



Florida Department of Financial Services
Division of Rehabilitation and Liquidation

Weston Property and Casualty Insurance Company
Initial Insolvency Report

Purpose of Report:

The Department of Financial Services (“DFS” or “Department”) is responsible for the administration of insurance receiverships in Florida. The Division of Rehabilitation and Liquidation (“Division”) administers the receiverships on behalf of the Department. On August 8, 2022, the Second Judicial Circuit Court in Leon County, Florida (“Court”) placed the above insurance company into receivership for purposes of liquidation. DFS was appointed to serve as the Receiver and in this capacity, DFS was authorized to plan, coordinate, and direct the affairs of the company to carry out the order of the Court. Pursuant to section 631.398, Florida Statutes, this report provides an overview of the insurance company and an initial summary of the history and causes of the insolvency to aid in the detection and prevention of insurer insolvencies or impairments in Florida. This report is intended for the Governor, President of the Senate, Speaker of the House of Representatives, and the office. The information may not be used as evidence in any proceeding brought by the Department or others to recover assets on behalf of the receivership estate as part of its duties under section 631.141(8), Florida Statutes. The submission of this report shall not be considered a waiver of any evidentiary privilege the Department may assert under state or federal law.

Company Overview

I. Company Description

Weston Property and Casualty Insurance Company (“WPCIC”, “Weston” or the “Company”) was a Florida domiciled property and casualty insurer. The company wrote homeowners’ multi-peril, commercial multi-peril, fire, allied lines, burglary and theft, boiler and machinery, and other liability insurance policies in Florida, Louisiana, Mississippi, and Texas. Within those lines, WPCIC specialized in windstorm coverage. The principal place of business was located at 2555 Ponce de Leon, Coral Gables, Florida 33134. WPCIC did not have any employees. All personnel were employed by the affiliated managing general agency, Weston Insurance Management, LLC (“WIM”).

II. Company History

Weston Insurance Company received a certificate of authority to transact insurance business in Florida on December 21, 2012. On December 22, 2021, Weston Insurance Company merged with

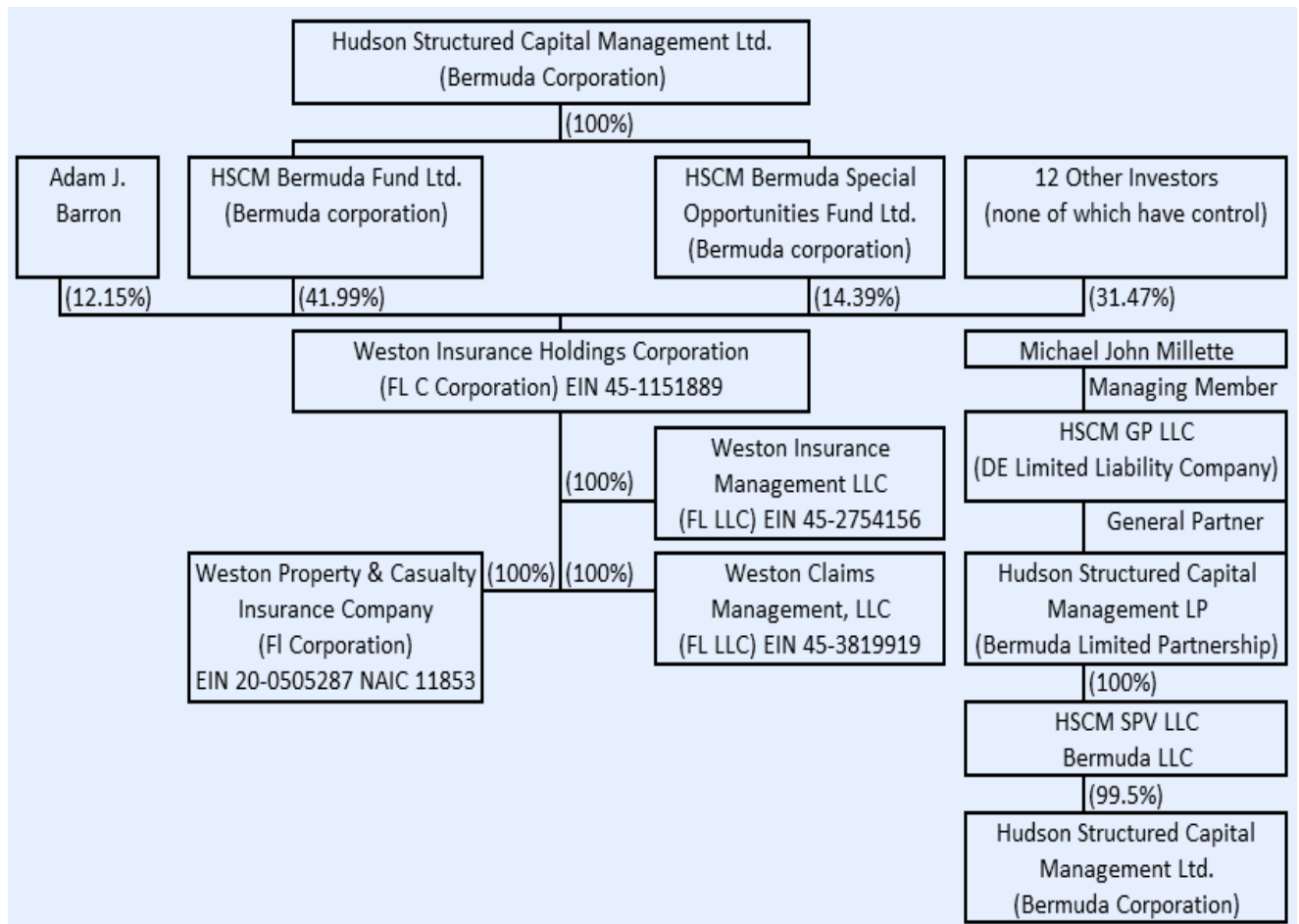
and into Weston Specialty Insurance Company, a Texas Domestic. Upon effectuation of the merger, Weston Specialty Insurance Company re-domesticated to Florida and changed its name to Weston Property and Casualty Insurance Company (“WPCIC”). All original duties and obligations of both Weston Insurance Company and Weston Specialty Insurance Company were assumed by WPCIC.

WPCIC is part of an insurance holding company system. WPCIC and its affiliates, Weston Insurance Management, LLC (“WIM”) and Weston Claims Management, LLC (“WCM”), are wholly owned subsidiaries of Weston Insurance Holdings Corporation (“WIHC”). WIM was the managing general agent (“MGA”) for WPCIC. WCM is defunct.

WPCIC had an MGA agreement with affiliate WIM. All WPCIC personnel, including directors and officers, were employees of WIM. WIM was party to many or most of the contracts, agreements, and other arrangements for the products and services utilized by WPCIC for the operation of its business. The following agreements were in effect between WPCIC and its affiliates:

- Loan Facility
- Investment Management Agreement
- Intercompany Expense Allocation Agreement
- Tax Allocation Agreement
- Managing General Agency and Claims Administration Agreement

III. Corporate Structure



Pre-Receivership Operations and Activities

I. Financial Statement

The financial statement that was prepared by Weston as of March 31, 2022 reported the following figures:

Description	December 31, 2021	March 31, 2022
Net Admitted Assets	\$126,997,375	\$102,566,305
Total Liabilities	\$98,702,856	\$83,368,679
Surplus as Regards Policyholders	\$28,294,519	\$19,197,625

The last financial statement filed with the Florida Office of Insurance Regulation (“OIR”) on June 21, 2022 was a monthly statement for the period ended May 31, 2022. It showed \$15,114,110 as the surplus as regards policyholders which is slightly above Weston's \$15,000,000 statutory surplus requirement. However, this accounting included an unapproved reinsurance transaction. When this transaction was reversed, Weston's surplus was reduced by approximately \$5,000,000 and placed the surplus below the statutory minimum requirement. The company did not complete a financial statement for the period ended June 30, 2022 prior to being placed in receivership.

II. Policy and Claims Information

Prior to receivership, Weston possessed the below number of policies and pending claims:

Policies	
State	In-force Policies
Florida	22,686
Louisiana	10,481
Mississippi	111
Texas	30,206
Company Total	63,484

Claims		
State	Count	Loss Reserve
Florida	181	\$14,785,735.55
Louisiana	285	\$4,213,390.61
Mississippi	0	\$0.00
Texas	572	\$5,641,202.36
Company Total	1,038	\$24,640,328.52

III. Relevant Events Prior to Receivership

Date	Event
07/29/22	WPCIC Board of Directors consents to receivership.
08/02/22	DFS received referral for receivership from OIR.
08/04/22	DFS filed Consent Petition for Receivership with Second Judicial Circuit Court in Leon County, Florida.

Initial Receivership Activities

I. Liquidation

On August 8, 2022, Weston was ordered into receivership for purposes of liquidation, injunction, and notice of automatic stay (Case No. 2022-CA-001378) by the Second Judicial Circuit Court in Leon County, Florida. DFS is the court-appointed Receiver of Weston pursuant to Chapter 631, Part I, Florida Statutes, and Cantilo & Bennett, LLP is engaged as Special Deputy Receiver (“SDR”). Together, DFS and the SDR administer the receivership process for Weston.

II. Initial Receivership Events

The below chart identifies relevant activities that occurred during the initial receivership period, 90 days after the insurance company entered receivership, and the established claims filing deadline.

Date	Event
08/08/22	Liquidation Order Entered
08/09/22	DFS website and the WPCIC liquidation website updated to reflect the receivership
08/09/22	Policyholder and agent notices posted to the WPCIC liquidation website
08/09/22	First day of onsite receivership activities at WPCIC in Coral Gables, FL
08/09/22	Notice of Receivership emailed to Agents (Total: 4,485)
08/11/22	Notice of Receivership emailed to policyholders (Total: 40,753, delivered 37,049)
08/16/22	Notice of Receivership mailed to policyholders August 16 – 18, 2022 (Total: 63,484)
09/07/22	Policies canceled
09/13/22	First phase of transitioning claim files and data to the guaranty associations to ensure continuity of the processing of claims

09/21/22	Last day of onsite receivership activities at WPCIC
08/08/23	Claims Filing Deadline

Insolvency Information

I. Preliminary Causal Analysis of Insolvency

The initial issues identified by OIR that resulted in the referral of Weston to the Department for delinquency proceedings include:

- Insufficient liquidity
- Significant, sustained underwriting losses
- Inability to fully place reinsurance for the 2022 hurricane season
- Adverse development of wind claims across multiple states
- Impaired surplus as regards policyholders

Weston’s losses over the course of multiple years affected its surplus and risk-based capital. The company had insufficient assets or reinsurance to pay potential claims to policyholders during the 2022-2023 Atlantic Hurricane season. Despite actions taken by Weston to improve its financial condition, including a Capital Management Plan and Risk Based Capital Plan, Weston’s surplus as regards policyholders continued to deteriorate and ultimately led to the company’s referral for delinquency proceedings.

II. Insolvency Report

This document represents the initial report of insolvency as required by section 631.398(b)2, Florida Statutes, and will be updated annually until the submission of the final insolvency report. Under the supervision of the receivership court and pursuant to section 631.156, Florida Statutes, DFS is tasked with conducting an investigation to determine the causes of Weston’s insolvency, including whether any laws of this state, any other state, or the Federal Government related to the solvency of Weston were violated; to discover assets for recovery; and to determine the location of assets and their manner of recovery. DFS has hired a forensic accounting firm to assist in the investigation. Certain portions of the investigative work product may be deemed confidential as contemplated by section 119.071(1)(d)1, Florida Statutes [attorney work product exemption]; section 626.989, Florida Statutes [fraud investigation exemption]; section 119.0715, Florida Statutes [trade secrets held by an agency exemption]; and other provisions of law. The final insolvency report shall be submitted within 30 days of the conclusion of the insolvency proceeding.

APPENDIX

Glossary of Terms

- **Affiliate:** Any entity which exercises control over or is controlled by the insurer, directly or indirectly through:
 - (a) Equity ownership of voting securities;
 - (b) Common managerial control; or
 - (c) Collusive participation by the management of the insurer and affiliate in the management of the insurer or the affiliate.
- **Delinquency Proceedings:** Any proceeding commenced against an insurer pursuant to Chapter 631, Part I, Florida Statutes for the purpose of liquidating, rehabilitating, reorganizing, or conserving such insurer.
- **Estate:** The insurance entity in receivership.
- **Guaranty Association:** A state-sanctioned organization that protects policyholders and claimants in the event of an insurance company's impairment or insolvency. Insurance guaranty associations are legal entities, whose members make guarantees and provide a mechanism to resolve claims. The Florida Guaranty Associations include the Florida Insurance Guaranty Association, Florida Workers' Compensation Insurance Guaranty Association, Florida Life and Health Insurance Guaranty Association, and the Florida Health Maintenance Organization Consumer Assistance Plan.
- **Initial Receivership Period:** The 90-day period after an insurance company enters receivership.
- **Insolvency:** All the assets of the insurer, if made immediately available, would not be sufficient to discharge all its liabilities or that the insurer is unable to pay its debts as they become due in the usual course of business. Insolvency also includes an impairment of surplus and an impairment of capital as defined in Chapter 631, Part I, Florida Statutes.
- **Onsite Activities:** Receivership activities occurring at the insurance company's principal place of business and/or remotely from the Division of Rehabilitation and Liquidation during the initial phases of the receivership process.
- **Receiver:** A receiver, liquidator, rehabilitator, reorganizer, or conservator, as the context may require.
- **Receivership:** The placement of an insurer under the control of a receiver pursuant to a delinquency proceeding under Chapter 631, Part I, Florida Statutes.
- **Special Deputy Receiver:** A company retained by DFS to administer the receivership of an insurance company as authorized by the Court.

Division of Rehabilitation and Liquidation

325 John Knox Road, Atrium Building, Suite 101; Tallahassee, FL 32304