

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**First Southern Insurance Co. in Liquidation**  
**Statement of Affairs**  
**As of September 30, 2009**

	<u>Estimated Realizable Value</u>
<b>ASSETS</b>	
Pooled Cash Due from the Admin Fund	\$10,441,059.46
Accrued Interest Receivable	21,754.07
Reinsurance Recoverable	90,886.71
Advance to Guaranty Associations	<u>16,751,465.54</u>
<b>Total Assets</b>	<b><u><u>\$27,305,165.78</u></u></b>

<b>LIABILITIES</b>	
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>
<b>Total Liabilities</b>	<b>\$72,760,040.19</b>

<b>EQUITY</b>	
Contributed Equity - State of Florida	615,123.83
Estate Equity	<u>(46,069,998.24)</u>
Excess (Deficiency) of Assets over Liabilities	<u>(\$45,454,874.41)</u>
<b>Total Liabilities and Equity</b>	<b><u><u>\$27,305,165.78</u></u></b>

**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 September 30, 2009**

	Fiscal Year to Date	Since Date of Liquidation
<b>CASH RECEIPTS</b>		
Premium Collections	\$0.00	\$24,910.77
Reinsurance Recoveries	59,485.45	14,404,083.70
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	32.96	1,580,583.99
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	59,518.41	16,582,140.10
Interest and Dividend Receipts	70,105.14	10,917,659.66
Sale of Long Term Investment	0.00	2,045,000.00
Receipts From Investment Activities	70,105.14	12,962,659.66
<b>Total Cash Receipts</b>	<b>129,623.55</b>	<b>29,544,799.76</b>
<b>CASH DISBURSEMENTS &amp; DISTRIBUTIONS</b>		
Professional Fees and Expenses	3,220.61	699,495.39
Salaries and Fringe Benefits	5,947.57	1,023,991.79
Employee Welfare	179.65	33,827.14
Travel Expenses	28.83	24,520.75
Admin Expenses	496.76	1,228,479.80
Equipment and Furniture Expenses	960.63	220,153.79
Rent, Building and Equipment	4,214.19	314,374.56
Taxes	2.88	48,297.61
Disbursements	15,051.12	3,593,140.83
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	15,051.12	21,220,826.77
Financial Expenses	4,051.42	137,688.57
Disbursements for Investment Activities	4,051.42	137,688.57
<b>Total Cash Disbursements &amp; Distributions</b>	<b>19,102.54</b>	<b>21,358,515.34</b>
<b>Net Increase (Decrease) in Cash</b>	<b>110,521.01</b>	<b>8,186,284.42</b>
<b>Beginning Cash Balance:</b>		
Beginning Cash	10,330,538.45	2,254,775.04
Adjustments to Beginning Cash	0.00	0.00
<b>Adjusted Beginning Cash Balance</b>	<b>10,330,538.45</b>	<b>2,254,775.04</b>
<b>Ending Cash Balance</b>	<b>10,441,059.46</b>	<b>10,441,059.46</b>

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

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**First Southern Insurance Co. in Liquidation**  
**Schedule of Accrued Interest Receivable**  
**For the Three Months Ended September 30, 2009**

**Accrued Interest Receivable**

<b>Due from</b>	<b>Account</b>	<b>Balance 7/1/09</b>	<b>Accrued</b>	<b>Received</b>	<b>Balance 9/30/09</b>
State Treasury	SPIA, 4-20-0-010000-00000	20,949.37	88,286.01	(87,481.31)	21,754.07
<b>Totals:</b>		<u>20,949.37</u>	<u>88,286.01</u>	<u>(87,481.31)</u>	<u>21,754.07</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 Three Months Ended September 30, 2009**

**Reinsurance Recoverables**

<b>Recovery Agent</b>	<b>Balance 07/01/2009</b>	<b>Billed</b>	<b>Recovered</b>	<b>Adjustments</b>	<b>Balance 09/30/2009</b>
Ormond	90,886.71	59,485.45	(59,485.45)	0.00	90,886.71
<b>Total</b>	<u>90,886.71</u>	<u>59,485.45</u>	<u>(59,485.45)</u>	<u>0.00</u>	<u>90,886.71</u>

**Allowance Reinsurance**

<b>Recovery Agent</b>	<b>Balance 07/01/2009</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 09/30/2009</b>
Ormond	0.00	0.00	0.00	0.00
<b>Total</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

**Reinsurance Recoverables - Net of Allowance** 90,886.71

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**First Southern Insurance Co. in Liquidation**  
**Schedule of Advance to Guaranty Associations**  
**For the Three Months Ended September 30, 2009**

**Advance To Guaranty Associations**

<b>Description</b>	<b>Balance 7/1/09</b>	<b>Advanced</b>	<b>Recovered</b>	<b>Adjustments</b>	<b>Balance 9/30/09</b>
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
<b>Totals:</b>	<u>16,751,465.54</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>16,751,465.54</u>

(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 September 30, 2009**

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, 2009 through June 30, 2010. 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 June 30, 2009.
  - 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.
  - The Second Interim Claims Report was filed with the court on May 29, 2008. Class I and Class II were the only claims evaluated. All others are being reported as gross filed.
  - The claims objection deadline was July 31, 2008. Five objections were filed and they all have been resolved.
  - Class 5 Employee Claims are adjudicated and net of distributions.
  - A claims distribution in the amount of \$6,923.88 for Class 5 Employee Claims was authorized in October of 1993.
  - 100% was authorized for Class 5 Employee Claims.
  - Claimants residing in the state of New Mexico, South Carolina and Arkansas; their claims are being re-prioritized to class VI and it will be necessary to re-notice those claimants.

**Florida Department of Financial Services, Division of Rehabilitation  
and Liquidation  
First Southern Insurance Co. in Liquidation  
Notes to Financial Statements  
Dated September 30, 2009**

- A third interim claims report was filed with the court on September 02, 2009. The deadline for filing an objection with the courts is October 05, 2009.
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.