

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidations
Statement of Affairs
As of June 30, 2014

| | <u>Estimated Realizable Value</u> |
|--|---|
| ASSETS | |
| Cash-Company Operating | \$6,019,711.89 |
| Cash-Restricted | 1,059.19 |
| Pooled Cash Due from the Admin Fund | 10,714,759.23 |
| Short Term Investments | 2,904.46 |
| Accrued Interest Receivable | 6,427.59 |
| Reinsurance Recoverable | 4,500,000.00 |
| Long Term Investments | 8,189,420.87 |
| Other Assets | 425,452.85 |
| Allowance for Impaired Assets | <u>(773,475.75)</u> |
| Total Assets | <u><u>\$29,086,260.33</u></u> |
| LIABILITIES | |
| Secured Claims | 7,000,000.00 |
| Claims Not Prioritized | 16,862,451.00 |
| Total Liabilities | <u>\$23,862,451.00</u> |
| EQUITY | |
| Contributed Equity - State of Florida | 2,991.69 |
| Estate Equity | <u>5,220,817.64</u> |
| Excess (Deficiency) of Assets over Liabilities | <u>\$5,223,809.33</u> |
| Total Liabilities and Equity | <u><u>\$29,086,260.33</u></u> |

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

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Statement of Cash Receipts and Disbursements
From the Date of Liquidation through June 30, 2014

| | Fiscal Year to Date | Since Date of Liquidation |
|--|------------------------|---------------------------------|
| CASH RECEIPTS | | |
| Premium Collections | \$2,127,621.70 | \$2,127,621.70 |
| Other Collections / Recoveries | 52,686.82 | 52,686.82 |
| Sale of Personal Property Inventory | 12,725.00 | 12,725.00 |
| Sale of Other Assets | 10,000,000.00 | 10,000,000.00 |
| Receipts Before Investment Activities | 12,193,033.52 | 12,193,033.52 |
| Interest and Dividend Receipts | 47,800.45 | 47,800.45 |
| Sale of Short Term Investment | 707,290.40 | 707,290.40 |
| Receipts From Investment Activities | 755,090.85 | 755,090.85 |
| Total Cash Receipts | 12,948,124.37 | 12,948,124.37 |
| CASH DISBURSEMENTS & DISTRIBUTIONS | | |
| Professional Fees and Expenses | 11,122.80 | 11,122.80 |
| Salaries and Fringe Benefits | 286,706.51 | 286,706.51 |
| Employee Welfare | 65.30 | 65.30 |
| Travel Expenses | 4,178.89 | 4,178.89 |
| Admin Expenses | 606.02 | 606.02 |
| Equipment and Furniture Expenses | 1,203.06 | 1,203.06 |
| Rent, Building and Equipment | 14,374.59 | 14,374.59 |
| Disbursements | 318,257.17 | 318,257.17 |
| Disbursements & Distributions Before Investment Activities | 318,257.17 | 318,257.17 |
| Financial Expenses | 2,987.32 | 2,987.32 |
| Purchase Short Term Investment | 47,269.44 | 47,269.44 |
| Disbursements for Investment Activities | 50,256.76 | 50,256.76 |
| Total Cash Disbursements & Distributions | 368,513.93 | 368,513.93 |
| Net Increase (Decrease) in Cash | 12,579,610.44 | 12,579,610.44 |
| Beginning Cash Balance: | | |
| Beginning Cash | 0.00 | 0.00 |
| Adjustments to Beginning Cash | 0.00 | 0.00 |
| Cash from New Estates | 4,155,919.87 | 4,155,919.87 |
| Adjusted Beginning Cash Balance | 4,155,919.87 | 4,155,919.87 |
| Ending Cash Balance | 16,735,530.31 | 16,735,530.31 |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Cash - Company
For the Twelve Months Ended June 30, 2014

Cash - Company Master

| <u>Description</u> | | <u>Balance @ Liquidation 6/3/14</u> | <u>Deposits</u> | <u>Disbursements</u> | <u>Balance 6/30/14</u> |
|--------------------|--------------------------------------|---|---------------------|-----------------------|----------------------------|
| Bank of America | Master Account - 3118 | 6,619,363.22 | 1,943,883.70 | (1,174,839.42) | 7,388,407.50 |
| Bank of America | Claims Account - 4163 | (111,360.88) | 0.00 | 0.00 | (111,360.88) |
| Bank of America | NCA Claims Account - 2545 | (1,904,681.18) | 945,121.34 | 0.00 | (959,559.84) |
| Bank of America | Premium Refunds & Commissions - 4150 | (448,932.24) | 151,157.35 | 0.00 | (297,774.89) |
| Totals: | | <u>4,154,388.92</u> | <u>3,040,162.39</u> | <u>(1,174,839.42)</u> | <u>6,019,711.89</u> |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Cash -Restricted
 For the Twelve Months Ended June 30, 2014

Cash - Restricted

| <u>Description</u> | <u>Balance @ Liquidation 6/3/14</u> | <u>Deposits</u> | <u>Disbursements</u> | <u>Balance 6/30/14</u> |
|--------------------|---|-----------------|----------------------|----------------------------|
| Wells Fargo | 117.71 | 0.00 | 0.00 | 117.71 |
| US Bank | 941.48 | 0.00 | 0.00 | 941.48 |
| Totals: | <u>1,059.19</u> | <u>0.00</u> | <u>0.00</u> | <u>1,059.19</u> |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Short Term Investments
For the Twelve Months Ended June 30, 2014

Money Markets

| Description | Balance 6/3/14 | Transfers/ Adjustments | Interest | Balance 6/30/14 |
|---------------------------|---------------------------|-----------------------------------|------------------|----------------------------|
| US Bank - Custody Account | 662,925.42 | (707,290.40) | 47,269.44 | 2,904.46 |
| | <u>662,925.42</u> | <u>(707,290.40)</u> | <u>47,269.44</u> | <u>2,904.46</u> |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Accrued Interest Receivable
For the Twelve Months Ended June 30, 2014

Accrued Interest Receivable

| Description | | Balance @ Liquidation 6/3/14 | Accrued | Received | Balance 6/30/14 |
|--------------------|---------------------------|---|----------------|-----------------|----------------------------|
| State Treasury | SPIA, 4-20-0-010000-00000 | 0.00 | 6,427.59 | 0.00 | 6,427.59 |
| Totals: | | 0.00 | 6,427.59 | 0.00 | 6,427.59 |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company
Schedule of Reinsurance Recoverables - Net of Allowance
For Twelve Months Ended June 30, 2014

Reinsurance Recoverables

| Recovery Agen | Balance 07/01/13 | Billed | Recovered | Adjustments | Balance 6/30/14 |
|----------------------|-----------------------------|---------------|------------------|--------------------|----------------------------|
| Receiver | 4,500,000.00 | 0.00 | 0.00 | 0.00 | 4,500,000.00 |
| Total | 4,500,000.00 | 0.00 | 0.00 | 0.00 | 4,500,000.00 |

Allowance Reinsurance

| Recovery Agen | Balance 07/01/13 | Increases | Decreases | Balance 6/30/14 |
|----------------------|-----------------------------|------------------|------------------|----------------------------|
| Receiver | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 0.00 | 0.00 | 0.00 |

Reinsurance Recoverables - Net of Allowance

4,500,000.00

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Long Term Investments
For the Twelve Months Ended June 30, 2014

Bonds - U.S. Treasury Bonds

| Description | Balance 6/3/14 | Adjustments | Received | Balance 6/30/14 |
|-------------|-------------------|---------------------|-------------|---------------------|
| Wells Fargo | 0.00 | 1,019,093.30 | 0.00 | 1,019,093.30 |
| | <u>0.00</u> | <u>1,019,093.30</u> | <u>0.00</u> | <u>1,019,093.30</u> |

Bonds - Other U.S. Government

| Description | Balance 6/3/14 | Adjustments | Received | Balance 6/30/14 |
|-------------|---------------------|-------------------|-------------|---------------------|
| Wells Fargo | 2,198,874.36 | 810,472.86 | 0.00 | 3,009,347.22 |
| | <u>2,198,874.36</u> | <u>810,472.86</u> | <u>0.00</u> | <u>3,009,347.22</u> |

Bonds - Municipal

| Description | Balance 6/3/14 | Adjustments | Received | Balance 6/30/14 |
|-------------|-------------------|-------------------|-------------|---------------------|
| Wells Fargo | 718,832.65 | 300,680.55 | 0.00 | 1,019,513.20 |
| | <u>718,832.65</u> | <u>300,680.55</u> | <u>0.00</u> | <u>1,019,513.20</u> |

Bonds - Corporation

| Description | Balance 6/3/14 | Adjustments | Received | Balance 6/30/14 |
|-------------|---------------------|-------------------|-------------|---------------------|
| Wells Fargo | 1,263,832.65 | (3,213.65) | 0.00 | 1,260,619.00 |
| | <u>1,263,832.65</u> | <u>(3,213.65)</u> | <u>0.00</u> | <u>1,260,619.00</u> |

Bonds - Other

| Description | Balance 6/3/14 | Adjustments | Received | Balance 6/30/14 |
|-------------|---------------------|--------------------|-------------|---------------------|
| Wells Fargo | 1,139,275.86 | (31,903.46) | 0.00 | 1,107,372.40 |
| | <u>1,139,275.86</u> | <u>(31,903.46)</u> | <u>0.00</u> | <u>1,107,372.40</u> |

Stocks - Common

| Description | Balance 6/3/14 | Adjustments | Received | Balance 6/30/14 |
|------------------------------------|-------------------|-------------|-------------|--------------------|
| Coastal American Insurance Company | 773,475.75 | 0.00 | 0.00 | 773,475.75 |
| | <u>773,475.75</u> | <u>0.00</u> | <u>0.00</u> | <u>773,475.75</u> |

Total Long Term Investments 8,189,420.87

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Other Assets
For the Twelve Months Ended June 30, 2014

Statutory Deposits

| Description | Maturity Date | Interest Rate | Balance 6/3/14 | Adjustments/ Payments | Balance 6/30/14 |
|------------------------------|------------------|------------------|-------------------|--------------------------|--------------------|
| Florida - Suntrust CD | 4/15/2015 | 0.1% | 300,325.66 | 0.00 | 300,325.66 |
| South Carolina - Suntrust CD | 5/9/2015 | 0.1% | 100,100.05 | 0.00 | 100,100.05 |
| South Carolina - Suntrust CD | 4/22/2015 | 0.1% | 25,027.14 | 0.00 | 25,027.14 |
| Totals | | | 425,452.85 | 0.00 | 425,452.85 |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Allowance of Impaired Assets
For the Twelve Months Ended June 30, 2014

Allowance for Impaired Assets

Stocks - Common

| <u>Description</u> | <u>Balance 6/3/14</u> | <u>Payments</u> | <u>Adjustments</u> | <u>Balance 6/30/14</u> |
|------------------------------------|---------------------------|-----------------|--------------------|----------------------------|
| Coastal American Insurance Company | (773,475.75) | 0.00 | 0.00 | (773,475.75) |
| | <u>(773,475.75)</u> | <u>0.00</u> | <u>0.00</u> | <u>(773,475.75)</u> |

Total Allowance for Impaired Assets (773,475.75)

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Sunshine State Insurance Company in Liquidation
Schedule of Secured Claim Against the Estate
For the Twelve Months Ended June 30, 2014

Secured Claims - Other

| <u>Description</u> | <u>Balance @ Liquidation 6/3/14</u> | <u>Adjustments</u> | <u>Balance @ Liquidation 6/30/14</u> |
|----------------------------|---|---------------------|--|
| Heritage Insurance Company | 0.00 | 7,000,000.00 | 7,000,000.00 |
| Total: | <u>0.00</u> | <u>7,000,000.00</u> | <u>7,000,000.00</u> |

**Florida Department of Financial Services, Division of Rehabilitation
and Liquidation**
Sunshine State Insurance Co. in Liquidation
Notes to Financial Statements
Dated June 30, 2014

1. **Estate Information.** Sunshine State Insurance Co. was a property and casualty company domiciled in Florida and placed in liquidation on June 3, 2014.
2. **Basis of Presentation.** The accompanying financial statements have been prepared on a modified cash basis of accounting using a fiscal year of July 1, 2013 through June 30, 2014. The assets are stated at their estimated realizable values, while the liabilities are stated at their gross filed amounts and are periodically adjusted as evaluated, adjudicated and/or paid. Interest is accrued and reinsurance receivables are only posted when billed to reinsurers. In addition, the statements do not provide accruals for all future administrative expenses to liquidate the estate or costs to pursue or litigate claims against others.
3. **Unaudited.** The accompanying financial statements have not been audited by an independent certified public accountant and no opinion is expressed on their compliance with generally accepted accounting principles.
4. **Statement Format Changes.** On July 1, 2001, the Receiver converted accounting systems, which resulted in the historical accounting data being presented differently in this set of financial statements than the previously prepared statements for this estate. Because the new system uses a more detailed chart-of-accounts and summarizes data into categories different than previously used, the 'Since Date of Liquidation' column of historical data on the 'Statement of Cash Receipts and Disbursements' may not correspond directly to previous statement presentations. Users of this "Liquidation to-date" information should solicit additional information from the Receiver before making assumptions about the data.
5. **Pooled Investments.** The majority of the invested assets of the estates are combined into two main pooled accounts: the Receiver's operating account held at the Bank of America and the Special Purpose Investment Account held at the State of Florida Treasury. Each estate's share of the pooled investments is presented on the accompanying financial statements as "Pooled Cash Due from the Admin Fund".
6. **Cash - Company Operating.** Consists of funds currently held in the Company's bank accounts that were used prior to liquidation and have not yet been closed.
7. **Cash - Restricted.** Consists of funds held in Company accounts the use of which is restricted at June 30, 2014. These funds are held at Wells Fargo and US Bank and are restricted due to reinsurance contracts.
8. **Short Term Investments.** The investments are stated at fair value, which approximates market value. Market values are those provided by the depository trust institution or brokerage institution in possession of the securities at the balance sheet date.
9. **Reinsurance.** Reinsurance receivables have resulted from losses that have been paid and billed to the reinsurer(s). The financial statements reflect the gross amount of the billed losses less an allowance for any receivable(s) currently considered to be uncollectible. The receivable amount may include paid losses that are ceded to one or more reinsurance contracts being collected on behalf of the Receiver by an intermediary or the Receiver's staff.
10. **Long Term Investments.** The investments are stated at fair value, which approximates market value. Market values are those provided by the depository trust institution or brokerage institution in possession of the securities at the balance sheet date. SSIC's investment includes bonds and a 25% share of the common stock of Coastal American Ins. Co.
11. **Other Assets.** Represents assets such as statutory deposits, mortgage receivables and prepaid expenses and are based plus any accrued interest. This item consists of the remaining FL and SC statutory deposits held as certificates of deposit at SunTrust Bank.
12. **Allowance for Impaired Assets.** Generally an estimate of uncollectible amounts for certain assets. This allowance represents SSIC's 25% share of common stock in Coastal American Ins. Co.

**Florida Department of Financial Services, Division of Rehabilitation
and Liquidation**
Sunshine State Insurance Co. in Liquidation
Notes to Financial Statements
Dated June 30, 2014

13. **Secured Claim.** The secured claims represent liabilities for such items as cash bond collateral, amounts for which the ownership is in dispute with other entities, amounts subject to court ordered distribution and other such items. This secured claim represents a portion of the \$10 million transfer of SSIC policies to Heritage Property & Casualty Ins. Co. on 6/13/14, a portion of which is subject to final reconciliations the will be completed by 7/31/15.
14. **Claims.** Unless otherwise noted, the Statement of Affairs contains claim liabilities by priority class pursuant to 631.271, Florida Statutes. Unless otherwise stated, the claim liabilities reported are gross filed, un-adjudicated, and have not been reduced by any early access payments from the Florida Receiver. Claim liability numbers are based upon the most current available information and documentation provided to the Receiver from both internal and external sources.
 - Claims liabilities are based upon company estimates as of liquidation June 3rd, 2014.
15. **Federal Priority.** Pursuant to 31 U.S.C.A. § 3713, a federal government claim must be paid first, when a debtor to the United States is insolvent. The federal government has taken the position that it is not subject to state insurance liquidation proceeding's claims filing deadlines. To establish finality, shield itself from potential liability, and ultimately discharge the estate, the Receiver will file a federal release request with the U.S. Department of Justice (DOJ).
16. **Contributed Equity – State of Florida.** The Receiver will, from time to time, expend public funds to carry out certain duties during the course of liquidating an insurance company. The Division accounts for these expenditures as a contribution of equity by the State.
17. **Excess (Deficiency) of Assets over Liabilities.** The excess or (deficiency) represents the estimated realizable value of assets after deducting the current estimate of liabilities. This excess or (deficiency) does not take into consideration any estimates for future administrative costs to liquidate the estate or costs to pursue or litigate claims against others.