Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Southern Family Insurance Company in Liquidation
Statement of Affairs
As of June 30, 2011

	Estimated Realizable Value
ASSETS	
Special Purpose Investment Account-Restricted	$54,432.71
Pooled Cash Due from the Admin Fund	5,065,232.01
Accrued Interest Receivable	10,346.47
Reinsurance Recoverable	1,121,816.03
Accounts Receivable	6,672,979.00
Allowance - Accounts Receivables	(6,672,979.00)
Long Term Investments	1,112,591.86
Advance to Guaranty Associations	104,904,802.49
Fl Hurricane Cat Fund Payments to Guaranty Assoc.	243,740,177.57
Total Assets	$356,009,399.14
LIABILITIES	
Administrative Claims (Class 1)	
- Guaranty Associations	52,849,699.49
Loss Claims (Class 2)	
- Guaranty Associations	792,752,139.48
- Other	349,585.49
Unearned Premium Claims under Non-assessable Policies (Class 3)	
- Guaranty Associations	53,360,455.19
- Other	278,100.00
Federal Government Claims (Class 4)	1,271.16
General Creditor Claims (Class 6)	
- Other	2,425,734.62
State & Local Government Claims (Class 7)	1,771.25
Late Filed Claims (Class 8)	401,712.60
Total Liabilities	$902,420,469.28
EQUITY	
Contributed Equity - State of Florida	482,770.77
Estate Equity	(546,893,840.91)
Excess (Deficiency) of Assets over Liabilities	($546,411,070.14)
Total Liabilities and Equity	$356,009,399.14

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

UNAUDITED

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Southern Family Insurance Company 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	$602,843.12
Reinsurance Recoveries	58,041.56	118,251,574.41
Agents' Balances Recoveries	0.00	1,769,201.22
Subrogation and Salvage Recoveries	0.00	626,616.96
Litigation Recoveries	312,560.29	356,959.85
Tax Recoveries	0.00	138,859.84
Loan Proceeds	0.00	20,000,000.00
Other Collections / Recoveries	1,761.49	11,998,275.75
Sale of Other Assets	0.00	3,100,000.00
Receipts Before Investment Activities	372,363.34	156,844,331.15
Interest and Dividend Receipts	158,326.29	3,083,839.24
Sale of Short Term Investment	20.26	70,751.02
Sale of Long Term Investment	0.00	515,630.00
Receipts From Investment Activities	158,346.55	3,670,220.26
Total Cash Receipts	**530,709.89**	**160,514,551.41**
CASH DISBURSEMENTS & DISTRIBUTIONS		
Professional Fees and Expenses	1,499,234.04	7,424,539.92
Salaries and Fringe Benefits	239,170.67	2,312,003.49
Employee Welfare	10,861.42	47,837.50
Travel Expenses	9,684.60	73,101.85
Admin Expenses	27,332.12	308,030.73
Loan Payments	0.00	20,000,000.00
Equipment and Furniture Expenses	93,155.05	422,897.60
Rent, Building and Equipment	216,135.65	1,210,073.80
Taxes	27.98	1,378.91
Disbursements	2,095,601.53	31,799,863.80
Distributions		
Early Access-Guaranty Associations	0.00	104,904,802.49
Total Distributed	0.00	104,904,802.49
Disbursements & Distributions Before Investment Activities	2,095,601.53	136,704,666.29
Financial Expenses	7,393.06	403,667.80
Purchase Short Term Investment	54,032.00	79,032.00
Purchase Long Term Investment	0.00	160,000.00
Disbursements for Investment Activities	61,425.06	642,699.80
Total Cash Disbursements & Distributions	**2,157,026.59**	**137,347,366.09**
Net Increase (Decrease) in Cash	**(1,626,316.70)**	**23,167,185.32**
Beginning Cash Balance:		
Beginning Cash	6,691,548.71	(20,014,470.19)
Adjustments to Beginning Cash	0.00	1,912,516.88
Adjusted Beginning Cash Balance	**6,691,548.71**	**(18,101,953.31)**
Ending Cash Balance	**5,065,232.01**	**5,065,232.01**

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

UNAUDITED

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

Cash - Restricted

Description	Account	Balance 7/1/10	Interest	Adjustments	Balance 6/30/11
Funds being held pending a resolution between PICC's partners	SPIA	0.00	340.44	54,092.27	54,432.71
	Totals	0.00	340.44	54,092.27	54,432.71

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

Accrued Interest Receivable

Description		Balance 7/1/10	Accrued	Received	Balance 6/30/11
State Treasury	SPIA, 4-20-0-010000-00000	13,715.47	152,782.97	(156,151.97)	10,346.47
	Totals:	13,715.47	152,782.97	(156,151.97)	10,346.47

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Southern Family Insurance Company Inc. 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
Financial Services	1,121,816.03	58,041.56	(58,041.56)	0.00	1,121,816.03
Total	1,121,816.03	58,041.56	(58,041.56)	0.00	1,121,816.03

Allowance Reinsurance

Recovery Agent	Balance 07/01/2010	Increases	Decreases	Balance 06/30/2011
Financial Services	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

Reinsurance Recoverables - Net of Allowance	**1,121,816.03**

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

Accounts Receivable

Description	Balance 7/1/10	Adjustments	Payments	Balance 6/30/11
Poe and Associates U/E Commissions	703,782.00	0.00	0.00	703,782.00
Poe Insurance Managers U/E MGA fee	5,969,197.00	0.00	0.00	5,969,197.00
	6,672,979.00	0.00	0.00	6,672,979.00

Total Accounts Receivable: 6,672,979.00

Allowance Accounts Receivable

Description	Balance 7/1/10	Adjustments	Payments	Balance 6/30/11
Poe and Associates U/E Commissions	(703,782.00)	0.00	0.00	(703,782.00)
Poe Insurance Managers U/E MGA fee	(5,969,197.00)	0.00	0.00	(5,969,197.00)
	(6,672,979.00)	0.00	0.00	(6,672,979.00)

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Southern Family Insurance Co. in Liquidation
Schedule of Long Term Investments
For the Twelve Months Ended June 30, 2011

Long Term Investments

Description	Balance 7/1/10	Capital Calls	Market Value Adjustments	Reclassifications	Distributions Received	Balance 6/30/11
UBS Real Estate Opportunity Fund LLC	1,112,612.12	0.00	(21.00)	0.00	0.00	1,112,591.12
Totals:	1,112,612.12	0.00	(21.00)	0.00	0.00	1,112,591.12

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

Advance To Guaranty Association

Description	Balance 7/1/10	Advanced	Recovered	Balance 6/30/11
Florida Insurance Guaranty Association	104,904,802.49	0.00	0.00	104,904,802.49
Totals:	104,904,802.49	0.00	0.00	104,904,802.49

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

Florida Hurricane Catastrophe Fund
Advance To Guaranty Association

Description	Balance 7/1/10	Advanced	Refunded	Balance 6/30/11
Florida Insurance Guaranty Association	244,605,883.94	4,487,950.81	(5,353,657.18)	243,740,177.57
Totals:	244,605,883.94	4,487,950.81	(5,353,657.18)	243,740,177.57

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

Dated June 30, 2011

1. **Estate Information**. Southern Family Insurance Co. was a property and casualty company domiciled in Florida and placed in liquidation on June 1, 2006.

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 to/from the Admin Fund".

5. **Special Purpose Investment Account – Restricted**. Represents funds that are owed PICC being held in a SPIA account pending resolution of a dispute between PICC's partners.

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. **Accounts Receivable**. Represents the unearned commissions due from Poe and Associates and the unearned MGA fee due from Poe Insurance Managers at the date of liquidation. These receivables are offset by a 100% allowance as the timing and the certainty of their collectibility are currently indeterminate.

8. **Long Term Investments**. The investments are stated at fair value, which approximates market value. Market values are those provided by the depository trust institution in possession of the securities at the balance sheet date or through brokerage institutions. Where market values are not readily determinable, market value represents management's best estimate of the investments' fair value.

9. **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.

10. **Florida Hurricane Catastrophe Fund (FHCF) Advance to Guaranty Association (FIGA).** Represents funds advanced directly from FHCF to FIGA for the payment of covered claims and expenses pursuant to Chapter 215, Florida Statutes. 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.

11. **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 claims evaluation process has been completed. Class I and Class II claims were the only claims evaluated. Class III and Class VIII are reported at the reserved amount. All other claims are being reported as gross filed.

    - The First Interim Claims Report was filed with the courts on April 15, 2011. The courts allowed the claimants 45 days from the entry of the court order to file an objection if they disagreed with the Receiver's recommendation.

    - Nineteen objections have been filed and they are pending resolution. The dollar value is substantial.

12. **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.

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

13. **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.