FLORIDA DEPARTMENT OF FINANCIAL SERVICES DIVISION OF

REHABILITATION & LIQUIDATION

2018 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 Florida Department of Financial Services, I am pleased to present the Division of Rehabilitation and Liquidation's Fiscal Year 2017-2018 Annual Report.

During the fiscal year, the Division continued its commitment to advocate on behalf of policyholders, creditors, and consumers negatively impacted when their insurance company is ordered into receivership. The Division's mission is to manage receiverships in a way that maximizes value to claimants and the public. The Division accomplishes its mission by using available resources to recover and liquidate assets while working to reduce receivership costs by streamlining and shortening the receivership lifecycle. During Fiscal Year 2017-2018, the Division paid over $58.8 million in distributions to claimants and guaranty associations. The Division also made great strides in effectively managing active receiverships, as demonstrated by successfully closing three receiverships. The Division's Annual Report provides additional information regarding Division activities and accomplishments during Fiscal Year 2017-2018. Consumers are encouraged to visit the Division's website at www.myfloridacfo.com/division/receiver to learn more about the receivership process and the companies in receivership.

Thank you for your interest in the work of the Division of Rehabilitation and Liquidation. I hope you find the information contained in this Report and on the referenced website beneficial.

Jimmy Patronis
Chief Financial Officer
State of Florida

Toma Wilkerson

Message from the Division Director

It is with great pleasure that we present the Division of Rehabilitation and Liquidation's Annual Report for Fiscal Year 2017-2018. The Annual Report details the steps taken by the Division in administering the various insurance company receiverships on behalf of the Department of Financial Services, as Receiver. Our mission is to manage receiverships to maximize value to claimants and the public. What motivates the Division throughout the years is the opportunity to consistently improve the many ways in which we effectively and efficiently fulfill this mission. As an example of our dedication to improvement, the Division was awarded a 2018 Prudential Productivity Award by Florida TaxWatch for our work towards improving productivity and efficiency in the Division's management of receivership estates.

Due to the Division's ongoing efforts to improve receivership processes, three receivership estates were closed, leaving a total of 18 companies in receivership by the end of the fiscal year. In addition, we are particularly pleased to report that our asset collection efforts garnered more than $26.6 million for the benefit of the receivership estates. Additionally, the Division distributed more than $58.8 million to claimants and guaranty associations.

The Division will continue to focus on areas that lead to improvements and efficiencies in the receivership processes. We continuously refine our project management processes used for guiding the various receiverships from start to finish and look forward to sharing our accomplishments.

For more information about this Division or insurance company receiverships, please visit our website at: www.myfloridacfo.com/division/receiver.

Thank you for your interest in the Division of Rehabilitation and Liquidation.

Toma L. Wilkerson

Toma Wilkerson
Director
Division of Rehabilitation and Liquidation

Table of Contents

Appendices

Division Overview

Role of the Division

The Florida Department of Financial Services ("Department") is the Court appointed Receiver of any insurer placed into receivership in Florida to protect consumer interests. The role of the Division of Rehabilitation and Liquidation ("Division") is to administer the receiverships on behalf of the Department, as Receiver. The Division plans, coordinates, and directs the affairs of a company placed into receivership by the Court's rehabilitation order or liquidation order, pursuant to Chapter 631, Florida Statutes. Generally, insurance companies are exempt from federal bankruptcy jurisdiction and are instead subject to specific state laws regarding receivership. Under Florida law, the Second Judicial Circuit Court in Leon County, Florida, (the "Receivership Court" or the "Court") has jurisdiction over insurance company receivership matters. This 2017-2018 Division Annual Report provides a brief look at the role of the Division of Rehabilitation and Liquidation and the overall receivership process.

In rehabilitation, the Division implements a plan with the goal of allowing the company to return to the marketplace. Major tasks associated with a rehabilitation order include taking control of and protecting the property and assets of the insurer, conducting the business of the insurer, and formulating a plan to remove the causes and conditions necessitating the rehabilitation. 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 rehabilitation have been removed. The Court then enters an order discharging the Department from its duties and close the rehabilitation receivership.

When a liquidation order is entered, the insurance company is closed, outstanding policies are usually cancelled, 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 marshaling and liquidating insurer assets; identifying and paying claims; distributing assets to claimants; and responding to consumer inquiries about the receivership process.

Organizational Structure

The Division of Rehabilitation and Liquidation is one of 13 divisions within the Department. The Division performs its duties under the supervision of the Department's General Counsel. The current Division Director is Toma L. Wilkerson. Figure 1 illustrates the relevant portion of the structure of the Department.

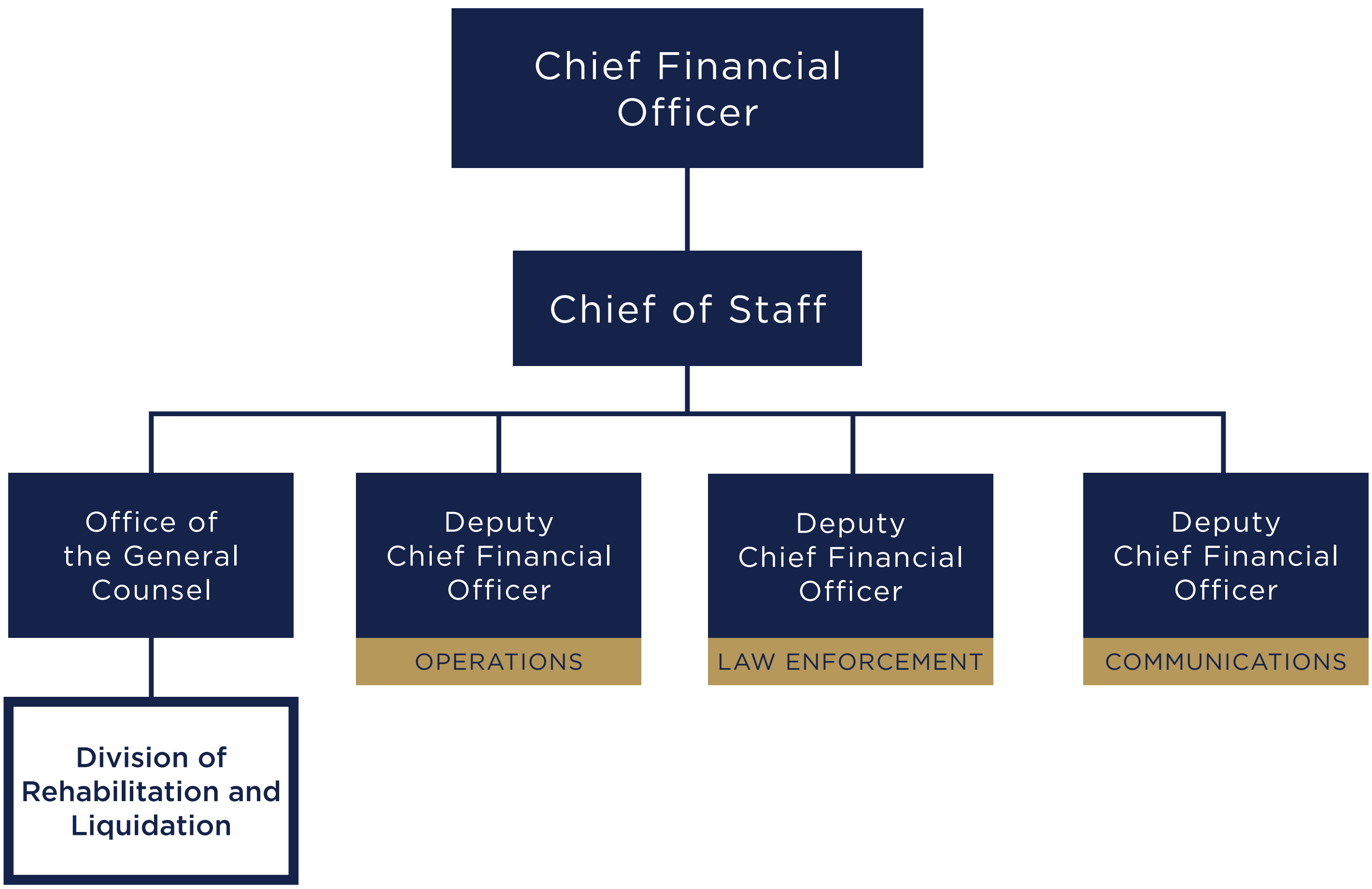

Figure 1 *Partial View of Department Organizational Chart including the Division of Rehabilitation and Liquidation*

The Division is divided into seven functional areas (see Figure 2), each headed by a manager who reports to the Division Director or Assistant Division Director. Division staff includes 121 assigned positions made up of managerial, professional, and clerical personnel. As of June 30, 2018, the Division has 60 filled positions; of these, 52 are located in Tallahassee and eight are located in Miami.

Figure 2 *Division of Rehabilitation and Liquidation Organizational Structure in 2017-2018*

Core Processes

The core processes of the Department, acting as Receiver under the direction of the Receivership Court, are illustrated in Figure 3. The process starts when the Receivership Court places an insurance company into receivership for purposes of rehabilitation or liquidation. In the “Company Takeover” process, the Division moves to take physical possession of the company’s assets, offices, records, and other property. The Division then immediately attempts to determine the true financial status of the company. Under an order of rehabilitation, the Division seeks to remedy the problems – typically financial impairment or insolvency – that resulted in the entry of the rehabilitation order. Every effort is made to assist the company in developing a financial plan for 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 an order of liquidation. At that time, the Division 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 to best pursue and collect the assets of the company.

“Claims Processing” begins 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 by the Division and evaluated. Distribution of payment to claimants is dependent upon the recommendation of the Division, approval by the Receivership Court, and the availability of funds in the estate. Insurance guaranty associations may be intricately involved in this claims processing stage by directly paying some of the policyholder and third-party claims of the failed insurance company. A great deal of communication and cooperation is required between the Division and the guaranty associations.

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 Takeover	• Identify and secure company assets • Control and process business functions • Deliver company assets to receivership
Company Asset Recovery/Asset Management	• Collect all company assets • Pursue litigation as necessary to collect assets • Maximize assets returned to receivership
Claims Processing	• Acquire claimant information • Proof-of-claim 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
Company Discharge	• Determination of existing company assets • In rehabilitation, either return the company to sound financial condition or convert the receivership to liquidation • Final Distribution/payment of available funds on allowed claims *(liquidation only)* • Unclaimed property reporting • Company financial reporting • Destruction of non-permanent company records *(liquidation only)*

Figure 3 *Division's Core Processes*

Focus on Policyholders and Company Employees

When an insurance company is placed into receivership, many different groups of people are adversely affected. The Division is focused on minimizing the negative impact on the claimants of the company in receivership by expeditiously transferring claims files to the guaranty associations, resulting in quicker payment of covered claims by the applicable guaranty associations. Other parties on which the receivership process has major effects include policyholders and the employees of the troubled company. The Division strives to reduce the stress these groups may experience as a result of policy cancellation and job loss.

Assistance to Policyholders in Transitioning Coverage

For policyholders of companies that sold homeowners insurance, the Division has worked to find financially sound companies willing to assume books of business from companies in receivership. In addition to easing the burden on the policyholders, especially during hurricane season, a potential sale of the book of business can add benefit by bringing more assets into an estate for ultimate claims payment. Since 2009, the Division has successfully arranged for insurers in Florida and other states to offer replacement coverage to over 172,000 policyholders of six companies.

For policyholders of health maintenance organizations (HMOs) whose members have been primarily Medicare subscribers, the Division has worked closely with the Centers for Medicare and Medicaid Services ("CMS") to coordinate the transitioning of those entities' policies to other carriers and/or assist the HMO members in obtaining replacement health care coverage. For other types of coverage in these HMOs, including Medicaid coverage, the Division has coordinated with the Florida Agency for Health Care Administration ("AHCA") and the Florida Department of Elder Affairs to assist policyholders in finding replacement coverage.

The Division has also been proactive in mailing notices to policyholders and agents informing them of impending policy cancellations and the need to obtain replacement coverage.

Close Coordination with Guaranty Associations

Insolvencies of companies that sell homeowners and automobile insurance policies trigger the involvement of the Florida Insurance Guaranty Association ("FIGA"). Since both homeowners and automobile insurance are more readily available and easier to replace than other forms of insurance, the Division expedites providing return premium data to FIGA so that the consumers can get their money back as soon as possible to buy replacement insurance coverage. The insolvency of companies that sell life and health insurance triggers the involvement of the Florida Life & Health Insurance Guaranty Association ("FLAHIGA"). FLAHIGA steps in to ensure continued coverage for policyholders or give them time to find a new insurer. A similar quasi-guaranty association, the Florida Health Maintenance Organization Consumer Assistance Plan ("FHMOCAP") provides continued health care coverage for up to 180 days to members of liquidated health maintenance organizations. Finally, the insolvency of a workers' compensation carrier triggers the Florida Workers' Compensation Insurance Guaranty Association ("FWCIGA"). The guaranty fund ensures that claims continue to be paid to workers' compensation claimants. The Division works very closely with these and guaranty associations in other states to facilitate a smooth transition of coverage for the policyholders impacted by insurance receiverships.

Assistance to Company Employees

Another group that the Division endeavors to help are the employees of the companies placed in receivership. Many times, the employees of a company have no idea of its financial situation until Division personnel arrive to secure the company's records and assets. The Division tries its best to ease the impact of job loss and reduce the uncertainty that comes with sudden unemployment. Division personnel work to keep the employees informed about the progress of the receivership and assist the employees by contacting outside parties to help them find new jobs.

The Division hosted an informational workshop for employees of Guarantee Insurance Company ("GIC"), a company ordered into liquidation in November 2017. The workshop reviewed the various aspects of resume writing, effective interview techniques, and community resources that included reemployment benefits, healthcare, professional training grants, and financial assistance with debt and mortgage. The employees were also informed about the services offered by Career Source of Broward County to further assist in meeting their career and transitional needs.

Factors Contributing to Insolvency

Pursuant to section 631.398, Florida Statutes, no later than the conclusion of any domestic insurer's insolvency proceeding, the Division shall prepare, or cause to have prepared, a summary report containing such information as is in the Division's possession relating to the history and causes of such insolvency, including a statement of the business practices of the insurer which led to its insolvency. Over the course of the last five fiscal years, the Division has closed 30 estates. Factors contributing to the insolvencies of these estates include the following:

- Inadequate capitalization or asset deterioration
- Improper management or fraud
- Insufficient reserving
- Rapid premium growth
- Inappropriate transactions with affiliates or subsidiaries
- Inadequate pricing
- Natural disasters or catastrophic losses
- Change in business conditions
- Reinsurance market issues

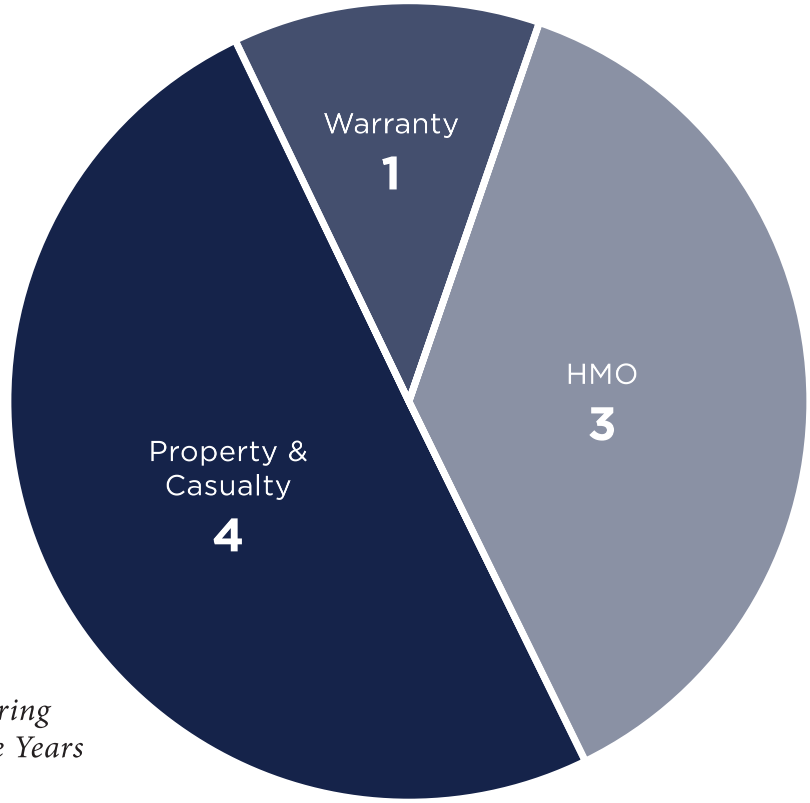

Figure 4 *Type of Companies Entering Receivership in Last Five Years*

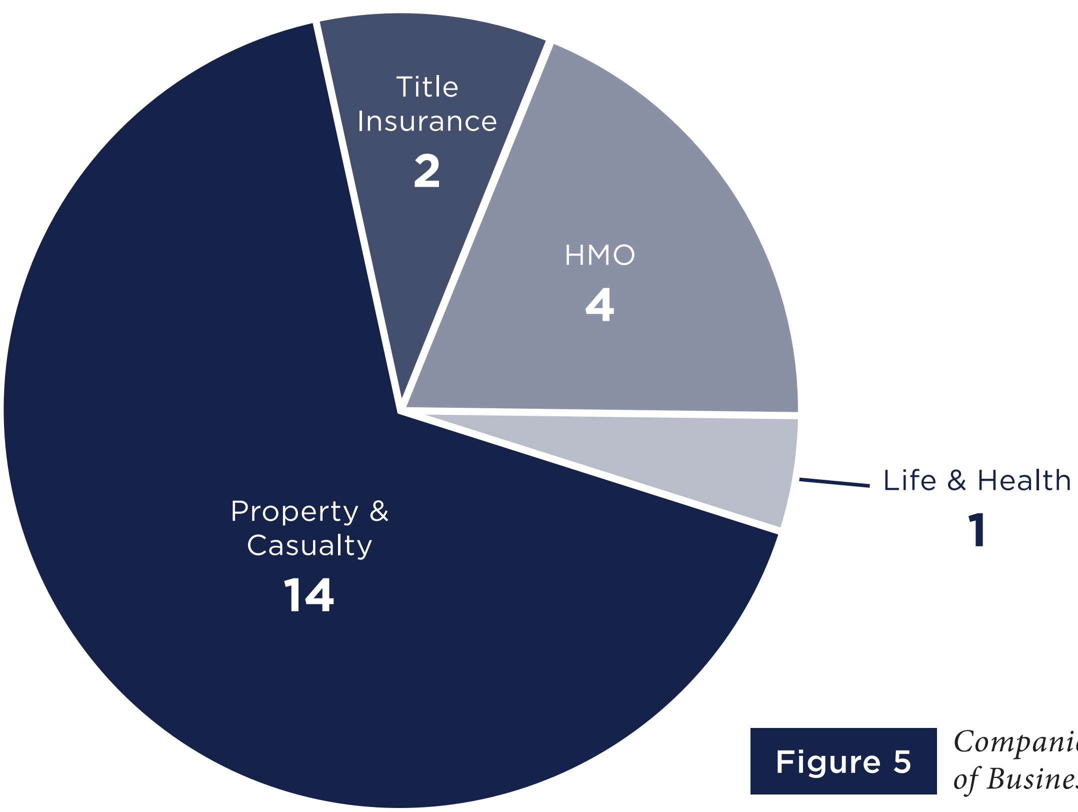

Figure 5 *Companies in Receivership by Lines of Business in Last Five Years*

Financial Update

Division Funding

The Division's overall cost of managing receiverships is paid for by recoveries from the estates that are in receivership, supplemented by funds from the state. The Division maintains staff that is paid from receivership funds. This staffing structure allows the Division's management to expand or downsize staff as necessary with the fluctuation of the number of estates being administered.

The Division's state budget is funded from sources such as licensing fees for insurance agents and insurance companies, and penalties, fines, and restitutions collected by the Department. These funds are deposited into the Insurance Regulatory Trust Fund. The budget supports one state position, certain projects and technological improvements that benefit future receivership estates. For the 2017-2018 fiscal year, the Division's operating state budget was $863,581. The state budget funds many duties that are not directly related to administering specific receivership estates (and, therefore, cannot be funded by estates), but are required by statute or by the regulatory aspects of the Division's mission. Figure 6 displays the Division's Receivership Budget for the 2017-2018 fiscal year, and Figure 7 gives an overview of the Division's 2017-2018 state budget.

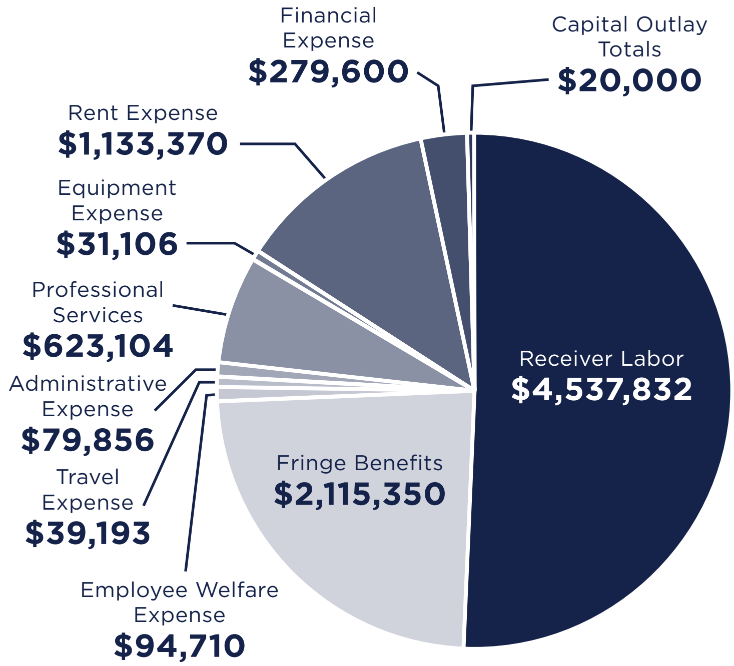

Figure 6 *Division's Receivership Budget for FY 2017-2018*

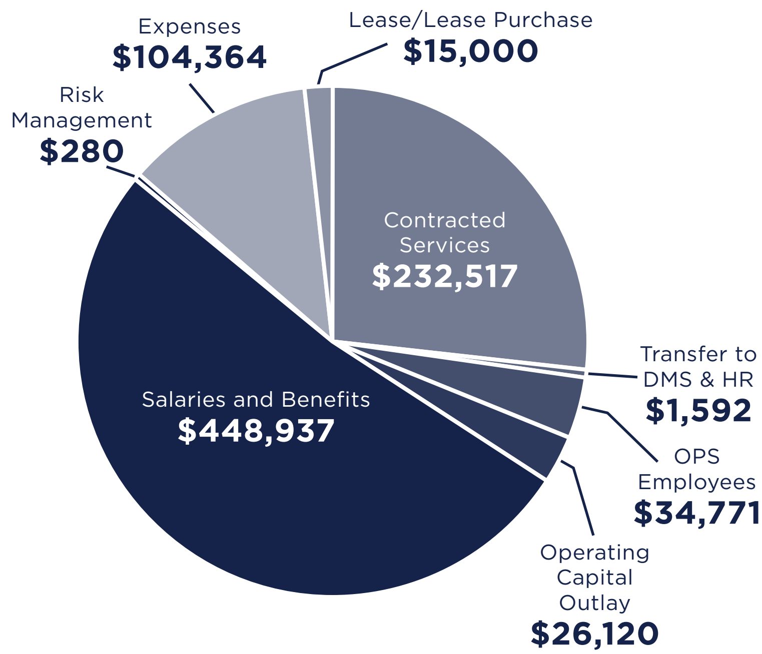

Figure 7 *State Budget FY 2017-2018*

Accomplishments

Division Highlights

During Fiscal Year 2017-2018:

- The Division administered 19 companies in liquidation and two companies in rehabilitation.
- Three companies were closed in the 2017-2018 fiscal year. These estate closures are the direct result of the Division's implementation of improved and more efficient processes allowing the Division to better streamline the lifecycle of the receivership estates.
- The Division distributed $14.1 million in early access distributions to guaranty associations from seven different estates during the fiscal year.
- In addition to the early access distributions, the Division distributed $44.7 million to claimants in 10 estates during the fiscal year.
- The Division recovered assets totaling $23 million, excluding litigation recoveries.
- The Division recovered assets totaling approximately $3.6 million through litigation.

As in prior years, the Division continues to place a great emphasis on developing strategies to shorten the lifecycle of estates in receivership in order to increase the number of estate closures during each fiscal year.

Other Division Accomplishments

The table below shows some of the successful outcomes associated with other initiatives and accomplishments during the 2017-2018 fiscal year.

Division Accomplishments 2017-2018

Activity	Outcome
The Division managed four distribution accountings, 10 discharge accountings and processed and filed unclaimed property reports in as many as 49 states and one US Territory for unclaimed amounts totaling $12,072,984 from seven discharged receiverships.	These efforts facilitated the timeliness of receivership distributions and the closure of certain receiverships.
Improvements were made to the payment process for invoices. Invoices were paid within the Division goal of 30 days 98.7% of the time.	Improved efficiencies in receivership accounting processes and timely payment to vendors.
Total asset recoveries of $23,001,113 for reinsurance, subrogation, Special Disability Trust Fund, and all other collections, excluding litigation. The majority of the amount collected was reinsurance recovery. In recent years, to reduce the costs of collection, the Division internally assumed a greater role in the collections based on the size and complexity of the liquidated company.	The collection of reinsurance and other assets ultimately increases the net value to the receivership estates. Reducing the internal and external costs of collections helps the Division successfully accomplish its mission.
Implemented a more customer service friendly mechanism to transfer information to and from affected guaranty associations.	Established a Division maintained FTP site to allow for quick and secure communication between the Department and affected guaranty associations. The process was utilized on two receiverships and is available for future use.
Implemented an enhanced pre-funding process for workers' compensation wage payments to address multi-state special claims handling needs.	Continued payment of wage benefits during the transition of claims to 30 guaranty associations that minimized disruption in payments to affected claimants.
Implemented process to allow for the incremental distribution of funds.	Earlier distribution of funds to claimants which established a cut-off point to minimize the continued accrual of Class 10 interest, therefore maximizing the amount of any surplus available to Class 11 claimants.

Implemented an enhanced Proof of Claim process to support paperless records initiatives.	Electronic batch processing streamlined workflow, reduced processing costs, and allowed additional quality assurance for records retention purposes.
Processed 1,693 Proofs of Claim, evaluated 1,457 claims, processed 28 filed objections, resolved 168 objections, processed 421 requests for an assignment of claim, reopened 1,340 claims and set up 1,202 new claims.	These efforts facilitated the filing of nine Interim Claims Reports, nine Final Claims Reports and eight Distribution Reports which impact the timeliness of distributions and estate closures.
Through successful litigation efforts, the Division recovered $3,646,839 in six receiverships.	The recoveries in the six receiverships significantly increased the net value of these receivership estates.
The Division finalized the implementation of new project management methodology and tool for enhanced task and milestone tracking impacting receivership life cycles.	In 2018, the Division was awarded the Prudential Productivity Award by Florida TaxWatch for its work towards improving productivity and efficiency in the Division's management of insurance estate life cycles. The Division improved visibility and coordination of receivership activities with the Division's internal and external stakeholders.

Focus on FY 2018-2019

Improve Estate Life Cycle Monitoring and Reporting

The Division will focus on developing and implementing metrics to aid in improved monitoring and reporting of receivership estate lifecycles. The monitoring and reporting of meaningful metrics will help the Division predict and smooth work flow. Improved communication will help project teams across the Division work together seamlessly. Meaningful metrics will also create and record reliable historical data.

Decrease the Division's Paper Footprint

To reduce paper records storage, the Division has implemented a scanning process to image permanent records.

Upgrade Accounting Information System

To better facilitate the Division's Accounting business processes, the Division plans to upgrade the existing system to leverage new features including improved work flow and management reporting.

Improve Electronic Document Management Framework

The Division will continue to build on its current FileNet document management and SharePoint Intranet systems to improve access to information and enhance business process workflow.

Improve Outreach

The Division will improve customer service and reduce internal processing costs by implementing an E-Portal application on the Division's website to enable claimants to file claims and objections online.

Enhance Claims Reporting

The Division will implement an enhancement to the interim and final claims report module of the claims processing system that will allow increased flexibility with reduced cost.

Improve Data Migration Process

The Division will implement process improvements to positively impact the quality and efficiency of migrating data into the Division's claim systems.

Reduce Office Space

To reduce costs, the Division will relocate its offices to more efficient, smaller spaces.

Significant Events

Receiverships Opened and Closed During the Fiscal Year

Receiverships Opened

Guarantee Insurance Company

On November 27, 2017, Guarantee Insurance Company ("GIC") was ordered into receivership for purposes of liquidation. GIC was a workers' compensation insurance company located in Fort Lauderdale, Florida and licensed in forty states and the District of Columbia.

GIC had approximately 8,600 active policies as of November 13, 2017, including 1,250 in Florida. Under the liquidation order, all GIC policies were cancelled effective on December 27, 2017, unless otherwise terminated prior to that date. There were 6,413 open claims at liquidation.

Insurance Company of the Americas

On January 24, 2018, Insurance Company of the Americas ("ICA") was ordered into receivership for the purposes of liquidation. ICA was licensed in Florida in 1976 as a workers' compensation insurance company located in Lake Mary, Florida, but operated primarily out of Arizona.

Prior to being placed into receivership, ICA had ceased writing new or renewal business as of April 2008, and had been servicing claims under previously written policies. Fewer than 12 claims were reported to be open at the time of liquidation.

Receivership Closures

Florida Preferred Property Insurance Company

On June 1, 2006, the Second Judicial Circuit Court in Leon County, Florida, entered an order placing Florida Preferred Property Insurance Company ("Florida Preferred Property") in receivership for purposes of liquidation. Florida Preferred Property was formed in 2002, and headquartered in Tampa, Florida. The company was authorized to transact business in the state of Florida as a domestic property and casualty insurer. Florida Preferred Property wrote homeowners multi-peril, allied lines, and fire insurance coverage. In May 2006, Florida Preferred Property reported an impaired financial condition on its quarterly financial statement, as of March 31, 2006. As of June 1, 2006, Florida Preferred Property had approximately 144,000 policies in force. This company, along with its affiliates, Atlantic Preferred Insurance Company and Southern Family Insurance Company, were members of the Poe Financial Group.

On September 15, 2017, the Division mailed claim distribution checks. The distribution, totaling $3,390,350.28, along with the previous $222,350,880 distributed to FIGA as early access, represented 100% payment of the total Class 1 and 2 claims and 7.85% of the total Class 3 claims. The Department was discharged of its duties in administering the Florida Preferred Property estate and the estate was closed at 11:59 p.m. on February 28, 2018.

Southern Family Insurance Company

Effective June 1, 2006, the Second Judicial Circuit Court in Leon County, Florida, entered an order placing Southern Family Insurance Company ("Southern Family") in receivership for purposes of liquidation. Southern Family was a Florida domestic property and casualty insurer based in Tampa, Florida. In March 2006, Southern Family reported an impaired financial condition on its annual financial statement, as of December 31, 2005. As a result of its financial condition, the company ceased writing new insurance policies and ceased offering renewal policies on or about March 5, 2006. Southern Family was initially placed in receivership for purposes of rehabilitation on April 25, 2006. As of June 1, 2006, Southern Family had approximately 44,500 policies in force (not including flood policies). This company, along with its affiliates Atlantic Preferred Insurance Company and Florida Preferred Property Insurance Company, were members of the Poe Financial Group.

On July 13, 2017, the Department mailed distribution checks totaling $3,224,276 to Class 1 and 2 claimants. In total, the Department distributed $368,539,257, representing 100% of the Class 1 and 36.67% of the Class 2 claims in the Southern Family estate. The Department was discharged of its duties in administering the Southern Family estate and the estate was closed at 11:59 p.m. on December 31, 2017.

United Southern Assurance Company

Effective September 18, 1997, the Second Judicial Circuit Court in Leon County, Florida, entered an order placing United Southern Insurance Company ("United Southern") in receivership for purposes of liquidation. United Southern was a Florida domestic property and casualty insurer based in Melbourne, Florida.

On October 16, 2017, the Department mailed claim distribution checks. These checks represent payment of 100% of the Class 1 and 98.1% of the Class 2 claims. The Department was discharged of its duties in administering the United Southern estate and the estate was closed at 11:59 p.m. on February 28, 2018.

Distributions

The following list provides additional information about the Court ordered distributions to claimants and policyholders during the 2017-2018 fiscal year:

Company	Month of Distribution	Court Ordered Distribution Amount
Southern Family Insurance Company	July 2017	$3,280,121
Aries Insurance Company	August 2017	$3,208,095
United Southern Assurance Company	October 2017	$16,102,694
Florida Preferred Property Insurance Company	September 2017	$3,681,534
Magnolia Insurance Company	December 2017	$1,021,424
Aequicap Insurance Company	December 2017	$6,271,535
Northern Capital Insurance Company	February 2018	$3,999,706
First Commercial Insurance Company	April 2018	$3,576,438
First Commercial Transportation and Property Insurance Company	April 2018	$1,346,917
Seminole Casualty Insurance Company	May 2018	$1,998,951
Early Access Distributions		
Seminole Casualty Insurance Company	August 2017	$1,000,000
Aequicap Insurance Company	August 2017	$3,500,000
Sunshine State Insurance Company	August 2017	$2,000,000
Aries Insurance Company	August 2017	$2,000,000
Northern Capital Insurance Company	September 2017	$3,000,000
Aequicap Insurance Company	September 2017	$1,600,000
Sunshine State Insurance Company	September 2017	$1,000,000
TOTAL DISTRIBUTIONS		**$58,767,414**

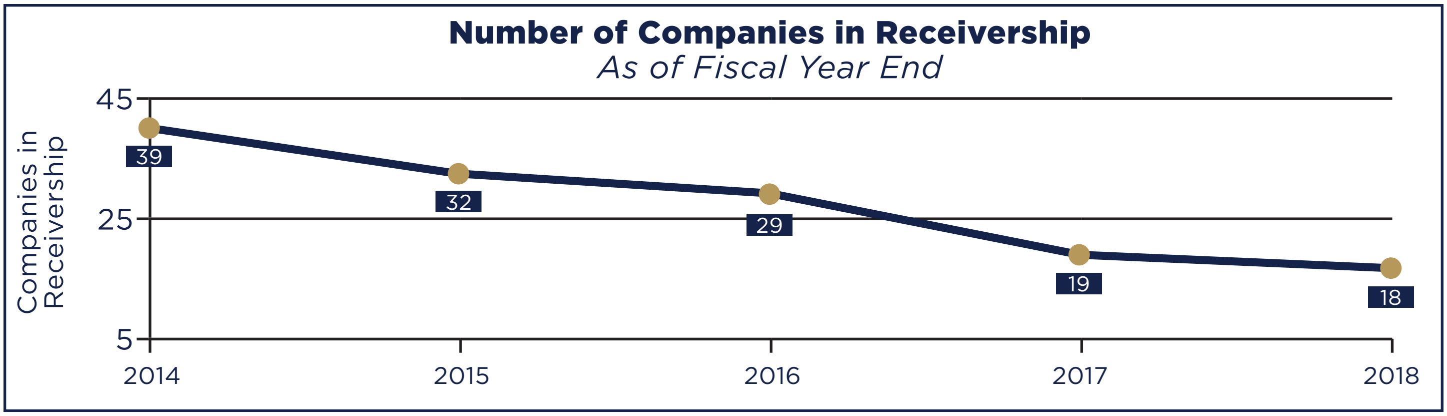

Figure 8 *Number of Companies in Receivership – Last Five Fiscal Years*

Early Access

As deemed appropriate, section 631.397, Florida Statutes, allows the Division to advance funds to Florida's guaranty associations and similar associations in other states 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. An analysis of all estates to determine possible early access distributions is performed twice a year 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") help 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, 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 2% 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 2017-2018 fiscal year, the Division paid $14.1 million in early access distributions to guaranty associations.

Appendix A

Glossary

Admitted Company – An insurance company licensed and authorized to do business in a state is called an admitted company in that state.

Affiliated Companies – Companies that are related by common ownership (in whole or in part).

Alien Insurer – An insurance company incorporated under the laws of a foreign country.

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.

Balance Sheet – Provides a snapshot of a company's financial condition at one point in time. It shows assets (including investments and reinsurance) and liabilities (such as loss reserves to pay claims in the future) as of a certain date. It also states a company's equity, which is known as policyholder surplus.

Book of Business – The total amount of insurance on an insurer's books at a point in time.

Capacity – The extent of a company's commitment and/or financial ability to accept given levels of insurance or reinsurance business.

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.

Domiciliary State – The state of a company's incorporation.

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.

FIGA – The abbreviation for the Florida Insurance Guaranty Association.

FLAHIGA – The abbreviation for the Florida Life and Health Insurance Guaranty Association.

FWCIGA – The abbreviation for the Florida Workers' Compensation Insurance Guaranty Association.

Foreign Insurance Company – The name given to an insurance company based in one state by the other states in which it does business.

Guaranty Association (alternatively referred to as Guaranty Fund) – 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 are as follows: the Florida Insurance Guaranty Association, the Florida Workers' Compensation Insurance Guaranty Association, the 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.

International Association of Insurance Receivers (IAIR) – An organization that encourages the interaction and exchange of information among its members who are responsible for the conservation, rehabilitation, and liquidation of troubled companies in the United States of America.

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.

Loss Run – A report that documents claim activity on each insurance policy.

National Association of Insurance Commissioners (NAIC) –An association of state insurance commissioners formed for the purpose of exchanging information and developing uniformity in the insurance regulatory practices of states through the drafting of model legislation and regulations.

Nonadmitted Assets – By statute, assets that are not allowed to be included as assets on the balance sheet of an insurance company.

Nonadmitted or Unauthorized Insurer – An insurer not licensed in a state is called a nonadmitted (unauthorized) insurer in that state.

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

Proof of Loss – The document required by an insurer or reinsurer to support a claim under an insurance policy or reinsurance contract.

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.

Reinsured – The insurance entity that cedes or transfers risk under a reinsurance agreement. Sometimes referred to as the original insurer or ceding company.

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.

UDS – The abbreviation for Uniform Data Standard, a defined set of data file formats and codes used by receivers and guaranty funds to exchange loss and return premium data electronically. The NAIC endorsed the use of the UDS by receivers and guaranty funds with an initial effective date of March 31, 1995.

Underwriting – Examining, accepting, or rejecting insurance risks and classifying the ones that are accepted in order to charge appropriate premiums for them.

Unearned Premium – The portion of a premium already received by the insurer under which insurance coverage has not yet been provided. The entire premium is not earned until the policy period expires, even though premiums are typically paid in advance.

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). The Division was initially housed in the Dorian Building on the corner of South Monroe and Pensacola Streets in Tallahassee, the current location of the Leon County Courthouse. 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.

Receivership employees joined the state retirement plan with enactment of Chapter 94-259, Laws of Florida. All receivership employees of the Division as of the effective date of the act were enrolled as members of the Florida Retirement System ("FRS"). The Division did not pay into FRS for past service of receivership employees and receivership employees did not receive credit in FRS for receivership employment prior to the effective date of the act. Before joining FRS, the Division provided retirement benefits to the receivership employees in the form of Individual Retirement Account (IRA) contributions made payable jointly to the receivership employee and the financial institution where the employee chose to deposit the IRA.

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

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 or by the Office of Insurance Regulation. Please see Appendices C through F 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 G, Summary of Rehabilitation v. Liquidation, for more information about activities that occur whenever an insurance company is in rehabilitation or in 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.

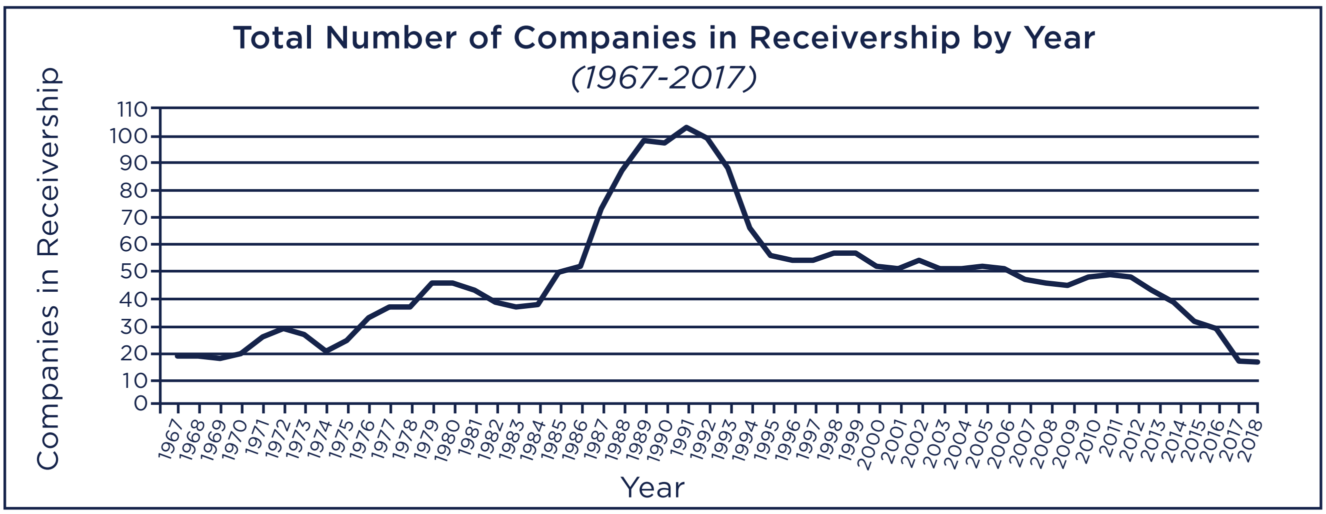

Figure 9 *Historical Data: Total Number of Companies in Receivership by Year, 1967-2018*

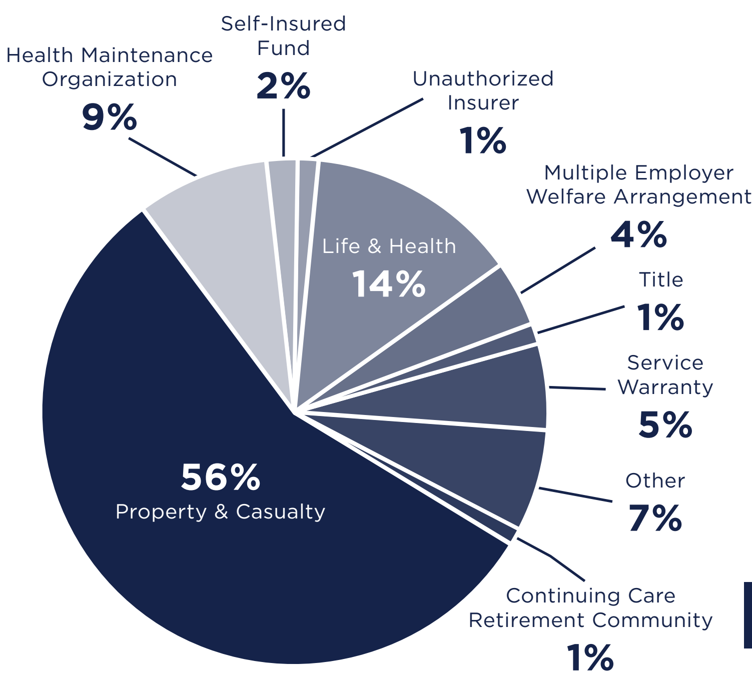

Figure 10 *Historical Data: Types of Companies Entering Receivership, 1957-2018*

Florida Insurance Guaranty Association ("FIGA")

The Florida Insurance Guaranty Association (FIGA) was created by statute in 1970, 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 is comprised of all Florida licensed direct writers of property or casualty insurance.

In general, the maximum amount paid by FIGA is $300,000 per claimant less a $100 deductible. An additional $200,000 in coverage is allowed on residential homeowners claims stemming from damage to the structure and contents of the residence. The cost of this protection is assessed to property and casualty insurance companies admitted to do business in Florida. FIGA is also entitled to file claims in the relevant receiverships for its administrative expenses and the covered claims that it pays. Coverage limits for claims filed to FIGA are shown below:

- Auto/Liability/Commercial Property Claims: $300,000
- Homeowners Property Damage claims: $500,000
- Condo Association claims: $100,000 x the number of residential units

A board of directors for the association is mandated under section 631.56, Florida Statutes, and may consist of not less than five or more than nine member insurers. Each board member serves a four-year term and may be reappointed.

For more information on FIGA visit www.figafacts.com.

Governing statutes: Chapter 631, Part II, Florida Statutes.

Appendix D

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

The Florida Workers' Compensation Insurance Guaranty Association (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.

FWCIGA was created to provide a mechanism for the payment of covered workers' compensation claims, to avoid excessive delay in payment and to avoid financial loss to claimants in the event of the insolvency of a member insurer. FWCIGA evaluates workers' compensation claims made by insureds against insolvent member companies or funds and determines if such claims are covered claims which should be paid or settled with funds from FWCIGA.

Coverage limits for workers' compensation claims filed to FWCIGA are shown below:

- Employer Injury claims: no limit
- Employer Liability claims: $300,000

FWCIGA also determines whether an assessment against its members is necessary to pay covered claims of an insolvent insurer or to reimburse FWCIGA for expenses associated with carrying out its statutory functions. FWCIGA is also entitled to file claims in the relevant receiverships for its administrative expenses and covered claims that it pays. In addition, FWCIGA may make reports and recommendations to the Department regarding the solvency, liquidation or rehabilitation of member insurers, may request an examination of member insurers that may be impaired or insolvent, and may make recommendations to the Department regarding the detection and prevention of insolvency of a workers' compensation insurer.

An eleven-member Board of Directors is mandated under section 631.912, Florida Statutes. One member must be the Insurance Consumer Advocate appointed by the Chief Financial Officer. Each board member serves a four-year term and may be reappointed.

For more information on FWCIGA visit www.fwciga.org.

Governing statutes: Chapter 631, Part V, Florida Statutes.

Florida Life and Health Insurance Guaranty Association (“FLAHIGA”)

The Florida Life and Health Insurance Guaranty Association (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.

The purpose of FLAHIGA is to protect policyholders, beneficiaries, and other claimants under life and health insurance policies, and annuity contracts, subject to certain limitations, from the financial impairment or insolvency of such an insurer. Coverage limits for claims filed to FLAHIGA are shown below:

- Life Insurance Death Benefit: $300,000 per insured life
- Life Insurance Cash Surrender: $100,000 per insured life
- Health Insurance Claims: $300,000 per insured life
- Annuity Cash Surrender: $250,000 for deferred annuity contracts per contract owner
- Annuity in Benefit: $300,000 per contract owner

The cost of this protection is assessed to life and health insurance companies which are members of FLAHIGA. FLAHIGA is also entitled to file claims in the relevant receiverships for its administrative expenses and the covered claims it pays.

A board of directors for the association is mandated under section 631.716, Florida Statutes, and consists of not fewer than five or more than nine member insurers. One member must be a domestic insurer and all member insurers must be fairly represented. Each board member serves a three-year term.

For more information on FLAHIGA visit www.flahiga.org.

Governing statutes: Chapter 631, Part III, Florida Statutes.

Appendix F

Florida Health Maintenance Organization Consumer Assistance Plan ("HMOCAP")

The Florida Health Maintenance Organization Consumer Assistance Plan (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. Extended coverage may be provided in limited circumstances pursuant to statute. Persons who are enrolled with an HMO for Medicaid or Medicare coverage are not covered by the HMOCAP. Rather, these persons must contact the Florida Agency for Health Care Administration (for Medicaid) or the federal Center for Medicare and Medicaid Services (for Medicare), for their coverage questions.

Each HMO must remain a member of the FHMOCAP as a condition of its authority to transact business as an HMO in Florida. A board of directors for the association is mandated under section 631.816, Florida Statutes, and consists of not fewer than five or more than nine persons fairly representing all member HMOs. Each member serves a four-year term and may be reappointed.

For more information on FHMOCAP visit www.flhmocap.com.

Governing statutes: Chapter 631, Part IV, Florida Statutes.

Summary of Rehabilitation v. Liquidation

REHABILITATION	LIQUIDATION
Board of Directors are suspended temporarily – the Department assumes their authority but can delegate back certain authority at the Department's option.	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 rehabilitator 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-claim 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-claim 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.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES DIVISION OF

REHABILITATION & LIQUIDATION

Alexander Bldg., Suite 310
2020 Capital Circle SE
Tallahassee, FL 32301