

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

In Re: The Receivership of
Florida Specialty Insurance Company,
a Florida corporation.

CASE NO. 2019 CA 002328

**THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES, DIVISION OF
REHABILITATION AND LIQUIDATION'S APPLICATION FOR DISBURSEMENT OF
FUNDS TO THE FLORIDA INSURANCE GUARANTY ASSOCIATION**

The Florida Department of Financial Services, Division of Rehabilitation and Liquidation, as Receiver of Florida Specialty Insurance Company (hereinafter "The Department"), moves this Honorable Court for an entry of an Order authorizing the Department to disburse funds in the amount of TEN MILLION DOLLARS AND NO CENTS (\$10,000,000.00) to the Florida Insurance Guaranty Association (hereinafter "FIGA"). These funds are hereinafter referred to as early access funds. In support of its application, the Department states:

1. Section 631.397, Florida Statutes, provides in substance that the Department may disburse assets out of such insurer's marshaled assets, as such assets become available, to each guaranty association entitled thereto.

2. FIGA is one of the guaranty associations contemplated by Section 631.397, Florida Statutes.

3. In accordance with Section 631.397 and as ordered by the Court, the Department previously distributed TEN MILLION DOLLARS AND NO CENTS (\$10,000,000.00) to FIGA as early access funds.

4. FIGA will use the funds released from the Florida Specialty Insurance Company (hereinafter "Florida Specialty") estate to its current administrative expenses and the covered

claims of policyholders and third parties. In compliance with Section 631.397(2)(d), Florida Statutes, The Department and FIGA have executed an Early Access Agreement (“Agreement”). The Agreement provides in substance that FIGA shall return such early access distributions as may be required to pay claims of secured creditors and claims falling within the priority scheme established by part I of Chapter 631, Florida Statutes. Further, FIGA will not be entitled to share in the funds ultimately distributed from the Florida Specialty estate until such allocated distributions to which the FIGA is otherwise entitled exceed the early access distributions. The Early Access Agreement is attached hereto as **EXHIBIT A**.

5. The Department represents that in accord with Section 631.397(2)(a), Florida Statutes, there are sufficient assets in the Florida Specialty estate to permit the proposed early access to the FIGA, while reserving amounts for the payment of expenses of administration, the payment of claims of secured creditors’ claims to the extent of the value of the security held, and the payment of claims falling within the priorities established by Part I of Chapter 631, Florida Statutes. See **EXHIBIT B** to this application.

6. In accord with Section 631.397(2)(b), Florida Statutes, if additional assets become available in an amount sufficient to allow further early access distribution, the Department will seek additional authority to disburse same.

7. The Department represents that the proposed early access distribution provides for the equitable allocation of disbursements to each association entitled thereto, consistent with Section 631.397(2)(c), Florida Statutes.

8. FIGA regularly reports to the Department on its activities in the Florida Specialty estate. These reports include all the information required by section 631.397 (2)(d), Florida Statutes.

WHEREFORE, the Department respectfully requests this Court enter an Order approving the disbursement of early access funds in the amount of TEN MILLION DOLLARS AND NO CENTS (\$10,000,000.00) to the Florida Insurance Guaranty Association.

Respectfully submitted this 25th day of August 2020.

/s/ Yamile Benitez-Torviso

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that she served all parties who have entered an appearance on the ECF system with a copy of this Motion.

/s/ Yamile Benitez-Torviso

Yamile Benitez-Torviso, Senior Attorney

Florida Bar No. 0151726

Memo in Support of Consideration of Early Access Distribution to Guaranty Association(s)

To: Legal
 From: Tangela Sapp, Senior Estate Management Analyst
 Date: August 18, 2020
Re: Receivership of Florida Specialty Insurance Company
 All amounts reported are as of June 30, 2020, Statement of Affairs, unless otherwise noted.

Company Number
 Company Type
 Domiciliary State
 Date of Liquidation
 Claims Filing Deadline
 Guaranty Association(s) Involved

553
 P&C
 Florida
 10/02/19
 10/02/20
 FIGA

Cash Balance (non-restricted assets only) **\$38,250,876.04**

Non Guaranty Association Class 2 Claims **\$0.00**

Has a GA Interim Claims Report been produced for this estate^A ? No

^A If the answer to this question is yes, then the GA claims liabilities have been "frozen" from just prior to the time that the Report was produced. Subsequent Financial Statements produced by the Accounting Sections report the GA liabilities as these frozen values until such time as a distribution is made.

Florida Insurance Guaranty Association ("FIGA")

| | | | | |
|--|-----------------|-----------------|------------------------|----------------|
| Class 1 - Paid ^{1,2} | \$2,400,115.56 | | | |
| Class 1 - Reserves ^{1,2} | \$6,120,532.88 | | | |
| Total Class 1 Claims ^{1,2} | | \$8,520,648.44 | | |
| Class 2 - Paid ^{1,3} | \$12,231,202.54 | | | |
| Class 2 - Reserves ^{1,3} | \$22,956,395.49 | | | |
| Total Class 2 Claims ^{1,3} | | \$35,187,598.03 | | |
| Class 3 - Paid ^{1,4} | \$33,698,899.42 | | | |
| Class 3 - Reserves ^{1,4} | \$0.00 | | | |
| Total Class 3 Claims ^{1,4} | | \$33,698,899.42 | | |
| Total Classes 1, 2, & 3 Claims ^{1,2,3, 4} | | | \$77,407,145.89 | |
| Prior Early Access Distribution(s) to FIGA | | | \$0.00 | |
| Plus: Early Access Distribution after Financial Statement posted. | | | \$10,000,000.00 | |
| Total Prior Early Access distribution | | | \$10,000,000.00 | |
| Percentage of Prior Early Access Distribution(s) Applied by Class | | | | Class 1 100.0% |
| | | | | Class 2 4.2% |
| | | | | Class 3 0.0% |
| Proposed Current Early Access Distribution to FIGA | | | \$10,000,000.00 | |
| Total Prior + Proposed Early Access Distribution(s) | | | \$ 20,000,000.00 | |
| Percentage of Prior + Proposed Early Access Distribution(s) Applied by Class | | | | Class 1 100.0% |
| Class | | | | Class 2 32.6% |
| | | | | Class 3 0.00% |

¹The claims amounts reported reflect paid and projected expenditures, net of any post-liquidation recoveries. These amounts have not been reduced by any previous early access distributions.

²Section 631.271(1)(a)(2), Florida Statutes; Class 1 - claims of guaranty associations for expenses incurred in handling claims.

³Section 631.271(1)(b), Florida Statutes; Class 2 - claims of guaranty associations for payment of policy loss claims.

⁴Section 631.271(1)(b), Florida Statutes; Class 3 - claims of guaranty associations for unearned premiums or premium refunds under nonassessable policies.

| Claims Liabilities for FSIC for Use in Special Early Access Analysis - 03/31/20 GA data to match 06/30/20 Financials | | | | | | | |
|--|---------------|-----------------------|------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| Company Name | Associated GA | Class 1 Paid | Class 1 Reserves | Class 2 Paid | Class 2 Reserves | Class 3 Paid | Class 3 Reserves |
| <u>Florida Specialty #553</u> | | | | | | | |
| Florida Specialty | FIGA | \$ 2,400,115.56 | \$ 6,120,532.88 | \$ 12,231,202.54 | \$ 22,956,395.49 | \$ 33,698,899.42 | \$ - |
| | | Total Class 1: | \$ 8,520,648.44 | Total Class 2: | \$ 35,187,598.03 | Total Class 3: | \$ 33,698,899.42 |