

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

In Re: Receivership of  
Southern Fidelity Insurance Company

---

Case No.: 2022 CA 001008

**APPLICATION OF THE DEPARTMENT OF FINANCIAL SERVICES  
AS RECEIVER FOR SOUTHERN FIDELITY INSURANCE COMPANY  
FOR AN ORDER AUTHORIZING EARLY ACCESS DISBURSEMENTS  
TO ELIGIBLE GUARANTY ASSOCIATIONS**

**COMES NOW**, The Florida Department of Financial Services, Division of Rehabilitation and Liquidation as Receiver of Southern Fidelity Insurance Company (hereinafter “Department”), by and through the undersigned counsel, and hereby files this Application for entry of an Order Authorizing the Department to disburse funds in the amount of Forty-Seven Million Four Hundred Two Thousand Six Hundred Thirty-Six Dollars (\$47,402,636) to eligible Guaranty Associations—Florida Insurance Guaranty Association, South Carolina Property & Casualty Insurance Guaranty Association, Louisiana Insurance Guaranty Association, Mississippi Insurance Guaranty Association (hereinafter “GAs”). These funds are hereinafter referred to as early access funds. In support of its application, the Department states as follows:

1. Southern Fidelity Insurance Company (hereinafter “SFIC”) was a corporation authorized pursuant to the Florida Insurance Code to transact business in the State of Florida.
2. On June 15, 2022, this Court entered an *Order Appointing the Florida Department of Financial Services as the Receiver of SFIC for purposes of Liquidation, Injunction, and Notice of Automatic Stay* (“Liquidation Order”).
3. Pursuant to section 631.021(1), Florida Statutes, this Court has jurisdiction over the 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, sections 631.001 et seq., Florida Statutes (“the Act”).

4. Section 631.397, Florida Statutes, provides, in substance, that the Department may disburse assets out of SFIC’s marshaled assets, as such assets become available, to each GA entitled to receive such funds contingent on each GA agreeing to return to the Department such previously disbursed funds as may be required to pay claims of secured creditors and claims having a higher priority than the claims of the GAs.

5. In compliance with section 631.397(2)(d), Florida Statutes, the Department has entered into Agreements with the eligible GAs which provide in substance that each GA shall return such early access disbursements 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, each GA will not be entitled to share in the funds ultimately distributed from the SFIC receivership estate until such allocated distributions to which each GA is otherwise entitled exceed the previous disbursements ordered by this Court and the amount of early access disbursement prayed for in this application. A copy of the executed Early Access Agreement is attached hereto and incorporated herein by reference as **Exhibit A**.

6. The Department represents that in accord with section 631.397(2)(a), Florida Statutes, there are sufficient assets in the estate of SFIC to permit the proposed early access disbursements to the GAs while reserving amounts for the payment of expenses of administration, the payment of claims of secured creditors 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. A copy of SFIC's financial data is attached hereto as **Exhibit B**.

7. A chart of GAs entitled to a disbursement from the SFIC receivership and the amount each is entitled to receive is attached hereto as **Exhibit C**.

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

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

**WHEREFORE**, the Department respectfully requests this Court enter an Order authorizing the disbursement of early access funds in the amount of Forty-Seven Million Four Hundred Two Thousand Six Hundred Thirty-Six Dollars (\$47,402,636) to the eligible Guaranty Associations.

**Respectfully Submitted** on this the 25th day of October 2022.

#### **CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that on October 25, 2022, a complete and accurate copy of the foregoing document was filed with the Clerk of Courts using the Florida Courts e-filing portal and was served on all email addresses listed in the portal for service in this matter.

/s/ Jamila G. Gooden

**Jamila G. Gooden, Senior Attorney**

Florida Bar No. 46740

Jamila.Gooden@myfloridacfo.com

Florida Department of Financial Services

Division of Rehabilitation and Liquidation

325 John Knox Road

The Atrium, Suite 101

Tallahassee, Florida 32303

Telephone: (850) 413-4414

# Exhibit A

**Southern Fidelity Insurance Company, In Liquidation**  
**Early Access Agreement**

**This Early Access Agreement** is entered into on this the 20<sup>th</sup> day of October 2022, between the **Florida Department of Financial Services, as Receiver of Southern Fidelity Insurance Company (“Department”)**, and the undersigned **Insurance Guaranty Association(s) (“Guaranty Association”)**.

**WHEREAS, Southern Fidelity Insurance Company (“SFIC”),** was a Florida domiciled corporation previously authorized to transact insurance business in the State of Florida and other states; and

**WHEREAS,** on June 15, 2022, the Second Judicial Circuit Court in and for Leon County, Florida, (the "Court") entered its **Consent Order of Liquidation, Injunction, and Notice of Automatic Stay** ("Liquidation Order"); and

**WHEREAS,** section 631.397(1), Florida Statutes, provides, in relevant part, that the Department may apply to this Court for authorization to "disburse assets out of such insurer's marshaled assets, as such assets become available, to each Guaranty Association entitled thereto" ("Early Access disbursement"); and

**WHEREAS,** the Department will from time to time determine, in its sole discretion, whether the SFIC receivership estate has sufficient liquid assets available to make an Early Access disbursement to the Guaranty Association; and

**WHEREAS,** if the Department determines that the receivership estate has sufficient liquid funds available to make an Early Access disbursement, the Department may apply to the Court for an order permitting the Department to make an Early Access disbursement to the Guaranty Association pursuant to section 631.397, Florida Statutes, for the partial

payment of claims and/or administrative expenses; and

**WHEREAS**, the Guaranty Association may only receive such a disbursement if the total amount of the contemplated disbursement plus the total amount of all Early Access disbursements already received by the Guaranty Association is less than the Guaranty Association's incurred claims and administrative expenses; and

**WHEREAS**, the Department and the Guaranty Association acknowledge and agree that neither the Department's review of the Guaranty Association's documentation for purposes of Early Access disbursement(s) nor this Early Access Agreement constitute an evaluation of or recommendation on any claim which the Guaranty Association may be entitled to under section 631.271, Florida Statutes;

**NOW THEREFORE**, the Department and the Guaranty Association agree as follows:

1. The Guaranty Association will respond in good faith to requests from the Department for information, files, and documents. The Department will be permitted full access to the books, records, and files of the Guaranty Association pertaining to the handling and payment of covered claims and administrative expenses incurred by the Guaranty Association in fulfilling its obligations under its enabling statute.

2. Beginning with the quarter ending December 31, 2022, and on at least a quarterly basis thereafter until the conclusion of the receivership proceedings, the Department shall produce a reasonably detailed and current statement of the Estate's financial condition. The statement will be in substantially the format published on the Department's website. The Department shall provide this information as soon as it is available following the close of each quarter.

3. The Guaranty Association will make reports to the Department no less

frequently than quarterly, through the Secure Uniform Data Standard (“UDS”) or in another form acceptable to the Department disclosing the status of the following items received, held or processed during the reporting period: current open claims count, open claims reserves, claim payments, salvage or subrogation recoveries, if any, and such other items as may be reasonably required by the Department. The reports shall be sent to the Department electronically via the UDS server housed by the National Conference of Insurance Guaranty Funds (“NCIGF”) or mailed to the Department at to the address listed in Paragraph 11 below, or such other location designated by the Department

4. The Guaranty Association will utilize any payment received pursuant to this Agreement solely for the payment of covered claims, as defined by section 631.271, and Part II, Chapter 631, Florida Statutes, or the pertinent part of the relevant state statute applicable to the Guaranty Association, and for the payment of claims handling or administrative expenses, as defined by section 631.271(1)(a)(2), Florida Statutes, relating to the Receivership of SFIC.

5. The Guaranty Association will not be penalized, by offset or otherwise, by the amount of any special deposit or any other statutory deposit or asset of the insolvent insurer held in that state unless the Guaranty Association has actually received such deposit or asset.

6. The Guaranty Association agrees to return to the Department within 60 days all or any portion of any Early Access disbursements acquired by the Guaranty Association pursuant to this Agreement, with any income earned thereon, if the Department determines, at any time, that such repayment is necessary to pay claims or expenses which the

Department determines to be of equal or superior priority. Should it be necessary for the Guaranty Association to make an assessment in order to return the relevant portion of the disbursement to the Department, the Guaranty Association shall have 90 days within which to return the disbursement. In the event the Guaranty Association is required to repay to the Department any Early Access disbursements, the Guaranty Association will pay the Department in cash or other liquid assets as may be acceptable to the Department.

7. Pursuant to section 631.271, Florida Statutes, the Guaranty Association understands and agrees that any disbursement made pursuant to this Agreement constitutes partial payment on any claim which the Guaranty Association may have in the SFIC Receivership and that it will not share in any final distribution of assets from the SFIC Receivership until claimants of an equal priority receive an equal pro rata distribution on their claims. Any and all interest that the Guaranty Association earns on funds so disbursed shall also be considered Early Access disbursements for purposes of this Agreement.

8. Prior to the final distribution of the assets of SFIC, the Department will be given reasonable access to the financial accounts, records and procedures of the Guaranty Association with respect to the receipt of assets or the payment of covered claims. The Guaranty Association will, within 30 days after receipt of a written request from the Department, return to the Department any Early Access disbursements made pursuant to this Agreement which are more than the amount ultimately determined by the Department to be due the Guaranty Association as a final distribution of the assets of SFIC. The Department and the Guaranty Association shall cooperate in planning the destruction or other final disposition of the information, files, and documents received by the Guaranty



Association from SFIC or the Department.

9. The Guaranty Association's execution of this Agreement and acceptance of any amount distributed thereunder, shall be without prejudice to the Guaranty Association's rights with respect to final or other distributions from the estate of SFIC.

10. This Early Access Agreement shall be construed in accordance with Florida law. Any legal action by either party to enforce or interpret this Agreement or the parties' obligations under this Agreement shall be commenced, litigated, and adjudicated in and by the Second Judicial Circuit Court, in and for Leon County, Florida. The Guaranty Association's submission to the aforementioned jurisdiction is strictly for the purposes of enforcement of this Agreement and not for any other purpose.

11. Any notice required to be given to the parties shall be given by regular United States mail, postage prepaid, addressed as follows:

Department: Lorrie Arterburn  
Division Director  
Florida Department of Financial Services,  
Division of Rehabilitation and Liquidation  
325 John Knox Rd,  
Atrium Building, Suite 101  
Tallahassee, Florida 32303

Guaranty Assoc.: See address identified in signature block below.

12. This Agreement merges all prior offers and agreements of every kind as related to Early Access and expresses the full and final intent of the parties and shall be effective only upon Court approval. This Agreement shall not be modified, except by an instrument in writing, executed by the authorized representatives of the parties, and subject to Court approval.

13. This Agreement supersedes all earlier Early Access agreements and will

apply to all future Early Access disbursements to the Guaranty Association. It will be attached to all future Early Access motions filed by the Department.

14. This Agreement may be executed in any number of counterparts, any or all of which may contain the signature of only one of the Parties, and all of which together shall be considered a single original document.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date indicated below:

[THIS SECTION INTENTIONALLY LEFT BLANK]

[SIGNATURES OF THE PARTIES ARE ON THE FOLLOWING  
PAGES]

Florida Department of Financial Services,  
Division of Rehabilitation and Liquidation

**As Receiver for Southern Fidelity Insurance Company**  
**By and through Lorrie Arterburn, Division Director**

By: 

Date: 10/20/2022

# Florida Insurance Guaranty Association

“Guaranty Association”

By: Corey Neal

Printed Name: Corey Neal

Title: Executive Director

Date: 9/26/22

Address:

P.O. Box 14249

Tallahassee, FL 32317

\_\_\_\_\_

# Mississippi Insurance Guaranty Association

“Guaranty Association”

By: Arthur Russell

Printed Name: Arthur Russell

Title: Executive Director

Date: 9/26/22

Address:

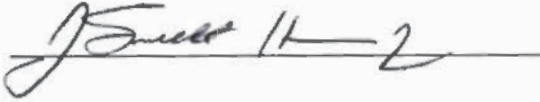
713 South Pear Orchard Rd.

Suite 200

Ridgeland, MS 39157

South Carolina Property & Casualty Insurance Guaranty Association

“Guaranty Association”

By: 

Printed Name: J. Smith Harrison, Jr.

Title: Executive Director

Date: 10/10/2022

Address:

240 Stoneridge Drive

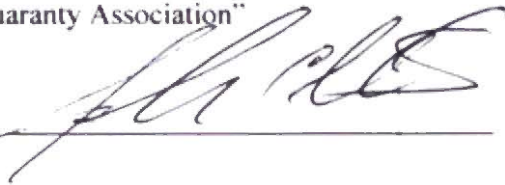
Suite 101

Columbia, SC 29210

Louisiana Insurance Guaranty Association

"Guaranty Association"

By:



Printed Name: John C. Wells

Title: Executive Director

Date:

10/20/2022

Address:

2142 Quail Run Dr

Baton Rouge, LA 70808

# Exhibit B



**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Southern Fidelity Insurance Company in Liquidation**  
**Financial Data as of September 30, 2022**  
**In Support of Application for Early Access Disbursement to Guaranty Associations**

	<b>Preliminary Estimated Value</b>
<b>ASSETS</b>	
Cash-Company Operating	\$112,918,883.23
Pooled Cash in SPIA Due from the Admin Fund	62,386,758.81
Net Reinsurance Recoverable	13,558,148.30
Federal Income Tax Receivable	7,653,066.00
Allowance Tax Receivables	(7,653,066.00)
Fixed Assets	12,500.00
	-----
Total Assets	\$188,876,290.34
	=====
<b>LIABILITIES</b>	
Class 1 Administrative Claims	
Class 1 - Guaranty Associations	\$8,684,335.22
Class 2 Loss Claims	
Class 2 - Guaranty Associations	67,450,237.15
Class 3 Unearned Premium Claims	
under Non-assessable Policies	
Class 3 - Guaranty Associations	92,338,471.94
Class 9 Surplus Notes/Unearned Premium Claims	25,000,000.00
under Assessable Policies	
	-----
Total Liabilities	\$193,473,044.31
<b>EQUITY</b>	
Estate Equity	(4,596,753.97)
	-----
Excess (Deficiency) of Assets over Liabilities	(\$4,596,753.97)
	-----
Total Liabilities and Equity	\$188,876,290.34
	=====

The accompanying notes are an integral part of the financial data  
UNAUDITED

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Southern Fidelity Insurance Co in Liquidation**  
**Notes to Financial Data**  
**In Support of Application for Early Access Disbursement to Guaranty Associations**

**Dated September 30, 2022**

1. **Estate Information.** Southern Fidelity Insurance Company was a property and casualty organization domiciled in Florida placed in liquidation on June 15, 2022.
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".
5. **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. These investments consist of various accounts at Truist Bank.
6. **Reinsurance.** Reinsurance receivables have resulted from losses that have been paid and billed to the reinsurer(s). The financial statements reflect the estimated gross amount of the billed losses less an allowance for any receivable(s) where there is an uncertainty regarding collectability. 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. **Other Assets.** These assets consist of states' statutory deposits held at various financial institutions. The Schedule of Other Assets reflects the value of these deposits at September 30, 2022 or latest available, those that have been collected by the Receiver and those where the state has taken its deposit.
8. **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.
  - Class 1, Class 2 and Class 3 claim liabilities are based upon Guaranty Association estimates and company reserves at the time of liquidation.
9. **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.
10. **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.
11. **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.

**Florida Department of Financial Services, Division of Rehabilitation and Liquidation**  
**Southern Fidelity Insurance Co in Liquidation**  
**Notes to Financial Data**  
**In Support of Application for Early Access Disbursement to Guaranty Associations**

**Dated September 30, 2022**

12. **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.

# Exhibit C

**Southern Fidelity Insurance Company  
Early Access Disbursements**

<b>Guaranty Association</b>	<b>Statutory Deposit Funds Applied</b>	<b>Early Access Amount to Disburse</b>
Florida FIGA	\$ -	\$ 30,000,000
Louisiana (LIGA)	\$ -	\$ 12,607,846
Mississippi (MIGA)	\$ -	\$ 304,426
South Carolina (SCPCIGA)	\$ -	\$ 4,490,364
<b>Total</b>	<b>\$ -</b>	<b>\$ 47,402,636</b>