

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

	<u>Estimated Realizable Value</u>
ASSETS	
Cash-Distribution	\$795.54
Pooled Cash Due from the Admin Fund	694,876.42
Accrued Interest Receivable	1,434.17
Accounts Receivable	13,768.08
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Total Assets	<u><u>\$710,874.21</u></u>

LIABILITIES	
Loss Claims (Class 2)	
- Other	57,709.17
Unearned Premium Claims under Non-assessable Policies (Class 3)	
- Guaranty Associations	2,244,486.76
- Other	1,161,724.93
Employee Claims (Class 5)	170,582.05
General Creditor Claims (Class 6)	
- Other	7,354,398.14
State & Local Government Claims (Class 7)	7,614.38
Late Filed Claims (Class 8)	185,918.27
Shareholder Claims (Class 10)	4,997,223.08
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Total Liabilities	\$16,179,656.78

EQUITY	
Contributed Equity - State of Florida	541,379.89
Estate Equity	(16,010,162.46)
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Excess (Deficiency) of Assets over Liabilities	(\$15,468,782.57)
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Total Liabilities and Equity	<u><u>\$710,874.21</u></u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Fortune 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	\$2,067,015.83
Assessment Recoveries	0.00	6,610.66
Reinsurance Recoveries	0.00	8,892,814.75
Agents' Balances Recoveries	640.00	2,256,666.52
Subrogation and Salvage Recoveries	8,433.10	501,076.22
Litigation Recoveries	0.00	4,596,446.63
Tax Recoveries	0.00	1,950,736.08
Other Collections / Recoveries	5,884.19	425,663.08
Sale of Personal Property Inventory	0.00	123,276.84
Sale of Real Property Inventory	0.00	41,765.99
Receipts Before Investment Activities	14,957.29	20,862,072.60
Interest and Dividend Receipts	161,871.47	5,558,972.08
Sale of Short Term Investment	0.00	16,050,302.19
Sale of Long Term Investment	0.00	679,090.47
Receipts From Investment Activities	161,871.47	22,288,364.74
Total Cash Receipts	176,828.76	43,150,437.34
CASH DISBURSEMENTS & DISTRIBUTIONS		
Professional Fees and Expenses	7,815.98	3,879,222.85
Salaries and Fringe Benefits	141,717.50	4,240,525.73
Employee Welfare	346.75	21,411.40
Travel Expenses	244.96	70,094.33
Admin Expenses	15,801.10	338,905.06
Equipment and Furniture Expenses	1,762.67	157,993.19
Rent, Building and Equipment	21,190.55	614,312.91
Taxes	0.06	194,347.52
Disbursements	188,879.57	9,516,812.99
Distributions		
Administrative Claims (Class 1)	0.00	2,839,192.75
Loss Claims (Class 2)	314.82	13,764,675.61
Unearned Premium-Non-Assessable Policies Claims (Class	15,758,164.09	15,758,164.09
Early Access-Guaranty Associations	(8,000,000.00)	0.00
Total Distributed	7,758,478.91	32,362,032.45
Disbursements & Distributions Before Investment Activities	7,947,358.48	41,878,845.44
Financial Expenses	8,354.25	190,932.09
Disbursements for Investment Activities	8,354.25	190,932.09
Total Cash Disbursements & Distributions	7,955,712.73	42,069,777.53
Net Increase (Decrease) in Cash	(7,778,883.97)	1,080,659.81
Beginning Cash Balance:		
Beginning Cash	8,474,555.93	(734,527.90)
Adjustments to Beginning Cash	0.00	349,540.05
Adjusted Beginning Cash Balance	8,474,555.93	(384,987.85)
Ending Cash Balance	695,671.96	695,671.96

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Fortune Insurance Co. in Liquidation
Schedule of Cash - Distribution
For the Twelve Months Ended June 30, 2011

Cash - Distribution

Due from	Account	Balance 7/1/10	Received	Balance 6/30/11
Interest Earned on Distribution Account		0.00	795.54	795.54
Totals:		<u>0.00</u>	<u>795.54</u>	<u>795.54</u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Fortune 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	16,906.40	145,966.02	(161,438.25)	1,434.17
Totals:		<u>16,906.40</u>	<u>145,966.02</u>	<u>(161,438.25)</u>	<u>1,434.17</u>

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Fortune Insurance Co. in Liquidation
Schedule of Accounts Receivable - Net of Allowance
For the Twelve Months Ended June 30, 2011

Agent Balance Receivables - Unearned Commission

Description	Balance 7/1/10	Adjustments	Payments Received	Balance 6/30/11
Promissory Notes	7,941.47	5,826.61	0.00	13,768.08
Totals:	<u>7,941.47</u>	<u>5,826.61</u>	<u>0.00</u>	<u>13,768.08</u>

Accounts Receivable Total:

13,768.08

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

Dated June 30, 2011

1. **Estate Information.** Fortune Insurance Co. was a property and casualty company domiciled in Florida and placed in liquidation on July 6, 2001.
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. **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".
5. **Cash – Distribution Account.** Represents interest earned on the distribution account.
6. **Accounts Receivable.** All receivables are shown net of provisions for uncollectible amounts except for Agent Balances which are shown at the gross amount of promissory notes payable to the Receiver.
7. **Claims.** Unless otherwise noted, the Statement of Affairs contains claim liabilities by priority class pursuant to 631.271, Florida Statutes. Claims liabilities are based on a preliminary reserve analysis of the claims filed in the receivership. Unless otherwise stated, the claim liabilities are reported 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.
 - Class I, Class II and Class III Claims were the only claims evaluated. All other Classes of Claims are reported on an estimated value basis.
 - The 1st Interim Claims Report was filed with the court on May 23, 2008.
 - The claims objection deadline was July 11, 2008.
 - Seven objections were filed. All seven have been resolved.
 - A 100% distribution was authorized by the courts on January 16, 2009 to pay Class I and Class II claims. The total distributed was \$674,334.13. \$30,337.76 was suspended due to either a W-9 issue or incorrect address.
 - The class IV Federal Government claim was settled by the Receiver by payment of \$28,737.96 on July 8, 2008. The claim was construed to a post liquidation Class I civil penalty un-paid payroll tax claim.
 - The 2nd Interim Claims Report was approved by Estate Management. This report included all claims not previously reported to court. Class III return premium claims were the only claims evaluated in this report. Class V through Class X claims were reported at the previously reserved amount.
 - The 2nd Interim Claims Report was filed with the courts on January 21, 2010. The objection deadline was March 31, 2010. Thirty one objections were filed, eleven claims have been resolved and nine claimants are objecting to the amount recommended. The monetary amount now in dispute is \$3,515.70 which potentially could increase the Class III liability.

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Dated March 31, 2011**

- A 3rd Interim Claims Report was filed on September 28, 2010. The report consists of one claim that was classified as a class 8 late filed claim in the amount of \$314.82. The claim has been reclassified to a class II claim. The claimant has waived her rights to object to the Receiver's recommendation.
 - The evaluation process has now been concluded. There are sufficient assets in the estate to make an 85.0565% distribution to Class III claimants. A Final Claims Report and Distribution Report has been prepared and sent to Estate Management for audit and approval.
 - The final Claims and Distribution Report was filed with the courts on January 14, 2011. The court approved distribution was in the amount of \$8,300,862.10; a 100% distribution to one claimant in the amount of \$314.82 and an 85.05665% distribution to Class III claimants in the amount of \$8,300,547.28.
 - One suspended Class III check in the amount of \$85.06 was released this quarter.
8. **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.
9. **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.