

**IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT,
IN AND FOR LEON COUNTY, FLORIDA**

In Re: Receivership of
COMMERCIAL INSURANCE ALLIANCE, a
Florida Reciprocal Insurance Company.

Case No.: 2011-CA-191

**ORDER APPROVING RECEIVER'S REPORT AND DIRECTING THE ASSESSMENT
OF THE SUBSCRIBERS OF COMMERCIAL INSURANCE ALLIANCE ("CIA")**

THIS CAUSE came on for consideration of the Receiver's Report and Petition for Order Approving and Directing the Assessment of Subscribers. After review of the Report and Petition and being otherwise fully advised in all material premises, the Court finds as follows:

FINDINGS OF FACT

1. This Court has jurisdiction over this delinquency proceeding and is authorized to make all necessary or proper orders to carry out the purposes of the Insurers Rehabilitation and Liquidation Act. § 631.021(1), Fla. Stat. (2013).
2. Commercial Insurance Alliance ("CIA") was licensed on May 4, 2006, by the Florida Office of Insurance Regulation ("OIR") as a reciprocal insurer pursuant to chapter 629, Florida Statutes. CIA was an unincorporated aggregation of subscribers operating individually and collectively through an attorney-in-fact to provide reciprocal insurance to its subscribers. CIA provided commercial multi-peril liability, commercial auto liability, and surety policies.
3. According to the terms of the Commercial Insurance Alliance Reciprocal Subscriber's Agreement ("Subscriber's Agreement"), the subscribers to CIA agreed to pay policy premiums and pay their individual share of any assessment levied pursuant to section 629.231, Florida Statutes. A copy of the Subscriber's Agreement is attached to the Receiver's Petition as "Exhibit A."

4. On August 19, 2009, OIR issued an Order suspending CIA's certificate of authority to write new or renewal business. In 2010, CIA's remaining in-force policies expired and CIA surrendered its certificate of authority.

5. On January 26, 2011, CIA consented to and this Court entered an Order appointing the Florida Department of Financial Services as Receiver of CIA for purposes of liquidation, injunction, and notice of automatic stay ("Liquidation Order").

6. As CIA consented to the appointment of the Receiver, no grounds were stated within the Petition for the Appointment of the Florida Department of Financial Services as Receiver as to why the Department should be appointed; and at that time, this Court did not make any findings in that regard.

7. On March 3, 2011, upon consideration of a motion by the Receiver, this Court entered an order finding CIA insolvent. Additionally, the order authorized the Receiver to shorten the claims filing deadline from January 26, 2012, to August 1, 2011, so that the Receiver could ascertain in the most expeditious and cost-effective manner any outstanding liabilities.

8. The Receiver has reported that, in accordance with the Liquidation Order and sections 631.111, and 631.141 Florida Statutes, it immediately took possession of the property and assets of CIA; began collecting the funds and assets owed to CIA; and evaluated all claims timely filed. The Receiver reported, however, that despite liquidating CIA's assets, a deficit remains and additional funds are necessary to cover claims and liabilities of the receivership estate.

Authority for the Receiver's Assessment of CIA Subscribers

9. Pursuant to section 629.231, Florida Statutes, assessments may be levied by the Receiver against subscribers of a domestic reciprocal insurer that has been placed into

receivership. Before such an assessment can be made, the Receiver must within three years after the entry of the Liquidation Order, file a report and petition this court setting forth: (1) the reasonable value of the assets of CIA; (2) the liabilities of CIA to the extent thus far ascertained by the Receiver; (3) the aggregate amount of the assessment, if any, which the Receiver deems reasonably necessary to pay all claims, the costs and expenses of the collection of the assessments, and the costs and expenses of the delinquency proceeding in full; and (4) any other information relative to the affairs or property of CIA that the Receiver deems material. § 631.311, Fla. Stat.

10. This Court, upon the filing and reading of the Receiver's report and petition for assessment, may, ex parte, order the Receiver to assess all subscribers of CIA who may be subject to such an assessment, in such an aggregate amount as the Court finds "reasonably necessary to pay all valid claims as may be timely filed and proved in the delinquency proceeding, together with the costs and expenses of levying and collecting assessments and the costs and expenses of the delinquency proceeding in full." § 631.321(1), Fla. Stat. Any such order shall require the Receiver to assess each such subscriber for his or her proportion of the aggregate assessment, according to such reasonable classification of such subscribers and formula as may be made by the Receiver and approved by the Court.

Calculation of Aggregate Assessment

11. Pursuant to section 631.311(1), Florida Statutes, the Receiver has reported that, as of September 30, 2013, the CIA receivership estate held assets having a reasonable value of **\$223,412**, comprised of **\$223,269** in cash and **\$144** in accrued interest receivable. The Receiver has projected that it will accrue an additional **\$799** in interest by the time this estate is closed, bringing the total value of the estate's assets to **\$224,212** (hereinafter "Estate's Assets"). A copy

of the interim Statement of Affairs of the CIA receivership as of September 30, 2013, is attached to the Receiver's Petition as "Exhibit B."

12. Pursuant to section 631.311(2), the Receiver has reported that, as of September 30, 2013, the CIA receivership estate had amassed liabilities in the amount of **\$1,613,984** (hereinafter "Estate's Liabilities"), comprised of **\$1,501,484** as reserve for known claims against CIA and related allocated loss adjustment expenses and **\$112,500** as reserve for the Receiver's administrative and unallocated loss adjustment expenses.

13. Additionally, the Receiver has reported that the costs and expenses of levying and collecting an assessment of CIA's subscribers will be **\$79,750** (hereinafter "Cost of Assessment").

14. The Court finds that there are insufficient assets in the CIA receivership estate to pay all valid claims as may be filed and proved in this delinquency proceeding, together with the costs and expenses of the delinquency proceeding in full.

15. The Court finds that in order to pay all valid claims as may be filed and proved in the delinquency proceedings, together with the costs and expenses of levying and collecting the assessment and the costs and expenses of the delinquency proceeding in full, it is reasonably necessary for the receivership estate to recover an aggregate assessment in the amount of **\$1,469,522** to cover the claims and expenses incurred herein. This amount is comprised of the Estate's Liabilities *plus* the Cost of Assessment *less* the Estate's Assets. A copy of the Receiver's Summary of Assessment and a copy of the Receiver's Cash Flow Projection setting forth a projection which incorporates cash on hand, known loss claims, future administrative expenses, and costs of levying an assessment are attached to the Receiver's Petition as "Composite Exhibit C."

16. The Court finds that the Receiver's determinations regarding the reserves necessary to pay claims and allocated loss adjustment expenses as well as administrative and unallocated loss adjustment expenses are reasonable and in the best interest of the receivership estate.

17. The Court finds that the Receiver's determinations regarding the cost and expenses to levy and collect the assessment are reasonable and in the best interest of the receivership estate.

Calculation of Each Subscriber's Share of the Aggregate Assessment

18. Pursuant to sections 629.231, 629.241, 631.042, and 631.321, Florida Statutes, this Court has authority to direct the Receiver to levy an assessment against any subscriber of CIA if the subscriber had a policy in force at any time during the 4 years preceding the Liquidation Order.

19. The Court, therefore, finds that all subscribers of CIA having a policy in force at any time between January 27, 2007, and January 26, 2011, are liable for a portion of the assessment.

20. The liability of each subscriber for the obligations of the reciprocal insurer shall be an individual, several, and proportionate liability, and not joint. §629.211, Fla. Stat. The assessment of each subscriber for her or his proportion of the aggregate assessment shall be made according to such reasonable classification of subscribers and formula as may be made by the Receiver and approved by the court. §631.321(1), Fla. Stat. Section 629.231(2) outlines the formula by which each subscriber must be assessed and provides that "each subscriber's share of a deficiency for which an assessment is made, ... shall be computed by applying to the premium earned on the subscriber's policy or policies during the period to be covered by the assessment,

the ratio of the total deficiency to the total premiums earned during such period upon all policies subject to the assessment.” The Receiver has determined each subscriber’s share of the deficiency for which the assessment is made based upon the formula prescribed in section 629.231. Each subscriber’s share of the assessment is shown on the Receiver’s Assessment Calculation By Line of Business and By Insured Report, which is attached to the Receiver’s Petition as “Exhibit D.”

21. The Court finds that the Receiver’s determination of each subscriber’s share of the assessment is correctly calculated based upon reasonable classification of the subscribers and formula, which formula is set forth in section 629.231(2).

IT IS, THEREFORE, ORDERED AND ADJUDGED as follows:

A. The Receiver’s Report and Petition are approved and the Receiver is directed to assess the subscribers of CIA pursuant to sections 629.211, 629.231, 629.241, 631.311, 631.321, and 631.331, Florida Statutes.

B. The Receiver’s Summary of Assessment and Cash Flow Projection, which are attached to the Receiver’s Petition as Composite Exhibit C, establishing the aggregate assessment amount at **\$1,469,522** are hereby approved.

C. All CIA subscribers with policies in force at any time between January 27, 2007, and January 26, 2011, shall be assessed.

D. The Receiver’s Assessment Calculation by Line of Business and By Insured, attached to the Receiver’s Petition as Exhibit D, setting forth each subscriber’s share of the aggregate assessment, is hereby approved.

E. Any assessment of a subscriber made by the Receiver pursuant this Order shall be

prima facie correct. § 631.331(1), Fla. Stat.

F. The Receiver is hereby authorized and directed to provide to each subscriber a Notice of Assessment by regular U.S. mail with Certificate of Mailing service to the last known address of the subscriber as shown in the records of CIA or to any subsequently revised address of such subscriber as ascertained by the Receiver. Failure of a subscriber to receive the notice so mailed, within the time specified therein or at all, shall be no defense in any proceeding to collect the assessment. § 631.331(2), Fla. Stat.

G. Each Notice of Assessment shall be in writing, shall specify the amount assessed, shall reference this Order, shall provide the Receiver's address where payments may be sent, and shall state the deadline by which each subscriber shall pay or make adequate provision acceptable to the Receiver for the payment of the assessment.

H. The Receiver is hereby authorized and directed to establish a date for the payment of the assessment (the "Payment Due Date"), which date shall not be less than twenty (20) days from the date on which the Notice of Assessment is mailed. § 631.331(3), Fla. Stat.

I. Each such Notice of Assessment shall constitute notice of this Order approving and directing the assessment of the subscribers of CIA.

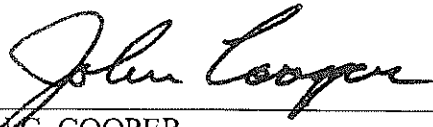
J. The subscriber shall pay, or shall make adequate provision acceptable to the Receiver for the payment of, the assessment by the Payment Due Date.

K. The Receiver may in its discretion, accept from any subscriber such lesser amount or different terms in settlement of the subscriber's share of assessment as the Receiver deems to be in the best interest of the CIA receivership estate.

L. In the event that the subscriber does not pay the assessment by the Payment Due Date or does not pay the assessment in accordance with any settlement entered into between the

subscriber and the Receiver, the Receiver is authorized to obtain an order in this proceeding requiring the subscriber to show cause why judgment should not be entered against the subscriber for the amount of the assessment, together with all costs incurred in the collection of the assessment. § 631.331(3), Fla. Stat.

DONE AND ORDERED in Chambers at the Leon County Courthouse, Tallahassee, Florida, on this the ____ day of JAN 27 2014, 2014.



JOHN C. COOPER
CIRCUIT JUDGE