Division of Rehabilitation & Liquidation

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

2022-2023
ANNUAL REPORT

CHIEF FINANCIAL OFFICER
Jimmy Patronis
FLORIDA DEPARTMENT OF FINANCIAL SERVICES

DIVISION OF REHABILITATION & LIQUIDATION

Mission Statement

Manage receiverships to maximize value to claimants and the public.

Vision Statement

The Division's vision is to be a recognized and respected leader in the efficient administration of insurance receiverships.

VALUE STATEMENTS

Service	The Division's long and continuing tradition of public service is supported and sustained by a highly skilled and diverse workforce that responds rapidly and successfully to changes.
Teamwork	The Division promotes and reinforces a corporate perspective and challenges its employees to work cooperatively across internal and external organizational boundaries.
Excellence	The Division strives for continuous improvement, believing that competence, reliability, efficiency, and effectiveness are keys to excellence.
Accountability	As an organization and as individuals, the Division accepts full responsibility for our performance and acknowledges our accountability for the ultimate outcome of all that we do.
Diversity	Capitalizing on the varied experiences of its workforce is key to the Division's continued success.
Integrity	The Division performs its work with the highest sense of integrity which requires the agency to be, among other things, honest and fair. Integrity is measured in terms of what is right and just, standards to which the Division is committed.
Innovation	The implementation of ideas into new or improved processes, services, and systems is fundamental to the Division's continued success.

Jimmy Patronis

Message from the Chief Financial Officer

On behalf of the Department of Financial Services (“Department”), I am pleased to present the 2022-2023 Annual Report for the Division of Rehabilitation and Liquidation (“Division”). This report marks the latest chapter in a 57-year history of this Division. It summarizes our accomplishments during the 2022-2023 fiscal year and demonstrates the Department’s commitment to administer insurance receiverships with the pursuit of maximizing value for the public at every turn.

During the 2022-2023 fiscal year, the 2022 hurricane season was the third costliest season on record. The impact of Hurricanes Ian, Nicole, and Fiona brought extensive damage to Florida and will continue to be felt in coming years. Three insurance companies were placed in receivership for purposes of liquidation and the Florida Patient’s Compensation Fund (“FPCF”) was placed under the management of the Division for purposes of dissolution.

Throughout this period, the Division managed 17 insurers in receivership, initiated the dissolution of FPCF, and provided exceptional service to policyholders, creditors, and consumers. In addition, we were able to pay approximately $115.9 million dollars in distributions to guaranty associations. These distributions were made possible through the Division’s commitment to successfully sell real estate assets owned by the insurance companies in receivership and recover funds from outstanding receivables, reinsurance, and other assets owed to the insurance companies.

As the Chief Financial Officer of Florida, I look forward to the Division continuing to further our state-based agenda amid new receivership challenges. This involves keeping the Division at the forefront of emerging receivership trends and their implications for the citizens of Florida. As a result of this agenda, we have introduced strategic initiatives involving legislative planning and development, claims modernization, consumer data privacy, cybersecurity, and the expansion of contract providers and our workforce. The initiatives will maximize our readiness to meet the receivership needs in Florida and position us to manage complexities that arise.

As Florida continues to seize opportunities in a challenging insurance environment, this annual report showcases our resilience in serving the citizens of Florida. We could not achieve such laudable results without the concerted efforts and dedication of our workforce. As we continue to implement best practices for the administration of receiverships, I look forward to you gaining additional information about the rehabilitation and liquidation of insurers at www.MyFloridaCFO.com/Division/Receiver. Thank you.

Jimmy Patronis
Chief Financial Officer
State of Florida

Table of Contents

Division Overview

The Division is divided into seven functional areas (see Figure 1), each led by a senior manager who reports to the Division Director or the Assistant Division Director. As of June 30, 2023, the Division had sixty-five (65) positions.

Division of Rehabilitation and Liquidation
Office of the Division Director

- Accounting Services
- Administrative Services
- Asset Recovery
- Claims
- Estate Management
- Information Technology Services
- Legal Services

Figure 1 *Division of Rehabilitation and Liquidation Organizational Structure in 2022-2023*

Role of the Division

The Office of Insurance Regulation ("OIR") authorizes insurance companies to operate in state of Florida and monitors the products, activities, and financial health of the companies. When an insurance company becomes financially impaired or insolvent, it is exempted from federal bankruptcy jurisdiction and subject to state laws regarding receivership. A receivership is the legal process by which the affairs of an insurance company are administered by a court appointed entity for purposes of rehabilitation or liquidation. Under Florida law, the Second Judicial Circuit Court in Leon County, Florida, (commonly referred to as the "Receivership Court" or the "Court") has jurisdiction over insurance receivership matters. When OIR determines that an insurance company domiciled in Florida is impaired or insolvent, it refers the company to the Florida Department of Financial Services ("Department") for the initiation of receivership proceedings. The Receivership Court appoints the Department as the Receiver for insurers placed into receivership in Florida. The role of the Division of Rehabilitation and

Liquidation ("Division") is to administer the receiverships on behalf of the Department and protect policyholder's and claimant's interests. The Division plans, coordinates, and directs the affairs of the companies placed into receivership for purposes of carrying out the rehabilitation or liquidation order.

In rehabilitation, the Division implements a plan that aims to return the insurance company to the marketplace. Major tasks associated with a rehabilitation include taking control of and protecting property and assets of the insurer, conducting the business of the insurer, and formulating a plan to address the causes and conditions necessitating the receivership. The rehabilitation is successful when the insurance company meets the solvency criteria set forth in the Florida Insurance Code and the Receivership Court finds the causes that required the receivership have been corrected. The Court then enters an order discharging the Department from its duties and closes the rehabilitation receivership.

In liquidation, the insurance company is closed, outstanding policies are cancelled by court order, and the process of collecting and selling the company's assets begins. The goal of liquidation is to use the money acquired from selling the company's assets to pay off the company's debts and outstanding insurance claims. Major tasks associated with a liquidation order include collecting, marshaling, and liquidating assets, identifying and paying claims according to their prescribed class, distributing assets to claimants and guaranty associations, and responding to consumer inquiries about the receivership process.

Core Processes

The core processes of the Department, acting via the Division as Receiver under the direction and supervision of the Receivership Court, are illustrated in Figure 2. The process starts when the Receivership Court orders an insurance company into receivership for purposes of rehabilitation or liquidation. The most fundamental and primary process is to implement "Company Control". In this process, the Division as Receiver will immediately take physical control and possession of the company's assets, offices, books, records, and any other property identified. The Division attempts to determine the true financial status of the company. Under an order of rehabilitation, the Division seeks to identify and remedy the problems that resulted in the commencement of the receivership. Efforts are made to develop a Rehabilitation Plan which can include acquiring new funds, merging with other companies, selling parts of the business, hiring new management, or exercising other remedial steps. All such activities are subject to scrutiny and final approval by the Receivership Court.

If rehabilitation is not possible, or is unsuccessful, the Division will petition the Receivership Court for a Liquidation Order. The Division then starts the "Company Asset Recovery and Asset Management" process, which involves marshaling all available assets and determining all liabilities of the company to ascertain the net value of the estate. During this phase, the Division will control and process all the business functions of the company in receivership and will recover company assets. Often, the Division needs to file litigation proceedings to secure, pursue and collect the assets of the company.

"Claims Processing" begins right away when notification of the company's liquidation is provided to all those with an interest in the estate, including policyholders, creditors, and guaranty associations. Claims in the estate are received and evaluated by the Division. One or more guaranty associations may be triggered and will be intricately involved in this stage by directly paying return premium and covered claims to the policyholders. A great deal of communication and cooperation is required between the Division and the guaranty associations. The distribution of payments to claimants by the Division are dependent on the availability of funds in the receivership estate, on the claim evaluation, and after obtaining approval from the Receivership Court.

Following the final distribution of money to claimants, legal pleadings are filed that ultimately lead to the discharge of the company from receivership. It is during this "Company Discharge" process that the Division prepares and files the unclaimed property reports and final financial reports for the estate. The time required to close a receivership proceeding is largely determined by the amount and complexity of the assets to be monetized and the ability of the Division to make a final determination of an estate's liability. The company discharge phase is complete when the Receivership Court issues an order discharging the Department from all duties, obligations, and liabilities in the administration of the receivership.

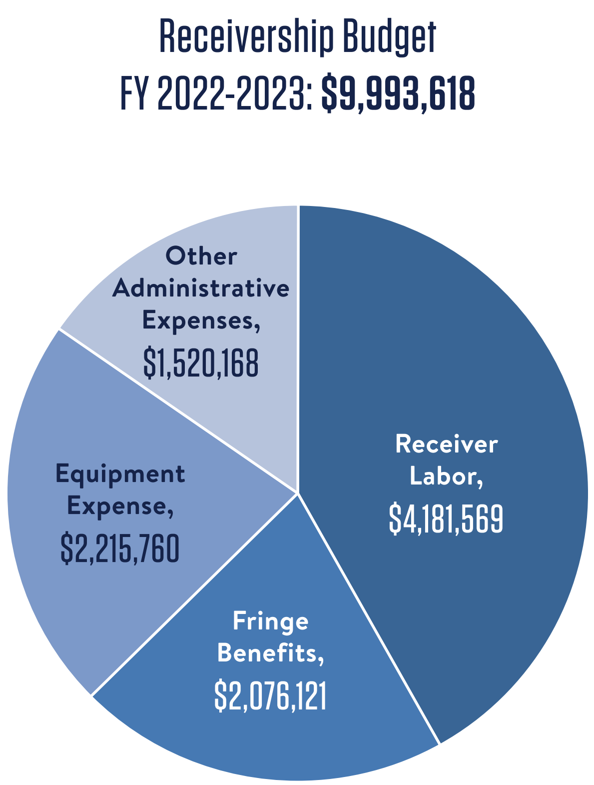
CORE PROCESS	PRIMARY TASKS
Company Control	• Identify, secure and control company assets • Manage business functions • Implement receivership plan
Company Asset Recovery and Asset Management	• Collect and liquidate all company assets • Pursue litigation as necessary to collect assets • Maximize assets returned to receivership
Claims Processing	• Acquire claimant information • Proof of Claims processing *(liquidation only)* • Guaranty association claim processing *(liquidation only)* • Claims evaluation *(liquidation only)* • Interim distributions/ payment of available funds on allowed claims *(liquidation only)* • Early Access distributions *(liquidation only)*
Company Discharge	• Determination of final financial accounting • Final distribution of available funds on allowed claims *(liquidation only)* • Unclaimed property reporting *(liquidation only)* • Destruction of non-permanent company records *(liquidation only)*

Figure 2 *Division's Core Processes*

Division Funding

The Division's overall cost of managing receiverships is paid by the assets from the estates that are in receivership and are supplemented by funds from the state. The Division maintains staff that is paid from receivership funds. This staffing structure allows the Division to engage in strategic initiatives that modify the size and/or scope of its operations in response to the fluctuations in receiverships. Figure 3 displays the Division's Receivership Budget for the 2022-2023 fiscal year.

The Division's state budget is funded from the Insurance Regulatory Trust Fund. The state budget supports one state position, infrastructure, and certain technological needs that benefit receivership estates. For the 2022-2023 fiscal year, the Division's operating state budget was $935,799. Figure 4 provides an overview of the information.



Other Administrative Expenses include employee welfare expenses, travel expenses, adminstrative expenses, professional services, depreciation expenses, rent expenses, financial expenses, and tax expenses.

Figure 3 *Division's Receivership Budget FY 2022-23*

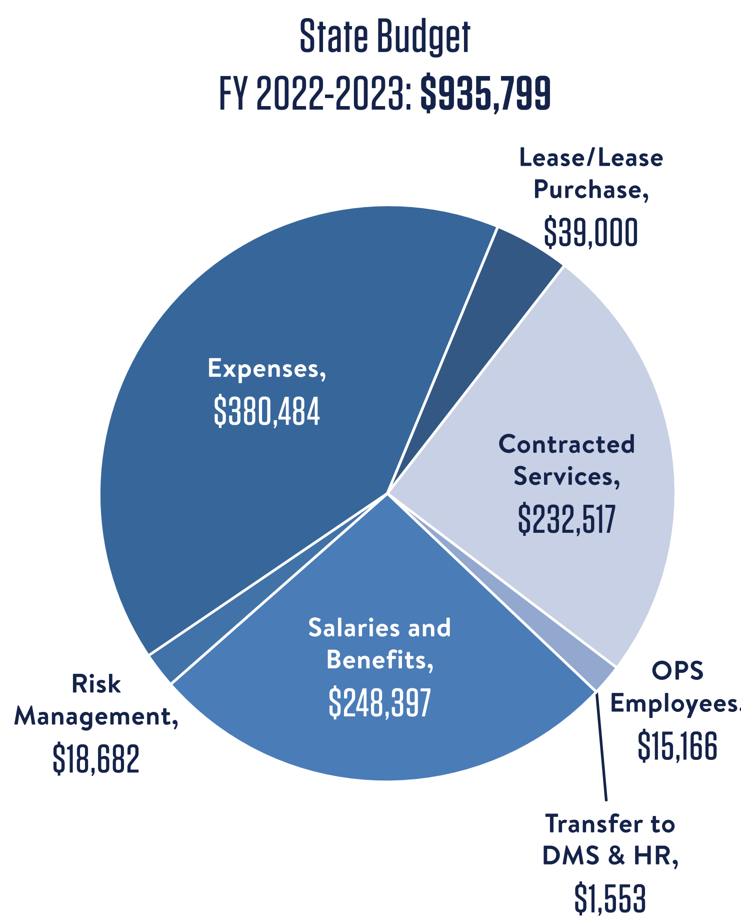


Figure 4 *State Budget FY 2022-23*

General Information

Factors Contributing to Initiation of Receiverships

During the 2022-2023 fiscal year, OIR referred three insurance companies to the Department for receivership proceedings. After reviewing the referrals, the Department concluded that OIR provided adequate documentation to support the insolvent status of the companies and there were sufficient grounds to institute receivership proceedings. The Department sought court orders to place the companies into receivership based on the following initial material issues identified by OIR in its referrals:

- Overstated cash balances
- Negative underwriting results
- Significant, sustained underwriting losses
- Significant drop in net income and surplus as regards policyholders
- Inability to pay debts as they become due in the normal course of business
- Insufficient reserves and/or liquidity
- Inability to fully place reinsurance for the 2022 hurricane season
- Adverse development of wind claims across multiple states
- Continued adverse reserve development associated with numerous catastrophic weather events in Florida, Texas, Louisiana, and other states where the company wrote policies
- Large percentage of litigated claims

Companies In Receivership - Last Five Fiscal Years (by Lines of Business) 2019-2023

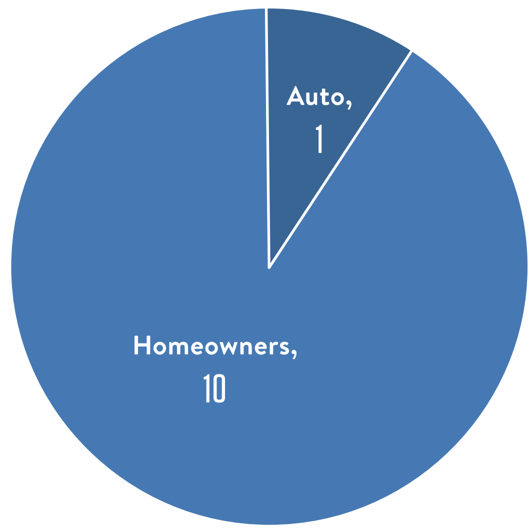


Figure 5 *Companies Entering Receivership by Line of Business (2019-2023)*

Companies in Receivership by Lines of Business as of June 30, 2023

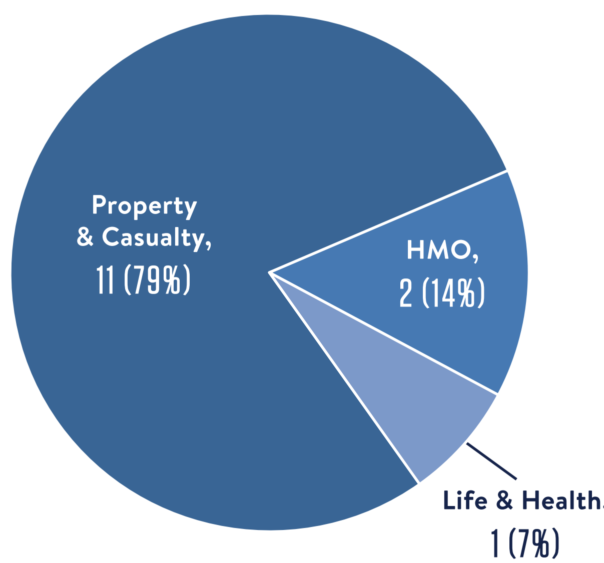


Figure 6 *Companies in Receivership by Lines of Business as of June 30, 2023*

Factors Contributing to Insolvency

Under the supervision of the Receivership Court and pursuant to section 631.156, Florida Statutes, the Department conducts an investigation to determine the causes of insolvencies. The Department hires a forensic accounting firm to perform the investigation or completes the process internally for low-asset estates. Details of the investigation's findings are summarized in a report called the Final Insolvency Report. Pursuant to section 631.398(3)(a), Florida Statutes, the report contains information related to the history and causes of an insolvency, including the business practices of the insurer which led to its insolvency. The report is published no later than the conclusion of the domestic insurer's insolvency proceeding. Over the course of the last five fiscal years, the Division has closed three estates that were opened in 2011, 2014, and 2018.

The Final Insolvency Reports identified the following factors as contributors to the insolvencies of these estates:

- Inadequate capitalization or asset deterioration
- Improper management
- Insufficient claim reserves
- Inappropriate transactions with affiliates or subsidiaries
- Inadequate premium rates
- Change in business conditions
- Reinsurance market issues
- Seizure of pledged assets
- Overstated deferred tax assets
- Improper accounting treatment

Accomplishments and Significant Events

Division Highlights

During the 2022-2023 fiscal year:

- Three companies were placed into receivership for purposes of liquidation. A total of 215,123 policyholders were impacted by these receiverships.
- The Florida Patient's Compensation Fund was placed under the management of the Division for purposes of dissolution.
- The Division administered a total of 17 companies in liquidation and one compensation fund in dissolution.
- The Division distributed $115.5 million in early access distributions to guaranty associations from seven estates.
- The Division responded to 13,109 consumer inquiries.
- To facilitate distribution, the Division mailed 54,590 Proof of Claim (POC) forms, received and processed 5,460 completed POCs, evaluated 3,283 claims, resolved 4 filed objections, processed 9 requests for an assignment of claim, and set up 16,524 new and reopened claims.
- The Division adjudicated 167,447 policyholder return premium claims totaling $160,465,639 and referred those claims to the appropriate state guaranty associations.
- The Division performed one distribution accounting for the Sawgrass Mutual Insurance Company estate.
- The Division recovered $164.3 million in assets from reinsurance, sale of properties owned by the insurers, and other non-litigious methods and approximately $2.2 million in assets through litigation.
- Pursuant to section 631.398(3)(b), Florida Statutes, the 2022-2023 fiscal year became the first year the Department was required to provide an initial report of the history and causes of an insolvency to aid in the detection and prevention of insurer insolvencies or impairments in Florida. The reports are completed no later than four months after the Department is appointed as Receiver and updated annually thereafter. The reports are published on the Division's website.

Receiverships Opened and Closed During the Fiscal Year

Receiverships Opened

Weston Property & Casualty Insurance Company

On August 8, 2022, Weston Property & Casualty Insurance Company (WPCIC") was ordered into receivership for purposes of liquidation. The Court's order appointed the Department of Financial Services ("DFS") as Receiver, and Cantilo & Bennett, L.L.P. as Special Deputy Receiver ("SDR"). Together, the Receiver and the SDR administer the company in receivership. WPCIC was a homeowner's insurance company located in Coral Gables, Florida. All insurance policies issued by WPCIC were cancelled on September 7, 2022. The deadline for filing a POC was August 8, 2023.

FedNat Insurance Company

On September 27, 2022, FedNat Insurance Company ("FedNat") was ordered into receivership for purposes of liquidation. FedNat was a homeowner's insurance company located in Sunrise, Florida. All insurance policies issued by FedNat were cancelled on October 27, 2022. The deadline for filing a POC was September 27, 2023.

United Property & Casualty Insurance Company

On February 27, 2023, United Property & Casualty Insurance Company ("UPCIC") was ordered into receivership for purposes of liquidation. UPCIC was a homeowner's insurance company located in St. Petersburg, Florida. All insurance policies issued by UPCIC were cancelled on March 29, 2023. The deadline for filing a POC is February 27, 2024.

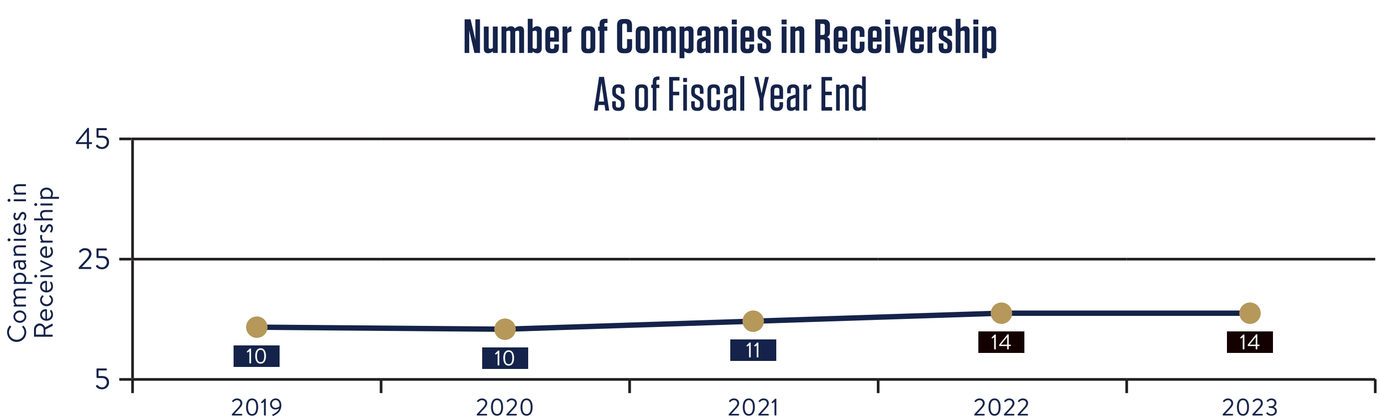


Figure 7 *Number of Companies in Receivership – Last Five Fiscal Years*

Receiverships Closed

Quality Health Plans, Inc.

Effective December 1, 2011, Quality Health Plans, Inc. ("QHP") was ordered into receivership for purposes of liquidation by the Court. The company had previously been ordered into receivership on October 17, 2011, and was placed under a subsequent rehabilitation order on November 16, 2011. QHP was a Florida provider-sponsored health maintenance organization based in Tampa, Florida. The company wrote Medicare health care coverage only.

On October 8, 2021, the Department mailed distribution checks. On December 14, 2021, additional distribution checks were mailed. Classes 1 through 5 claims were paid 100% of the amounts approved for payment. Class 6 claimants were paid a pro-rata payment of 14.1642% of the amounts approved for payment. On December 13, 2022, the Court entered an order with an effective date of November 30, 2022, discharging the Department as Receiver of QHP.

Sawgrass Mutual Insurance Company

Effective October 1, 2018, Sawgrass Mutual Insurance Company ("Sawgrass") was ordered into receivership for purposes of liquidation by the Court. Sawgrass was a Florida domestic property and casualty insurer based in Sunrise, Florida, that previously wrote homeowners' insurance. There were no active policies at liquidation.

On December 28, 2022, the Department wired a single distribution to the Florida Insurance Guaranty Association, which represented 79.7% of the Class 1 claims. Effective December 29, 2022, the Court entered an order discharging the Department as Receiver of Sawgrass.

Sunshine State Insurance Company

Effective June 3, 2014, Sunshine State Insurance Company ("SSIC") was ordered into receivership for purposes of liquidation by the Court. SSIC was a Florida domestic property and casualty insurer based in Jacksonville, Florida. The company was licensed in three states, (Florida, South Carolina, and Mississippi), and primarily wrote homeowners' insurance coverage, but also offered flood insurance.

On March 18, 2022, the Department mailed distribution checks. Classes 1 through 8 claims were paid 100% of the amounts approved for payment. Class 9 claimants were paid a pro-rata payment of 79.5167% of the amounts approved for payment. On March 20, 2023, the Court entered an order with an effective date of March 31, 2023, discharging the Department as Receiver of SSIC.

Dissolutions

During the 2022 Legislative Session, the legislature revised Section 766.105, Florida Statutes, and delegated the dissolution of Florida Patient's Compensation Fund to the Division as of July 1, 2022. The management of this fund will remain active until its legal dissolution on or before December 31, 2023. The Division is currently directing activities of this fund as it concludes operation.

Distributions

The following list provides additional information about the Court ordered distributions to guaranty associations during the 2022-2023 fiscal year:

Claims Distribution Payments	Month of Distribution	Distribution Amount Approved by the Court
Sawgrass Mutual Insurance Company	January 2023	$342,535
Early Access Distributions		
Avatar Property & Casualty Insurance Company	July 2022	$20,000,000
Gulfstream Property & Casualty Insurance Co.	October 2022	$2,931,546
Southern Fidelity Insurance Company	October 2022	$17,098,210
Gulfstream Property & Casualty Insurance Co.	November 2022	$4,864,798
Southern Fidelity Insurance Company	November 2022	$30,304,425
Windhaven Insurance Company	November 2022	$821,510
Florida Specialty Insurance Company	March 2023	$2,852,376
Windhaven Insurance Company	March 2023	$914,927
American Capital Assurance Corp.	March 2023	$5,999,017
Gulfstream Property & Casualty Insurance Co.	March 2023	$8,223,964
St. Johns Insurance Company	March 2023	$21,497,104
American Capital Assurance Corp.	April 2023	$11,652
Gulfstream Property & Casualty Insurance Co.	April 2023	$3,065
TOTAL DISTRIBUTIONS		**$115,865,129**

Early Access

When deemed appropriate, section 631.397, Florida Statutes, allows the Division to advance funds to guaranty associations for the administration and payment of covered claims. These advances are referred to as early access distributions and must be approved by the Receivership Court. Twice a year, an analysis of all estates to determine possible early access distributions is performed to maximize the amount distributed while taking care to reserve enough of the estate's assets to cover the expected claims distributions to non-guaranty association claimants and the costs related to claims administration, asset recovery, and pending litigation.

There is a benefit to the public when the Division makes early access distributions to the guaranty associations. Each dollar the Division supplies to the guaranty associations for claims administration and payment is a dollar that the guaranty associations will not have to assess their member insurers. This, in turn, helps hold down the cost of policies to the insurance buying public by not having a portion of an assessment reflected in premiums charged to the policyholders.

The assessment processes of the Florida Insurance Guaranty Association, Inc. ("FIGA") helps to illustrate how the early access distributions ultimately help the insurance buying public. Pursuant to section 631.57(3)(a), Florida Statutes, FIGA is required to secure funds necessary for the payment of covered property and casualty claims and to pay the reasonable costs of claims administration as necessary, and to levy assessments against its member insurers. Pursuant to this law, the assessments levied against each insurer are limited to 2% of annual written premiums with an option for an additional emergency assessment also limited to 4% annually. When assessments are made, insurers may recoup their portion of the assessment from their policyholders as a part of their policy premium, under section 631.64, Florida Statutes. Similar statutory requirements for assessment against the members of Florida's other guaranty associations are found in the following laws:

- Section 631.718, Florida Statutes, establishes the assessment authority of the Florida Life and Health Insurance Guaranty Association ("FLAHIGA");
- Section 631.819, Florida Statutes, establishes the assessment authority of the Florida Health Maintenance Organization Consumer Assistance Plan ("FHMOCAP"); and
- Section 631.914, Florida Statutes, establishes the assessment authority of the Florida Workers' Compensation Insurance Guaranty Association, Inc. ("FWCIGA").

The early access distributions which the Division pays the guaranty associations reduces the amount the guaranty associations assess their members. In the 2022-2023 fiscal year, the Division distributed $115.5 million in early access distributions to guaranty associations.

Appendix A

History of the Division

The need for a specialized program to handle the duties of a Receiver for troubled insurance companies began to emerge in 1957. In November of that year, Alabama General Insurance Company, a fire and casualty insurance company, was found to be insolvent and a state agent was needed to act as Receiver to protect the assets of all parties who had an interest in the estate. For the next 10 years, the duties of Receiver for troubled and insolvent insurance companies fell on five employees under the direction of the General Counsel at the Florida Department of Insurance (“DOI”).

During those 10 years, DOI was named Receiver for 15 more insurance companies. As the trend of insurance companies entering receivership continued to grow, Insurance Commissioner Broward Williams asked the 1967 Legislature for additional staff to manage the receiverships. The legislature approved 13 new positions, one of which was an attorney position. The addition of the attorney position paved the way for the staff to be separated from the Office of General Counsel. Commissioner Williams administratively created the Division of Rehabilitation and Liquidation in 1967 as recorded in the Florida Administrative Code, Chapter 4-38.13. It has operated as a separate division since September 1967. Tom Waddell became the Division’s first Director effective September 1, 1967 (see Table A for a listing of all Division Directors). Chapter 4-38.003 of the Florida Administrative Code officially provided for the Division of Rehabilitation and Liquidation in 1975. The Division’s Miami Office was established in 1989, primarily as a result of multiple insolvencies in that region.

A receivership employment system was developed in the early years of the Division to provide managers with greater flexibility in staffing according to workload. Administrative costs to maintain a receivership staff were funded, as today, from the assets of the insolvent estates.

The 1970 Legislature created the first of four guaranty associations, which are separate from state government, to ensure that money is available to pay outstanding claims when an insurance company no longer can meet its contractual obligations. Chapter 631, Florida Statutes, mandates examination and regulatory oversight of each guaranty association by the Department. Please see Appendix C of this report for the name, purpose, and contact information of all guaranty associations in Florida. Under current state law, only the Receivership Court’s Order of Liquidation triggers action by the guaranty associations. There is no guaranty association intervention under the Court’s Order of Rehabilitation. Please refer to Appendix B, Summary of Rehabilitation v. Liquidation, for more information about activities that occur when an insurance company is in rehabilitation or liquidation. Most licensed insurance companies are covered by one of the guaranty associations. Some exceptions are title insurance companies, warranty companies, continuing care retirement communities ("CCRCs"), multiple employer welfare arrangements (“MEWAs”), and bond companies. The Division and the guaranty associations work closely to protect the insurance consumers of Florida.

Directors of the Division of Rehabilitation and Liquidation

Tom Waddell	1967 - 1969	**Robert Johnson**	1991 - 1996
Charles Friend	1969 - 1971	**Belinda Miller**	1996 - 1999
L.E. Caruthers	1971 - 1980	**Eric J. Marshall**	1999 - 2001
Helen Hobbs	1980	**R. J. Castellanos**	2001 - 2008
James Brown	1981 - 1982	**Wayne Johnson**	2008 - 2011
Gerald Wester	1982 - 1983	**C. Sha`Ron James**	2011 - 2015
Jerry D. Service	1983 - 1988	**Toma Wilkerson**	2015 - 2022
Bill O'Neill	1989	**Lorrie Arterburn**	2022- Present
Doug Shropshire	1989 - 1991		

Total Number of Companies in Receivership by Year (1967-2023)

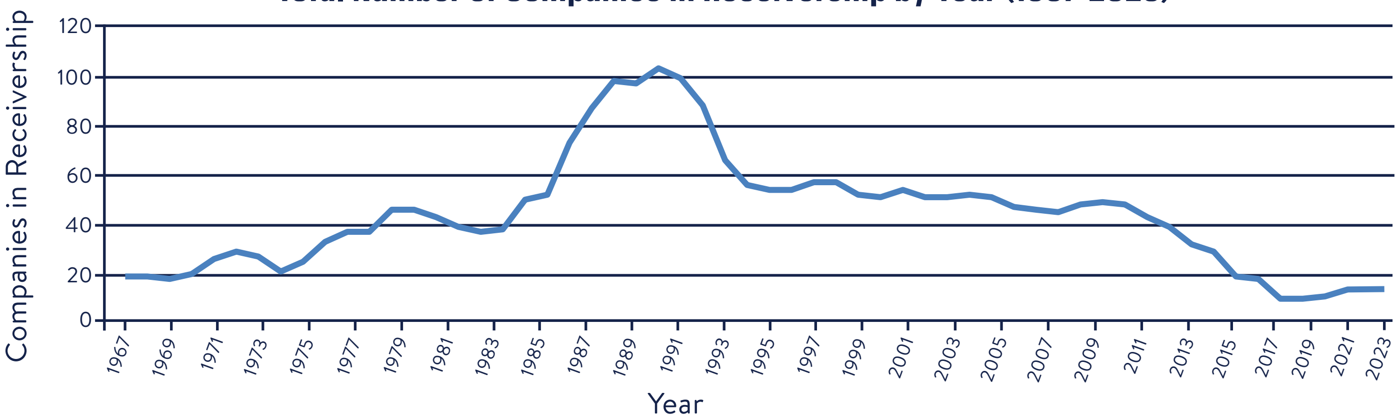


Figure 8 *Historical Data: Total Number of Companies in Receivership by Year, 1967-2023*

Types of Companies Entering Receivership (1957-2023)

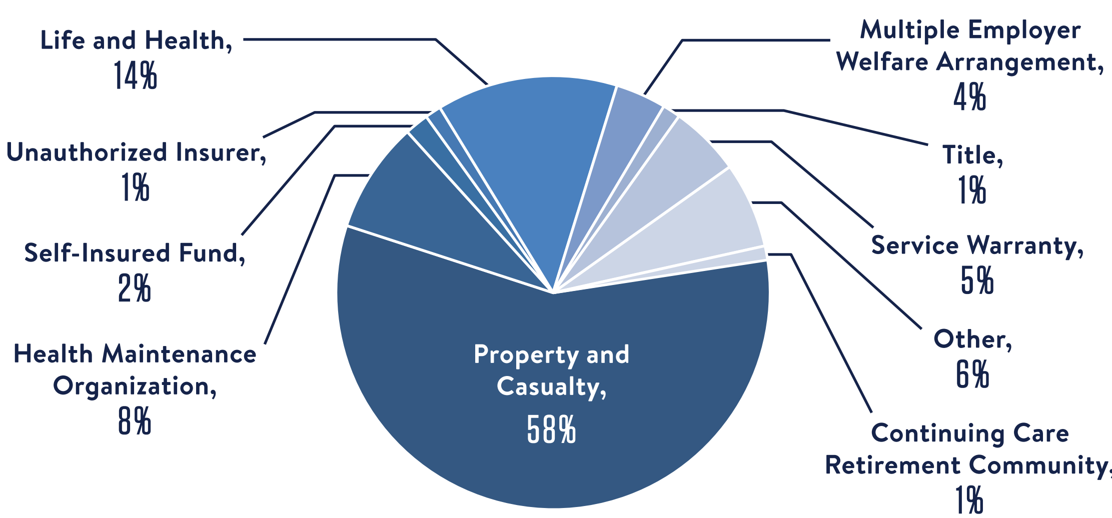


Figure 9 *Historical Data: Types of Companies Entering Receivership, 1957-2023*

Appendix B

Summary of Rehabilitation v. Liquidation

REHABILITATION	LIQUIDATION
Board of Directors are suspended temporarily. The Department assumes their authority but can redelegate certain authority at the Department's discretion.	Company is dissolved by Court Order of Liquidation. The Department assumes authority over company affairs.
The Department, appointed by the court, is in charge. The Department's Division of Rehabilitation and Liquidation administers the receiverships.	The Department, appointed by the court, is in charge. The Department's Division of Rehabilitation and Liquidation administers the receiverships.
Financial activity is carried out through the company's office systems utilizing its procedures.	Financial activity is ultimately carried out through the office of the Department's Division of Rehabilitation and Liquidation after the company's offices are closed.
Company continues to be responsible for paying claims.	A deadline for filing claims is established by court order. Guaranty associations, if applicable, pay covered policy claims. Claims not covered by a guaranty association are processed by the Department.
Payments are based on a court order which provides authority as to what the Department may pay.	Payments are based on a statutory priority scheme. A claims distribution is determined by the amount of available assets, if any, of the receivership estate. Claims are paid by class in order of the priorities set out in section 631.271, Florida Statute. Beginning with Class 1, all approved claims in a class must be paid in full before any payment is made to the next class. If there are insufficient funds to pay a class in full, all approved claims in that class are paid in equal pro rata shares.
Marshaling of assets by Department (finding and collecting property or debts due, selling them to convert to cash).	Marshaling of assets by Department (finding and collecting property or debts due, selling them to convert to cash).

REHABILITATION	LIQUIDATION
Litigation against the company is stayed by statute and court order. Litigation against the insureds is not stayed by statute but may be stayed by court order. The company will continue to defend its insureds. There is no activity by a guaranty association during rehabilitation.	Litigation against the company is permanently stayed by statute and court order. Insureds are defended by the appropriate Guaranty Association.
Proof of claims forms are not issued in a rehabilitation since claims normally continue to be paid.	Potential claimants are provided instruction on how they can file a claim in the liquidation proceeding. Upon return of required proof of claims forms and other information, claims adjusters for the Department evaluate the claims for priority and amount.
Not applicable.	Evaluated claims are reported to the Second Judicial Circuit Court in Leon County, Florida, and the Department's recommendation of the priority and amount of the claim are approved subject to objection (the procedure whereby the claimant may disagree with the evaluation).
Not applicable.	If objections are unresolved, the Department's attorneys will set the objection for a court hearing.
Not applicable.	When all objections and appeals are concluded, the Department calculates the distribution that may be made to eligible claimants. The priority of claims is set out by statute. Upon obtaining court approval of the distribution, the Department sends payments to the claimants' last known addresses.
Not applicable.	Undistributed funds are turned over to the Department's Division of Unclaimed Property.
The Department returns the company to a sound financial condition and ends the rehabilitation or, when it is not possible to return the company to the marketplace, the Department converts the receivership to a liquidation proceeding.	The Department will evaluate all claims filed in the receivership proceeding, issue checks, prepare a final accounting, and obtain a court order discharging it from further responsibilities and closing the receivership/ liquidation proceeding.

Appendix C

Florida Guaranty Associations

Guaranty associations are non-profit organizations created by statute that protect policyholders from severe losses and delays in claim payments due to insolvency of an insurance carrier. These entities provide a mechanism to resolve claims during such times. The state of Florida has the following associations:

Florida Insurance Guaranty Association ("FIGA"):

FIGA was created to provide a mechanism for the payment of covered property and casualty claims under certain insurance policies because of the insolvency of an insurer. FIGA's membership consists of all Florida licensed direct writers of property or casualty insurance. Coverage limits for claims filed to FIGA are as follows: (1) Auto/Liability/Commercial Property Claims: $300,000 (2) Homeowners Property Damage claims: $500,000 (3) Condo Association claims: $200,000 x the number of residential units. For more information on FIGA, visit https://figafacts.com.

Florida Workers' Compensation Insurance Guaranty Association ("FWCIGA"):

FWCIGA was created by statute in 1997 from the merger of the Florida Self-Insured Fund Guaranty Association, Inc. ("FSIFGA") and the workers' compensation insurance account of FIGA. Coverage limits for workers' compensation claims filed to FWCIGA are as follows: (1) Employer Injury claims: no limit (2) Employer Liability claims: $300,000. For more information on FWCIGA, visit https://fwciga.org.

Florida Life and Health Insurance Guaranty Association ("FLAHIGA"):

FLAHIGA is a statutory entity created in 1979 when the Florida Legislature enacted the Florida Life and Health Insurance Guaranty Association Act (FLAHIGA Act). FLAHIGA is composed of all insurers licensed to sell direct life insurance, accident and health insurance, and certain annuities in the state of Florida. Coverage limits for claims filed to FLAHIGA are as follows: (1) Life Insurance Death Benefit: $300,000 per insured life (2) Life Insurance Cash Surrender: $100,000 per insured life (3) Health Insurance Claims: $500,000 per insured life (4) Annuity Cash Surrender: $250,000 for deferred annuity contracts per contract owner (5) Annuity in Benefit: $300,000 per contract owner. For more information on FLAHIGA, visit www.flahiga.org.

Florida Health Maintenance Organization Consumer Assistance Plan ("FHMOCAP"):

FHMOCAP was created by statute in 1988 to protect persons enrolled for coverage with HMOs, subject to certain limitations, against the failure of their HMO to perform its contractual obligations due to its insolvency. The FHMOCAP only provides protection for "commercial" HMO members – those who have group coverage, generally through their employer, or persons who purchase individual coverage directly through the HMO. The benefit the plan provides is continued coverage up to a maximum of $300,000 per person or 6 months. For more information on FHMOCAP, visit https://flhmocap.com.

Appendix D

Glossary

Assets – Property owned by an insurance company, including stocks, bonds, and real estate. Insurance accounting is concerned with solvency and the ability to pay claims. State insurance laws require a conservative valuation of assets, prohibiting insurance companies from listing assets on their balance sheets when the values are uncertain, such as furniture, fixtures, debit balances, and accounts receivables that are more than 90 days past due.

Conservation – The regulatory process by which an insurance company's affairs are administered to preserve the company's assets.

DFS – The abbreviation for the Florida Department of Financial Services.

Domestic Insurance Company – An insurer formed under Florida law.

Early Access Distribution – The process by which a guaranty association recovers from the Receiver a portion of the loss amount paid and/or administrative expenses incurred by the guaranty association in settling a claim prior to the final distribution of an estate's assets.

Estate – A term used interchangeably with receivership in this report.

FHMOCAP – The abbreviation for the Florida Health Maintenance Organization Consumer Assistance Plan. Refer to Appendix C for detailed information related to FHMOCAP.

FIGA – The abbreviation for the Florida Insurance Guaranty Association. Refer to Appendix C for detailed information related to FIGA.

FLAHIGA – The abbreviation for the Florida Life and Health Insurance Guaranty Association. Refer to Appendix C for detailed information related to FLAHIGA.

FWCIGA – The abbreviation for the Florida Workers' Compensation Insurance Guaranty Association. Refer to Appendix C for detailed information related to FWCIGA.

Guaranty Association – A mechanism by which solvent insurers ensure that some of the policyholder and third-party claims against insurance companies that fail are paid. Such funds are required in all 50 states, the District of Columbia, and Puerto Rico, but the type and amount of claim covered by the fund varies from state to state. Such funds are supported by assessments levied against insurance companies writing business in those states. The Florida Guaranty Associations include the Florida Insurance Guaranty Association, Florida Workers' Compensation Insurance Guaranty Association, Florida Life and Health Insurance Guaranty Association, and the Florida Health Maintenance Organization Consumer Assistance Plan.

Indemnity – As used in an insurance or reinsurance context, indemnity refers to payment of loss to a claimant and/or policyholder. Such indemnity payment, in turn, serves as a basis for a claim against a reinsurer.

Insolvency – A company's financial condition reflected by an excess of liabilities over the available assets required to meet those liabilities; i.e., a company's inability to pay its debts.

Liquidation – The statutory process by which the affairs of an insolvent company are finalized, and the company's remaining assets are marshaled and ultimately distributed to policyholders and other creditors.

Proof of Claims Form – The form required by a Receiver to support a claim against an estate.

Receiver – An agent of the court that is appointed to be responsible for the conservation, rehabilitation and/or liquidation of an impaired or insolvent company. The Receiver also has the duty as a court-appointed trustee to represent the court and all parties having an interest in the estate.

Receivership – The legal status of an impaired or insolvent company by which a court appointed Receiver administers the affairs of such company.

Rehabilitation – A legal process by which a court-appointed individual or entity is assigned the responsibility to conserve the assets in an insolvent company and attempt to restore such company to a solvent condition. Rehabilitation can be used to remedy an insurer's impairment/ insolvency and may include a court approved plan to reduce or resolve the insurer's liabilities and avoid liquidation.

Reinsurance – Insurance bought by insurers. Reinsurance effectively increases an insurer's capital and its capacity to sell more coverage because it reduces the potential risk of losses for business written by the insurer.

Reinsurer – The insurance entity that accepts all or part of the liabilities of the ceding company in return for a stated premium and reinsurance agreement. A reinsurer does not pay policyholder claims. Instead, it reimburses insurers for claims paid by the insurer.

Risk – A term that refers to (1) uncertainty arising from the possible occurrence of given events, and (2) the insured or property to which an insurance policy relates.

Special Deputy Receiver – An agent of the court that is appointed to be responsible for the conservation, rehabilitation and/or liquidation of an impaired or insolvent company. The Special Deputy Receiver also has the duty as a court-appointed trustee to represent the court and all parties having an interest in the estate.

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