

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company in Liquidation
Statement of Affairs
As of June 30, 2020

| | <u>Estimated Realizable Value</u> |
|--|---|
| ASSETS | |
| Cash-Company Operating | \$1,717.63 |
| Pooled Cash in SPIA Due from the Admin Fund | 38,249,158.41 |
| Pooled Cash in SPIA Reserved for Unclaimed Property | 1,329,085.93 |
| Short Term Investments | 1,146,833.20 |
| Accrued Interest Receivable | 87,920.24 |
| Reinsurance Recoverable | 6,779,313.00 |
| | 6,779,313.00 |
| Total Assets | \$47,594,028.41 |
| LIABILITIES | |
| Unclaimed Property | 1,329,085.93 |
| Class 1 Administrative Claims | |
| Class 1 - Guaranty Associations | 8,412,254.62 |
| Class 2 Loss Claims | |
| Class 2 - Guaranty Associations | 33,234,615.09 |
| Class 3 Unearned Premium Claims under Non-assessable Policies | |
| Class 3 - Guaranty Associations | 33,744,158.47 |
| | 33,744,158.47 |
| Total Liabilities | \$76,720,114.11 |
| EQUITY | |
| Contributed Equity - State of Florida | 86,035.14 |
| Estate Equity | (29,212,120.84) |
| | (29,212,120.84) |
| Excess (Deficiency) of Assets over Liabilities | (\$29,126,085.70) |
| Total Liabilities and Equity | \$47,594,028.41 |

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 June 30, 2020

| | Fiscal Year to Date | Since Date of Liquidation |
|--|------------------------|---------------------------------|
| CASH RECEIPTS | | |
| Premium Collections | \$1,166,860.92 | \$1,166,860.92 |
| Assessment Recoveries | 165.35 | 165.35 |
| Reinsurance Recoveries | 17,678,797.82 | 17,678,797.82 |
| Agents' Balances Recoveries | 3,065,718.90 | 3,065,718.90 |
| Subrogation and Salvage Recoveries | 7,890.00 | 7,890.00 |
| Other Collections / Recoveries | 511,850.11 | 511,850.11 |
| Receipts Before Investment Activities | 22,431,283.10 | 22,431,283.10 |
| Interest and Dividend Receipts | 367,853.70 | 367,853.70 |
| Sale of Short Term Investment | 3,240,461.80 | 3,240,461.80 |
| Receipts From Investment Activities | 3,608,315.50 | 3,608,315.50 |
| Total Cash Receipts | 26,039,598.60 | 26,039,598.60 |
| CASH DISBURSEMENTS & DISTRIBUTIONS | | |
| Professional Fees and Expenses | 866,724.41 | 866,724.41 |
| Salaries and Fringe Benefits | 1,192,330.24 | 1,192,330.24 |
| Employee Welfare | 3,734.20 | 3,734.20 |
| Travel Expenses | 38,297.55 | 38,297.55 |
| Admin Expenses | 178,685.27 | 178,685.27 |
| Equipment and Furniture Expenses | 2,186.58 | 2,186.58 |
| Rent, Building and Equipment | 1,166.37 | 1,166.37 |
| Taxes | 0.44 | 0.44 |
| Disbursements | 2,283,125.06 | 2,283,125.06 |
| Disbursements & Distributions Before Investment Activities | 2,283,125.06 | 2,283,125.06 |
| Financial Expenses | 130,088.66 | 130,088.66 |
| Disbursements for Investment Activities | 130,088.66 | 130,088.66 |
| Total Cash Disbursements & Distributions | 2,413,213.72 | 2,413,213.72 |
| Net Increase (Decrease) in Cash | 23,626,384.88 | 23,626,384.88 |
| Beginning Cash Balance: | | |
| Beginning Cash | 0.00 | 0.00 |
| Adjustments to Beginning Cash | 5,584,334.05 | 5,584,334.05 |
| Cash from New Estates | 10,369,243.04 | 10,369,243.04 |
| Adjusted Beginning Cash Balance | 15,953,577.09 | 15,953,577.09 |
| Ending Cash Balance | 39,579,961.97 | 39,579,961.97 |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Cash - Company
For the Twelve Months Ended June 30, 2020

Cash - Company

| Description | Balance | | Deposits | Checks/Fees | Transfers | VOIDS/STOP Pays/Adjustments | Balance |
|--------------------|----------------|-----------------|-----------------|--------------------|------------------|--|----------------|
| | 10/2/19 | Interest | | | | | 6/30/20 |
| Fifth Third Bank | 8,653,951.20 | 0.00 | 25,668,996.72 | (25,864,046.90) | (14,736,097.24) | 6,278,913.85 | 1,717.63 |
| Totals: | 8,653,951.20 | 0.00 | 25,668,996.72 | (25,864,046.90) | (14,736,097.24) | 6,278,913.85 | 1,717.63 |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Short Term Investments
For the Twelve Months Ended June 30, 2020

Money Market Accounts

| Description | Balance 10/2/19 | Adjustments/ Fees | Interest | Distributions | Balance 6/30/20 |
|---|----------------------------|------------------------------|-----------------|----------------------|----------------------------|
| SunTrust Bank - Oakwood Insurance Company | 1,207,231.14 | 0.00 | 0.00 | (610,286.69) | 596,944.45 |
| | <u>1,207,231.14</u> | <u>0.00</u> | <u>0.00</u> | <u>(610,286.69)</u> | <u>596,944.45</u> |

Treasury Bills

| Description | Balance 10/2/19 | Adjustments | Interest | Distributions | Balance 6/30/20 |
|--|----------------------------|--------------------|-----------------|----------------------|----------------------------|
| Raymond James from release of Arizona Statutory Deposit | 0.00 | 549,888.75 | 0.00 | 0.00 | 549,888.75 |
| | <u>0.00</u> | <u>549,888.75</u> | <u>0.00</u> | <u>0.00</u> | <u>549,888.75</u> |

Total Short Term Investments 1,146,833.20

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Accrued Interest Receivable
For the Twelve Months Ended June 30, 2020

Accrued Interest Receivable

| Description | | Balance 10/2/19 | Accrued | Received | Balance 6/30/20 |
|--------------------|---------------------------|----------------------------|-------------------|---------------------|----------------------------|
| State Treasury | SPIA, 4-20-0-010000-00000 | 27,540.08 | 411,149.70 | (350,769.54) | 87,920.24 |
| Totals: | | <u>27,540.08</u> | <u>411,149.70</u> | <u>(350,769.54)</u> | <u>87,920.24</u> |

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Reinsurance Recoverables - Net of Allowance
For Twelve Months Ended June 30, 2020

Reinsurance Recoverables

| Recovery Agent | Balance 10/02/2019 | Billed | Recovered | Adjustments | 6/30/20 |
|-----------------------|-------------------------------|----------------------|------------------------|------------------------|---------------------|
| Receiver | 17,090,734.46 | 17,678,797.82 | (17,678,797.82) | (10,311,421.46) | 6,779,313.00 |
| Total | <u>17,090,734.46</u> | <u>17,678,797.82</u> | <u>(17,678,797.82)</u> | <u>(10,311,421.46)</u> | <u>6,779,313.00</u> |

Allowance Reinsurance

| Recovery Agent | Balance 10/02/2019 | Increases | Decreases | 6/30/2020 |
|-----------------------|-------------------------------|------------------|------------------|------------------|
| 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

6,779,313.00

Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Florida Specialty Insurance Company
Schedule of Unclaimed Property
For the Twelve Months Ended June 30, 2020

Unclaimed Property

| Description | Balance 10/2/19 | Adjustments | Balance 6/30/20 |
|---|----------------------------|--------------------|----------------------------|
| Suspended and/or voided return premium checks | 0.00 | 0.00 | 1,329,085.93 |
| Totals: | <u>0.00</u> | <u>0.00</u> | <u>1,329,085.93</u> |

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

Dated June 30, 2020

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, 2019 through June 30, 2020. 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. **Cash – Company Operating.** This asset consists of accounts at Fifth Third Bank and Suntrust Bank kept open by the Receiver to allow for collection of premium. The account balance on this statement is as of June 30, 2020.
6. **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 or brokerage institution in possession of the securities 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 and treasury bills at Raymond James.
7. **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
8. **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.
9. **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.
 - Claim liabilities are based upon Guaranty Association estimates.
10. **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.
11. **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

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and Liquidation
Florida Specialty Insurance Company in Liquidation
Notes to Financial Statements
Dated June 30, 2020**

ultimately discharge the estate, the Receiver will request a federal release from the U.S. Department of Justice (DOJ).

12. **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.
13. **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.