

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
First Southern Insurance Co. in Liquidation
Statement of Affairs
As of June 30, 2011

	<u>Estimated Realizable Value</u>
ASSETS	
Pooled Cash Due from the Admin Fund	\$10,818,035.21
Accrued Interest Receivable	21,768.56
Reinsurance Recoverable	103,251.96
Advance to Guaranty Associations	<u>16,751,465.54</u>
Total Assets	<u><u>\$27,694,521.27</u></u>

LIABILITIES	
Administrative Claims (Class 1)	
- Guaranty Associations	9,849,777.65
Loss Claims (Class 2)	
- Guaranty Associations	33,981,184.49
- Other	17,150.00
Unearned Premium Claims under Non-assessable Policies (Class 3)	
- Guaranty Associations	1,660,049.36
- Other	3,471,989.37
General Creditor Claims (Class 6)	
- Guaranty Associations	2,676,531.88
- Other	5,986,794.22
Late Filed Claims (Class 8)	<u>15,116,563.22</u>
Total Liabilities	\$72,760,040.19

EQUITY	
Contributed Equity - State of Florida	645,909.73
Estate Equity	<u>(45,711,428.65)</u>
Excess (Deficiency) of Assets over Liabilities	<u>(\$45,065,518.92)</u>
Total Liabilities and Equity	<u><u>\$27,694,521.27</u></u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
First Southern Insurance Co. in Liquidation
Statement of Cash Receipts and Disbursements
From the Date of Liquidation through June 30, 2011

	Fiscal Year to Date	Since Date of Liquidation
CASH RECEIPTS		
Premium Collections	\$0.00	\$24,910.77
Reinsurance Recoveries	0.00	14,419,243.51
Agents' Balances Recoveries	0.00	38,244.86
Subrogation and Salvage Recoveries	0.00	117,978.74
Tax Recoveries	0.00	32,298.86
Other Collections / Recoveries	134.96	1,581,169.89
Sale of Personal Property Inventory	0.00	64,394.52
Mortgage Principal Recovery	0.00	238,009.22
Mortgage Interest Income	0.00	81,635.44
Receipts Before Investment Activities	134.96	16,597,885.81
Interest and Dividend Receipts	274,292.39	11,388,742.57
Sale of Long Term Investment	0.00	2,045,000.00
Receipts From Investment Activities	274,292.39	13,433,742.57
Total Cash Receipts	274,427.35	30,031,628.38
CASH DISBURSEMENTS & DISTRIBUTIONS		
Professional Fees and Expenses	2,200.43	705,883.94
Salaries and Fringe Benefits	18,640.96	1,060,938.00
Employee Welfare	834.66	35,297.36
Travel Expenses	547.48	25,418.82
Admin Expenses	2,057.45	1,231,594.19
Equipment and Furniture Expenses	4,728.66	227,492.25
Rent, Building and Equipment	17,213.22	344,889.43
Taxes	2.16	48,302.49
Disbursements	46,225.02	3,679,816.48
Distributions		
Administrative Claims (Class 1)	0.00	86,858.85
Employee Claims (Class 5)	0.00	6,923.88
Early Access-Guaranty Associations	0.00	16,671,465.54
Payments to Other Receivers	0.00	862,437.67
Total Distributed	0.00	17,627,685.94
Disbursements & Distributions Before Investment Activities	46,225.02	21,307,502.42
Financial Expenses	13,313.17	160,865.79
Disbursements for Investment Activities	13,313.17	160,865.79
Total Cash Disbursements & Distributions	59,538.19	21,468,368.21
Net Increase (Decrease) in Cash	214,889.16	8,563,260.17
Beginning Cash Balance:		
Beginning Cash	10,603,146.05	2,254,775.04
Adjustments to Beginning Cash	0.00	0.00
Adjusted Beginning Cash Balance	10,603,146.05	2,254,775.04
Ending Cash Balance	10,818,035.21	10,818,035.21

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
First Southern Insurance Co. in Liquidation
Schedule of Accrued Interest Receivable
For the Twelve Months Ended June 30, 2011

Accrued Interest Receivable

Due from	Account	Balance 7/1/10	Accrued	Received	Balance 6/30/11
State Treasury	SPIA, 4-20-0-010000-00000	21,160.99	270,930.88	(270,323.31)	21,768.56
Totals:		<u>21,160.99</u>	<u>270,930.88</u>	<u>(270,323.31)</u>	<u>21,768.56</u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
First Southern Insurance Co. in Liquidation
Schedule of Reinsurance Recoverables - Net of Allowance
 For the Twelve Months Ended June 30, 2011

Reinsurance Recoverables

Recovery Agent	Balance 07/01/2010	Billed	Recovered	Adjustments	Balance 06/30/2011
Ormond	75,726.90	27,525.06	0.00	0.00	103,251.96
Total	<u>75,726.90</u>	<u>27,525.06</u>	<u>0.00</u>	<u>0.00</u>	<u>103,251.96</u>

Allowance Reinsurance

Recovery Agent	Balance 07/01/2010	Increases	Decreases	Balance 06/30/2011
Ormond	0.00	0.00	0.00	0.00
Total	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

Reinsurance Recoverables - Net of Allowance

103,251.96

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
First Southern Insurance Co. in Liquidation
Schedule of Advance to Guaranty Associations
For the Twelve Months Ended June 30, 2011

Advance To Guaranty Associations

Description	Balance 7/1/10	Advanced	Recovered	Adjustments	Balance 6/30/11
Florida Insurance Guaranty Association	7,582,911.70	0.00	0.00	0.00	7,582,911.70
Florida Workers Compensation Insurance Guaranty Associatic	3,243,316.83	0.00	0.00	0.00	3,243,316.83
Alabama Insurance Guaranty Association	991,616.95	0.00	0.00	0.00	991,616.95
Arizona P&C Insurance Guaranty Association	185,300.57	0.00	0.00	0.00	185,300.57
Georgia Guaranty Fund	876,759.36	0.00	0.00	0.00	876,759.36
Kentucky Insurance Guaranty Association	587,769.75	0.00	0.00	0.00	587,769.75
Louisiana Insurance Guaranty Association (1)	641,008.40	0.00	0.00	0.00	641,008.40
Mississippi Guaranty Fund	75,838.03	0.00	0.00	0.00	75,838.03
Missouri P&C Guaranty Fund	422,480.98	0.00	0.00	0.00	422,480.98
Oklahoma P&C Insurance Guaranty Association	529,429.93	0.00	0.00	0.00	529,429.93
Tennessee Guaranty Fund	973,987.55	0.00	0.00	0.00	973,987.55
Texas P&C Insurance Guaranty Association	641,045.49	0.00	0.00	0.00	641,045.49
Totals:	16,751,465.54	0.00	0.00	0.00	16,751,465.54

(1) This deposit was held by Louisiana and released to them by early access order dated 10/19/04. No cash was disbursed from the estate.

**Florida Department of Financial Services, Division of Rehabilitation
and Liquidation**
First Southern Insurance Co. in Liquidation
Notes to Financial Statements
Dated June 30, 2011

1. **Estate Information.** First Southern Insurance Company was a property and casualty company domiciled in Florida and placed in liquidation on October 31, 1992.
2. **Basis of Presentation.** The accompanying financial statements have been prepared on the liquidation basis of accounting using a fiscal year of July 1, 2010 through June 30, 2011. The assets are stated at their estimated realizable values, while the liabilities are stated at their ultimate (gross filed) amounts and are periodically adjusted as evaluated, adjudicated and/or paid. In addition, the statements do not provide accruals for future administrative costs to liquidate the estate or costs to pursue or litigate claims against others.
3. **Unaudited.** The accompanying financial statements have not been audited by an independent certified public accountant and no opinion is expressed on their compliance with generally accepted accounting principles.
4. **Statement Format Changes.** On July 1, 2001, the Receiver converted accounting systems, which resulted in the historical accounting data being presented differently in this set of financial statements than the previously prepared statements for this estate. Because the new system uses a more detailed chart-of-accounts and summarizes data into categories different than previously used, the 'Since Date of Liquidation' column of historical data on the 'Statement of Cash Receipts and Disbursements' may not correspond directly to previous statement presentations. Users of this "Liquidation to-date" information should solicit additional information from the Receiver before making assumptions about the data.
5. **Pooled Investments.** The majority of the invested assets of the estates are combined into two main pooled accounts: the Receiver's operating account held at the Bank of America and the Special Purpose Investment Account held at the State of Florida Treasury. Each estate's share of the pooled investments is presented on the accompanying financial statements as "Pooled Cash Due from the Admin Fund".
6. **Reinsurance.** Reinsurance receivables have resulted from losses that have been paid and billed to the reinsurer(s). The financial statements reflect the gross amount of the billed losses less an allowance for any receivable(s) currently considered to be uncollectible. The receivable amount may include paid losses that are ceded to one or more reinsurance contracts being collected on behalf of the Receiver by an intermediary.
7. **Advance to Guaranty Association(s).** Represents funds advanced to guaranty associations for the payment of covered claims and expenses. The guaranty association is obligated to promptly return any or all of these funds if the Receiver determines that repayment of claims of equal or superior priority is necessary.
8. **Claims.** Unless otherwise noted, the Statement of Affairs contains claim liabilities by priority class pursuant to 631.271, Florida Statutes. Unless otherwise stated, the claim liabilities reported are gross filed, unadjudicated, and have not been reduced by any early access payments from the Florida Receiver. Claims liability numbers are based upon information and documentation provided to the Receiver as of March 31, 2011.
 - The Guaranty Association Class 1 Administrative Claims, Class 2 Loss Claims and Class 3 Unearned Premium Claims have not been reduced by any early access payments from the Florida Receiver.
 - Class 3 Employee Claims were evaluated and reported to court. On October 21, 1993 an order was entered in the courts approving the receiver's claim report and also authorized the distribution of class 3 employee claims. \$6,923.88 was distributed to the employees pursuant to the court order.
 - The Second Interim Claims Report was filed with the courts on May 29, 2008. Class I and Class II claims were the only claims evaluated. All other claims were reported as gross filed.
 - The claims objection deadline was July 31, 2008. Five objections were filed and they all have been resolved.
 - A Third Interim Claims Report was filed with the court on September 2, 2009. The objection deadline was October 5, 2009. Claimants residing in New Mexico, South Carolina and Arkansas claims were re-prioritized to class VI (general creditor) pursuant to F.S. 631.191, Special deposit claims and secured claims. No objections were filed.

**Florida Department of Financial Services, Division of Rehabilitation
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First Southern Insurance Co. in Liquidation
Notes to Financial Statements**

Dated June 30, 2011

- The claim distribution is pending.
9. **Contributed Equity – State of Florida.** The Receiver will, from time to time, expend public funds to carry out certain duties during the course of liquidating an insurance company. The Division accounts for these expenditures as a contribution of equity by the State.
 10. **Excess (Deficiency) of Assets over Liabilities.** The excess or (deficiency) represents the estimated realizable value of assets after deducting the current estimate of liabilities. This excess or (deficiency) does not take into consideration any estimates for future administrative costs to liquidate the estate or costs to pursue or litigate claims against others.