

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'
MOTION TO ESTABLISH CLAIMS BAR DATE

The Florida Department of Financial Services (“Receiver” or “Department”), as Receiver for Florida Specialty Insurance Company (“FSIC”), files this Motion to Establish Claims Bar Date, and states as follows:

1. On October 2, 2019, this Court entered a *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Specialty Insurance Company for purposes of Liquidation, Injunction, and Notice of Automatic Stay* (“Liquidation Order”).

2. On October 25, 2019, this Court entered, an *Amended Order Appointing the Florida Department of Financial Services as Receiver of Florida Specialty Insurance Company for purposes of Liquidation, Injunction, and Notice of Automatic Stay* (“Amended Liquidation Order”).

3. The Liquidation Order and Amended Liquidation Order established a deadline for filing proof of claims in the FSIC Estate of twelve months from the date of the Liquidation order.

4. Pursuant to section 631.021(1), Florida Statutes, this Court has jurisdiction over the FSIC receivership and is authorized to enter all necessary and/or proper orders to carry out the purpose of the Florida Insurers Rehabilitation and Liquidation Act, Part I, Chapter 631, Florida Statutes.

5. It has been over 17 months since the October 2, 2020 claims filing deadline. Any claim filed with the Department after the October 2, 2020 deadline will be considered to be a late

filed claim unless it meets the requirements of section 631.181(1), Florida Statutes. The Department's FSIC Statement of Affairs as of December 31, 2021 shows a deficiency of assets over liabilities in an amount that makes it impossible for the Department to make any distributions to claimants with late filed claims. (A copy of FSIC's Statement of Affairs attached hereto as Exhibit A)

6. A bar date will prevent delay in the discharging of funds due to late claims, as well as preserve the funds for timely-filed claims. This will ensure that the Department can wrap up the receivership without late claims delaying final tasks, such as distribution and accounting.

7. The Receiver is entitled to "petition the receivership court to set a date certain after which no further claims may be filed." See. § 631.181(5), Fla. Stat. The bar date proposed by the Department is July 1, 2022.

WHEREFORE the Department of Financial Services as Receiver for FSIC, respectfully requests the Court to grant this Motion and enter an Order setting July 1, 2022 as the bar date after which no further claims may be filed.

Respectfully submitted this 22nd day of March 2022.

/s/ybtorviso

YAMILE BENITEZ-TORVISO

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Florida Department of Financial Services

Division of Rehabilitation and Liquidation

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CERTIFICATE OF SERVICE

IT IS HEREBY CERTIFIED that a true and correct copy of this Motion was electronically filed with the Clerk of Courts by using the ECF system and electronically noticed this 22nd day of March 2022 to all attorneys of record listed thereon.

/s/ybtorviso

YAMILE BENITEZ-TORVISO

Senior Attorney, Florida Bar No. 0151726

**Florida Department of Financial Services, Division of Rehabilitation and
Liquidation
Florida Specialty Insurance Company in Liquidation
Statement of Affairs
12/31/2021**

**Estimated
Realizable
Value**

ASSETS

| | |
|---|------------------------|
| Pooled Cash in SPIA Due from the Admin Fund | \$399,595.76 |
| Pooled Cash in SPIA Reserved for Unclaimed Property | 1,257,324.32 |
| Short Term Investments | 252,357.39 |
| Accrued Interest Receivable | 1,104.70 |
| Reinsurance Recoverable | 3,419,013.93 |
| Advance to Guaranty Associations | 59,000,000.00 |
| FI Hurricane Cat Fund Payments to Guaranty Assoc. | 1,706,170.10 |
| Total Assets | \$66,035,566.20 |

LIABILITIES

| | |
|--|-------------------------|
| Unclaimed Property | 1,257,324.32 |
| Class 1 Administrative Claims | |
| Class 1 - Guaranty Associations | 14,861,307.91 |
| Class 2 Loss Claims | |
| Class 2 - Guaranty Associations | 40,483,867.15 |
| Class 2 - Other | 67,364.23 |
| Class 3 Unearned Premium Claims under Non-assessable Policies | |
| Class 3 - Guaranty Associations | 33,452,397.66 |
| Class 3 - Other | 8,997,200.00 |
| Class 6 General Creditor Claims | |
| Class 6 - Other | 5,149,240.78 |
| Class 8 Late Filed Claims | 158,331.01 |
| Class 11 Shareholder Claims | 28,527,575.50 |
| Total Liabilities | \$132,954,608.56 |

EQUITY

| | |
|--|------------------------|
| Contributed Equity - State of Florida | 283,270.20 |
| Estate Equity | (67,202,312.56) |
| Excess (Deficiency) of Assets over Liabilities | (\$66,919,042.36) |
| Total Liabilities and Equity | \$66,035,566.20 |

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

EXHIBIT A

**Florida Department of Financial Services, Division of Rehabilitation and
Liquidation**

**Florida Specialty Insurance Company in Liquidation
Statement of Cash Receipts and Disbursements
From the Date of Liquidation through 12/31/2021**

| | <u>Fiscal Year to Date</u> | <u>Since Date of Liquidation</u> |
|--|--------------------------------|--|
| CASH RECEIPTS | | |
| Premium Collections | (\$407.57) | \$1,079,538.34 |
| Assessment Recoveries | 0.00 | 0.00 |
| Reinsurance Recoveries | 3,235,619.28 | 38,153,982.87 |
| Agents' Balances Recoveries | 13,612.23 | 3,824,235.70 |
| Subrogation and Salvage Recoveries | 0.00 | 7,925.50 |
| Tax Recoveries | 0.00 | 288,263.44 |
| Other Collections / Recoveries | 22,998.74 | 362,349.52 |
| Receipts Before Investment Activities | <u>3,271,822.68</u> | <u>43,716,295.37</u> |
| Interest and Dividend Receipts | 62,225.89 | 966,048.50 |
| Sale of Short Term Investment | 0.00 | 3,790,206.29 |
| Receipts From Investment Activities | <u>62,225.89</u> | <u>4,756,254.79</u> |
| Total Cash Receipts | <u><u>3,334,048.57</u></u> | <u><u>48,472,550.16</u></u> |
| CASH DISBURSEMENTS & DISTRIBUTIONS | | |
| Professional Fees and Expenses | 98,235.43 | 1,275,906.34 |
| Salaries and Fringe Benefits | 141,374.84 | 2,037,471.31 |
| Employee Welfare | 1,553.69 | 12,837.29 |
| Travel Expenses | 0.00 | 38,387.99 |
| Admin Expenses | 1,358.62 | 190,419.47 |
| Equipment and Furniture Expenses | 11,184.55 | 29,524.80 |
| Rent, Building and Equipment | 1,913.41 | 6,348.31 |
| Taxes | 0.00 | (181.05) |
| Disbursements | <u>255,620.54</u> | <u>3,590,714.46</u> |
| Distributions | | |
| Administrative Claims (Class 1) | 0.00 | 0.00 |
| Loss Claims (Class 2) | 0.00 | 0.00 |
| Unearned Premium-Non-Assessable Policies Claims (Class 3) | 0.00 | 0.00 |
| General Creditors Claims (Class 6) | 0.00 | 0.00 |
| Late Filed Claims (Class 8) | 0.00 | 0.00 |
| Shareholder Claims | 0.00 | 0.00 |
| Claims-Other | 0.00 | 0.00 |
| Early Access-Guaranty Associations | 25,000,000.00 | 59,000,000.00 |
| Total Distributed | <u>25,000,000.00</u> | <u>59,000,000.00</u> |
| Disbursements & Distributions Before Investment Activities | 25,255,620.54 | 62,590,714.46 |
| Financial Expenses | 5,276.17 | 178,492.71 |
| Disbursements for Investment Activities | <u>5,276.17</u> | <u>178,492.71</u> |
| Total Cash Disbursements & Distributions | <u><u>25,260,896.71</u></u> | <u><u>62,769,207.17</u></u> |
| Net Increase (Decrease) in Cash | <u><u>(21,926,848.14)</u></u> | <u><u>(14,296,657.01)</u></u> |
| Beginning Cash Balance: | | |
| Beginning Cash | 23,583,768.22 | 10,369,243.04 |
| Adjustments to Beginning Cash | 0.00 | 5,584,334.05 |
| Adjusted Beginning Cash Balance | <u><u>23,583,768.22</u></u> | <u><u>15,953,577.09</u></u> |
| Ending Cash Balance | <u><u>1,656,920.08</u></u> | <u><u>1,656,920.08</u></u> |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Short Term Investments
For the Six Months Ended December 31, 2021

Money Market Accounts

| <u>Description</u> | <u>Balance 7/1/21</u> | <u>Adjustments/ Fees</u> | <u>Interest</u> | <u>Distributions</u> | <u>Balance 12/31/21</u> |
|---|---------------------------|------------------------------|-----------------|----------------------|-----------------------------|
| SunTrust Bank - Oakwood Insurance Company | 345,776.28 | (93,418.89) | 0.00 | 0.00 | 252,357.39 |
| | <u>345,776.28</u> | <u>(93,418.89)</u> | <u>0.00</u> | <u>0.00</u> | <u>252,357.39</u> |
| Total Short Term Investments | | | | | <u><u>252,357.39</u></u> |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Accrued Interest Receivable
For the Six Months Ended December 31, 2021

Accrued Interest Receivable

| Description | | Balance 7/1/21 | Accrued | Received | Balance 12/31/21 |
|--------------------|---------------------------|---------------------------|------------------|--------------------|-----------------------------|
| State Treasury | SPIA, 4-20-0-010000-00000 | 19,643.71 | 41,683.30 | (60,222.31) | 1,104.70 |
| Totals: | | <u>19,643.71</u> | <u>41,683.30</u> | <u>(60,222.31)</u> | <u>1,104.70</u> |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Reinsurance Recoverables - Net of Allowance
For Six Months Ended December 31, 2021

Reinsurance Recoverables

| Recovery Agent | Balance 7/1/21 | Billed | Recovered | Adjustments | Balance 12/31/2021 |
|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|---------------------------|
| Receiver | 11,504,057.27 | 1,929,888.94 | (3,235,619.28) | (6,779,313.00) | 3,419,013.93 |
| Total | <u>11,504,057.27</u> | <u>1,929,888.94</u> | <u>(3,235,619.28)</u> | <u>(6,779,313.00)</u> | <u>3,419,013.93</u> |

Allowance Reinsurance

| Recovery Agent | Balance 7/1/21 | Increases | Decreases | Balance 12/31/2021 |
|-----------------------|-----------------------|------------------|------------------|---------------------------|
| Receiver | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> | <u>0.00</u> |

Reinsurance Recoverables - Net of Allowance 3,419,013.93

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Advance to Guaranty Association
For the Six Months Ended December 31, 2021

Advance to Guaranty Associations

| Description | Balance 7/1/21 | Advanced | Recovered | Balance 12/31/21 |
|--|---------------------------|-----------------|------------------|-----------------------------|
| Florida Insurance Guaranty Association | 34,000,000.00 | 25,000,000.00 | 0.00 | 59,000,000.00 |
| Florida Hurricane Catastrophe Fund | 0.00 | 1,706,170.10 | 0.00 | 1,706,170.10 |
| Totals: | 34,000,000.00 | 26,706,170.10 | 0.00 | 60,706,170.10 |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Unclaimed Property
For the Six Months Ended December 31, 2021

Unclaimed Property

| Description | Balance 7/1/21 | Adjustments | Balance 12/31/21 |
|---|---------------------------|--------------------|-----------------------------|
| Suspended and/or voided return premium checks | 1,257,731.89 | (407.57) | 1,257,324.32 |
| Totals: | <u>1,257,731.89</u> | <u>(407.57)</u> | <u>1,257,324.32</u> |

**Florida Department of Financial Services, Division of Rehabilitation
and Liquidation**
Florida Specialty Insurance Company in Liquidation
Notes to Financial Statements

Dated December 31, 2021

1. **Estate Information.** Florida Specialty Insurance Company was a property and casualty organization domiciled in Florida placed in liquidation on October 2, 2019.
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, 2021 through June 30, 2022. 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. **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 Wells Fargo 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".

"Pooled Cash Reserved for Unclaimed Property" is a segregated amount of Pooled Cash that represents the remaining amount of Pooled Cash reserved for voided checks after a distribution account is closed and reconciled for outstanding checks. These amounts will be sent to the Bureau of Unclaimed Property upon court authorization
5. **Short Term Investments - Restricted.** The investments are stated at fair value, which approximates market value. Market values are those provided by the depository trust institution at the balance sheet date. These investments consist of various accounts Suntrust Bank that are restricted pursuant to reinsurance trust agreements that will be resolved as the receivership proceeds.
6. **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.
7. **Advance to Guaranty Association(s).** Represents funds advanced to guaranty associations for the payment of covered claims and expenses. The guaranty association is obligated to promptly return any or all of these funds if the Receiver determines that repayment of claims of equal or superior priority is necessary.
8. **Florida Hurricane Catastrophe Fund (FHCF) Advance to Guaranty Association (FIGA).** Represents funds advanced directly from FHCF to FIGA for the payment of covered claims and expenses pursuant to Chapter 215, Florida Statutes. The guaranty association is obligated to promptly return any or all of these funds if the Receiver determines that repayment of claims of equal or superior priority is necessary.
9. **Unclaimed Property.** Consists of funds that are considered unclaimed pursuant to Chapter 717, Florida Statutes, and are due to the Unclaimed Property section of the State of Florida. For this estate this amount represents the final reconciled amount of voided return premium checks after the account is closed.
10. **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.
 - The First Interim Claims Report was approved on November 29, 2021. The deadline to file an objection is February 11, 2022.

**Florida Department of Financial Services, Division of Rehabilitation
and Liquidation**
Florida Specialty Insurance Company in Liquidation
Notes to Financial Statements

Dated December 31, 2021

11. **Interest Distributions.** For companies placed into receivership on or after July 1, 2012, Section 631.271, Florida Statutes authorizes the payment of interest on claims in Classes 1-9 prior to making any payment on shareholder claims. At this time, the Receiver does not anticipate having sufficient assets in this estate to pay all claims for Classes 1-9. Accordingly, this statement does not reflect an interest reserve for Classes 1-9 allowed claims.
12. **Federal Priority.** The federal government has taken the position that 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 also taken the position that it is not subject to state insurance liquidation claim's proceedings deadlines. To establish finality, shield itself from potential liability, and ultimately discharge the estate, the Receiver will request a federal release from the U.S. Department of Justice.
13. **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.
14. **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.