

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Fortune Insurance Co. in Liquidation**  
**Statement of Affairs**  
**As of December 31, 2010**

	<u>Estimated Realizable Value</u>
<b>ASSETS</b>	
Pooled Cash Due from the Admin Fund	\$8,510,500.99
Accrued Interest Receivable	7,099.89
Reinsurance Recoverable	1,051,577.00
Allowance Reinsurance Recoverable	(1,051,477.00)
Accounts Receivable	13,768.08
Advance to Guaranty Associations	8,000,000.00
	8,000,000.00
Total Assets	\$16,531,468.96

<b>LIABILITIES</b>	
Loss Claims (Class 2)	
- Other	57,709.17
Unearned Premium Claims under Non-assessable Policies (Class 3)	
- Guaranty Associations	15,019,819.71
- Other	4,144,556.07
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)	186,233.09
Shareholder Claims (Class 10)	4,997,223.08
	4,997,223.08
Total Liabilities	\$31,938,135.69

<b>EQUITY</b>	
Contributed Equity - State of Florida	539,645.92
Estate Equity	(15,946,312.65)
	(15,946,312.65)
Excess (Deficiency) of Assets over Liabilities	(\$15,406,666.73)
	(\$15,406,666.73)
Total Liabilities and Equity	\$16,531,468.96

**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 December 31, 2010**

	Fiscal Year to Date	Since Date of Liquidation
<b>CASH RECEIPTS</b>		
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	165.00	2,256,191.52
Subrogation and Salvage Recoveries	3,572.28	496,215.40
Litigation Recoveries	0.00	4,596,446.63
Tax Recoveries	0.00	1,950,736.08
Other Collections / Recoveries	1,102.67	420,881.56
Sale of Personal Property Inventory	0.00	123,276.84
Sale of Real Property Inventory	0.00	41,765.99
Receipts Before Investment Activities	4,839.95	20,851,955.26
Interest and Dividend Receipts	127,688.70	5,524,789.31
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	127,688.70	22,254,181.97
<b>Total Cash Receipts</b>	<b>132,528.65</b>	<b>43,106,137.23</b>
<b>CASH DISBURSEMENTS &amp; DISTRIBUTIONS</b>		
Professional Fees and Expenses	6,191.54	3,877,598.41
Salaries and Fringe Benefits	64,064.72	4,162,872.95
Employee Welfare	312.10	21,376.75
Travel Expenses	221.86	70,071.23
Admin Expenses	7,103.34	330,207.30
Equipment and Furniture Expenses	1,328.47	157,558.99
Rent, Building and Equipment	12,148.84	605,271.20
Taxes	0.00	194,347.46
Disbursements	91,370.87	9,419,304.29
Distributions		
Administrative Claims (Class 1)	0.00	2,839,192.75
Loss Claims (Class 2)	0.00	13,764,360.79
Early Access-Guaranty Associations	0.00	8,000,000.00
Total Distributed	0.00	24,603,553.54
Disbursements & Distributions Before Investment Activities	91,370.87	34,022,857.83
Financial Expenses	5,212.72	187,790.56
Disbursements for Investment Activities	5,212.72	187,790.56
<b>Total Cash Disbursements &amp; Distributions</b>	<b>96,583.59</b>	<b>34,210,648.39</b>
<b>Net Increase (Decrease) in Cash</b>	<b>35,945.06</b>	<b>8,895,488.84</b>
<b>Beginning Cash Balance:</b>		
Beginning Cash	8,474,555.93	(734,527.90)
Adjustments to Beginning Cash	0.00	349,540.05
<b>Adjusted Beginning Cash Balance</b>	<b>8,474,555.93</b>	<b>(384,987.85)</b>
<b>Ending Cash Balance</b>	<b>8,510,500.99</b>	<b>8,510,500.99</b>

The accompanying notes & schedules are an integral part of these financial statements  
**UNAUDITED**

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Fortune Insurance Co. in Liquidation**  
**Schedule of Accrued Interest Receivable**  
**For the Six Months Ended December 31, 2010**

**Accrued Interest Receivable**

<b>Due from</b>	<b>Account</b>	<b>Balance 7/1/10</b>	<b>Accrued</b>	<b>Received</b>	<b>Balance 9/30/10</b>
State Treasury	SPIA, 4-20-0-010000-00000	16,906.40	119,881.04	(129,687.55)	7,099.89
<b>Totals:</b>		<u>16,906.40</u>	<u>119,881.04</u>	<u>(129,687.55)</u>	<u>7,099.89</u>

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Fortune Insurance Co. in Liquidation**  
**Schedule of Reinsurance Recoverables - Net of Allowance**  
**For the Six Months Ended December 31, 2010**

**Reinsurance Recoverables**

<b>Recovery Agent</b>	<b>Balance 07/01/2010</b>	<b>Billed</b>	<b>Recovered</b>	<b>Adjustments</b>	<b>Balance 12/31/2010</b>
Ormond	1,051,577.00	0.00	0.00	0.00	1,051,577.00
Total	<u>1,051,577.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,051,577.00</u>

**Allowance Reinsurance**

<b>Recovery Agent</b>	<b>Balance 07/01/2010</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12/31/2010</b>
Ormond	(1,051,477.00)	0.00	0.00	(1,051,477.00)
Total	<u>(1,051,477.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(1,051,477.00)</u>

**Reinsurance Recoverables - Net of Allowance**

**100.00**

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Fortune Insurance Co. in Liquidation**  
**Schedule of Accounts Receivable - Net of Allowance**  
**For the Six Months Ended December 31, 2010**

**Agent Balance Receivables - Unearned Commission**

<b>Description</b>	<b>Balance 7/1/10</b>	<b>Adjustments</b>	<b>Payments Received</b>	<b>Balance 9/30/10</b>
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**  
**Schedule of Advance to Guaranty Associations**  
**For the Six Months Ended December 31, 2010**

**Advance To Guaranty Associations**

<u>Description</u>	<u>Balance 7/1/10</u>	<u>Advanced</u>	<u>Recovered</u>	<u>Balance 9/30/10</u>
Florida Insurance Guaranty Association	8,000,000.00	0.00	0.00	8,000,000.00
Totals:	<u>8,000,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>8,000,000.00</u>

**Florida Department of Financial Services, Division of Rehabilitation and  
Liquidation  
Fortune Insurance Co. in Liquidation  
Notes to Financial Statements  
Dated December 31, 2010**

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. **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.
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. **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. 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 September 30, 2010.
  - Class 1 and Class 2 Claims were the only claims evaluated. All other Classes of Claims are reported on an estimated value basis.
  - The 1<sup>st</sup> 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 Second 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 Second 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 requesting a priority class change, 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.
  - A Third 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.

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

**Dated December 31, 2010**

- 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.
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.