.

If you have questions about electing S Corporation status, please call your local accountant or tax professional.