



Florida Department of Financial Services

Division of Rehabilitation and Liquidation

Weston Property and Casualty Insurance Company Annual Insolvency Report – December 8, 2023

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.

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,

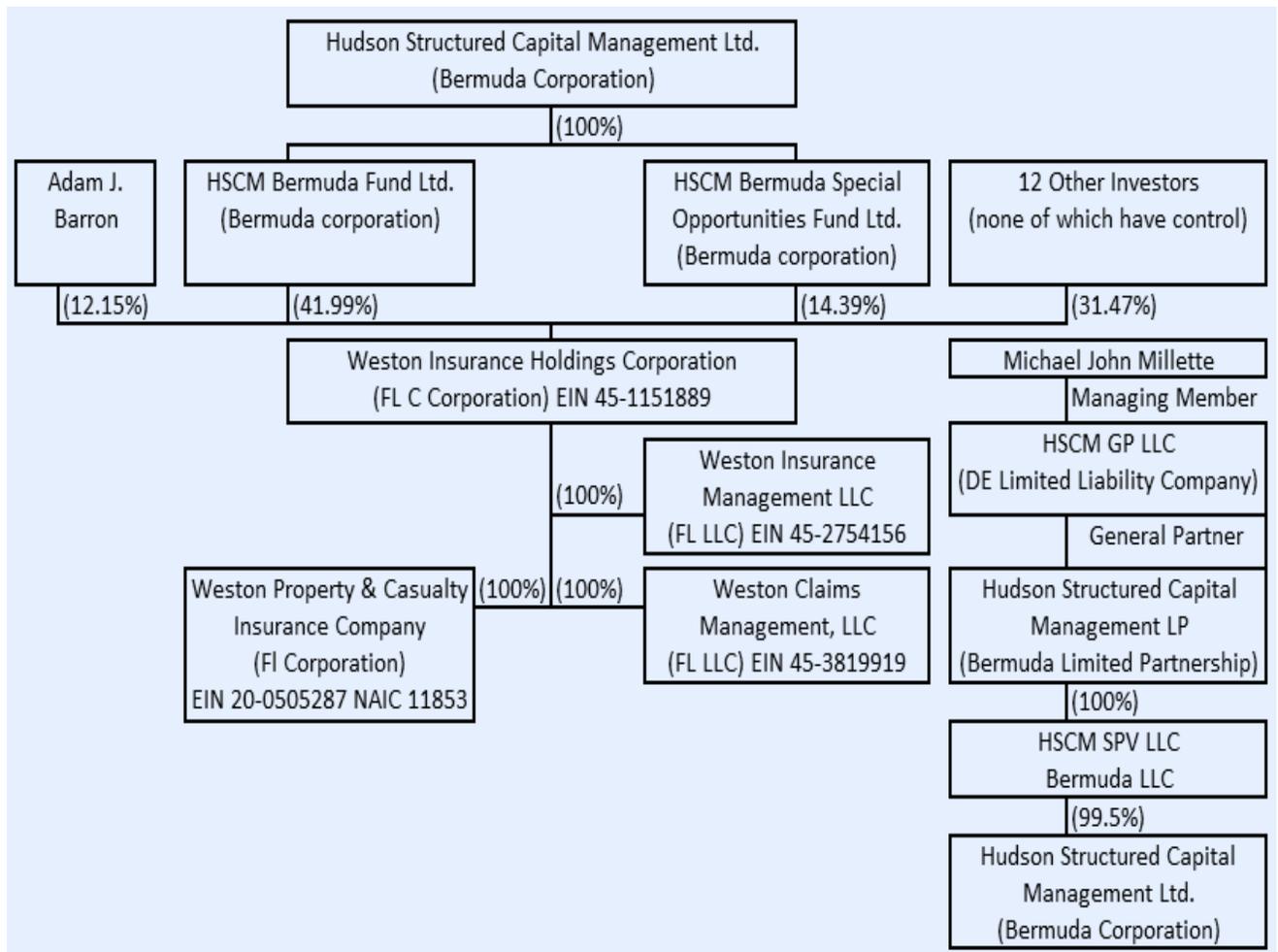
Weston Specialty Insurance Company re-domesticated to Florida and changed its name to Weston Property and Casualty Insurance Company. All original duties and obligations of both Weston Insurance Company and Weston Specialty Insurance Company were assumed by WPCIC.

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”). WCM is defunct.

WPCIC had a managing general agent 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 holding-company 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

Weston's financial statement as of March 31, 2022, illustrated the following figures for net admitted assets, liabilities, and surplus as regards policyholders:

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	\$19,197,626

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 had the below number of policies and pending claims in each of the below states:

Policy and Claims Information			
State	In-Force Policies	Claims Count	Loss Reserve
Florida	22,686	181	\$14,785,735.55
Louisiana	10,481	285	\$4,213,390.61
Mississippi	111	0	\$0.00
Texas	30,206	572	\$5,641,202.36
Company Total	63,484	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.

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. Receivership Events

The below chart identifies relevant activities that have occurred during Weston’s receivership period.

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	Commenced processes for transitioning claim files and premium refund data to the guaranty associations to ensure continuity of the processing of claims and timely refunds of unearned premium
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 cancelled
09/21/22	Last day of onsite receivership activities at WPCIC
08/08/23	Claims Filing Deadline

Post-Receivership Information (Figures Represent Comprehensive Totals from Date of Liquidation to September 30, 2023)	
Description	Figure
(1) Funds Recovered from Reinsurance	\$8,593,494
(2) Sale of Properties Owned by WPCIC	N/A*
(3) Number of Lawsuits Currently Pending	113
(4) Number of Proof of Claims (POC) Filed in the Receivership Estate	486

*The SDR has not determined that WPCIC owned any real or material personal property as of this time.

III. Financial Statement

For a copy of the latest financial statement as of September 30, 2023, refer to the last pages of this document.

IV. Guaranty Associations

Upon entering receivership, guaranty associations were activated to provide continued resolution and payment of covered claims on behalf of WPCIC. They included the Florida Insurance Guaranty Association, Louisiana Insurance Guaranty Association, Mississippi Insurance Guaranty Association, and Texas Property and Casualty Insurance Guaranty Association. A summary of WPCIC's claims liabilities from all guaranty associations as of the most recent financial statement date, September 30, 2023, is listed below.

Class	Description of Claim	Total Liabilities
1	Administrative Expenses of Guaranty Associations	\$7,739,310.18
2	Loss Claims	\$65,901,035.43
3	Unearned Premium under Non-Assessable Policies	\$77,684,333.81

V. Post-Receivership Claims Information

As a result of the receivership, all policies were cancelled on September 7, 2022. As of November 3, 2023, the guaranty associations have reported the following pending claims, litigated claims, and loss reserves in each of the below states:

Claims Information			
State	Number of Pending Claims	Number of Litigated Claims	Loss Reserve
Florida	100	50	\$12,258,000.00
Louisiana	395	58	\$2,051,532.64
Mississippi	0	0	\$0
Texas	840	5	\$9,312,412.18
Company Total	1,335	113	\$23,621,944.82

Number of Claims Transferred to Guaranty Associations by Claim Status As of October 3, 2023	
Claim Status	Total Claims
Open Claims at Liquidation	513
New Claims	806
Reopen Claims	1,196
TOTAL	2,515

Insolvency Information

I. Preliminary Causal Analysis of Business Practices that Led to Insolvency

A. Pre-Liquidation

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

- 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.

B. Post-Liquidation

A forensic accounting firm has been retained to evaluate the business practices and other issues which may have impacted Weston, and to identify the leading factors which contributed to the company's insolvency. This work is still in progress, but it is very likely that extraordinary adverse loss development, including significant litigation expenses, will be among the contributing factors named by the forensic accountants. The states in which the company wrote business experienced record storm seasons in the years leading up to Weston's liquidation, and the company was unable to fully place reinsurance for the 2022 hurricane season.

II. Insolvency Report

This document represents the annual update of the initial insolvency report as required by section 631.398(3), 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 WPCIC's insolvency, including whether any laws of this state, any other state, or the Federal Government related to the solvency of WPCIC 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 will be submitted within 30 days of the conclusion of the insolvency proceeding.

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 or SDR office 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

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Florida Department of Financial Services, Division of Rehabilitation and Liquidation
Weston Property & Casualty Insurance Company in Liquidation
Statement of Affairs
9/30/2023

ASSETS

Cash Company Operating	3,186,238.07
SPIA Restricted	49,891,057.89
Bonds	857,515.25
Short-Term Investments	1,307,142.10
Allowance Short Term Investments	-
Common Stocks	443.64
Investment Income Due & Accrued	11,388.46
Reinsurance Recoverable	38,829,640.03
Allowance for Reinsurance Recoverable	(29,663,187.55)
Net Deferred Tax Asset	46,244,380.43
Allowance for Net Deferred Tax Asset	(46,244,380.43)
Receivables from parent, subsidiaries and affiliates	3,725,580.53
Allowance for Receivables from parent, subsidiaries and affiliates	(3,725,580.53)
Miscellaneous Receivables	51,384.95
Allowance for Miscellaneous Receivable	(51,384.95)
Total Assets	64,420,237.89

LIABILITIES

Accrued Expenses	2,052,950.66
Class 1 Administrative Claims	
Class 1 - Guaranty Associations	7,739,310.18
Class 2 Loss Claims	
Class 2 - Guaranty Associations	65,901,035.43
Class 2 - Other	-
Class 3 Unearned Premium Claims under Non-assessable Policies	
Class 3 - Guaranty Associations	77,684,333.81
Class 3 - Other	-
Class 6 General Creditor Claims	
Class 6 - Other	1,239,667.14
Class 8 Late Filed Claims	
Class 9 Surplus Notes/Unearned Premium Claims under Assessable Policies	
Class 9 - Other	-
Total Liabilities	154,617,297.22

EQUITY

Contributed Equity - State of Florida	-
Estate Equity	(90,197,059.33)
Excess (Deficiency) of Assets over Liabilities	(90,197,059.33)
Total Liabilities & Equity	64,420,237.89

The accompanying notes are an integral part of these financial statements.

UNAUDITED

Florida Department of Financial Services, Division of Rehabilitation and Liquidation

Weston Property and Casualty Insurance Company

Notes to the Financial Statements

Dated September 30, 2023

1. **Receivership Estate Information.** Weston Property and Casualty Insurance Company (“Weston” or the “Company”) was a property and casualty organization domiciled in Florida and placed in Liquidation on August 8, 2022.
2. **Basis of Presentation.** The accompanying financial statements have been prepared on a modified cash basis of accounting using a calendar year basis. The statements do not provide any material accruals for post-financial date expenses.
3. **Unaudited Financials.** The accompanying financial statements have not been audited by an independent certified public accountant and no opinion is expressed on their compliance with statutory insurance accounting principles.
4. **Reinsurance Recoverable and Allowance for Reinsurance Recoverable.** The Company’s pre-receivership reinsurance recoverable is included, which was based on pre-receivership data compiled by the Company. A material portion of the pre-receivership reinsurance was thereafter disallowed. After the disallowance of reinsurance amounts, the resulting net reinsurance recoverable on the financial statements is approximately \$9.2 million. Further, the Special Deputy Receiver terminated the year 2022 reinsurance coverage, resulting in a claimed reinsurance recovery of approximately \$13,809,916 for pre-receivership reinsurance premium payments, of which \$ 2,450,075 has been recovered as of September 30, 2023. The year 2022 reinsurance terminations also terminated the payment of any future reinsurance premium amounts, which were estimated to be approximately \$23,138,484.
5. **Deferred Tax Assets (“DTAs”).** All DTAs have been disallowed as an asset on the financial statements based on the uncertainty of whether the Company will ever accrue taxable income or gains to recapture the benefit of such DTAs.
6. **Receivables from Parent, Subsidiaries, and Affiliates.** All amounts due from parent, or affiliates, were disallowed due to the uncertainty of collection. The total shown on the Statement of Affairs is based on the available records of the Company and may be subject to revision. The Company’s books have not yet been reconciled with those of its affiliated entities, and the Receiver continues to evaluate these matters.
7. **Agent Commissions.** The Company has been receiving agent commission refunds since the outset of receivership and has evaluated the outstanding commissions due from all Weston agents. Weston Information Technology and Accounting department staff have developed documentation from all three of Weston’s existing policy systems regarding

both positive commission and negative commission summaries, which are the amounts owed by Weston and owed to Weston, respectively. Weston's agent and broker accounting records indicate a total owing the estate in return commissions of \$9,388,303.19, after offset, and the underlying amounts owed by each agency in return commissions present a matter currently under review and are being pursued for collection. The Company has received approximately \$4,457,491.59 in return commission payments as of September 30, 2023.

8. **Claim and Other Liabilities.** Unless otherwise noted, the Statement of Affairs contains estimated claim liabilities by priority class pursuant to section 631.271, Florida Statutes. Unless otherwise stated, the claim liabilities reported are gross filed and have only partially been reduced to final claim amounts. There have not been any early access payments made by the Florida Receiver to any state insurance guaranty associations. Claim liability numbers are based upon available information and documentation provided to the Receiver from both internal and external sources as of the end of the second quarter, and these claim amounts are subject to further adjustment as claims are finalized during the receivership process, which may include the submission of further claims against the receivership estate. These reinsurance balances and fund amounts are subject to further review by the Special Deputy Receiver.

The Company has received financial claims data from the Texas Property and Casualty Insurance Guaranty Association ("TPCIGA"), the Florida Insurance Guaranty Association ("FIGA"), the Louisiana Insurance Guaranty Association ("LIGA"), and the Mississippi Insurance Guaranty Association ("MIGA"). TPCIGA, FIGA, LIGA, and MIGA provided complete data sets through the end of the second quarter. This data was relied upon. The insurance guaranty associations are reviewing and paying the Company's claims and establishing reserves. The Company relies upon the claim and expense reserves established by the Company before receivership where there has been no appreciable adjustment activity on claims by the guaranty associations and, pending investigation, where claims were closed by the guaranty associations without payment or explanation. Otherwise, the Company relies upon the reserves established by the guaranty associations. The Company has also maintained the incurred, but not reported, claim reserve in place at inception of the receivership, which should be modified in the future based on further claim determinations and claim payments.

9. **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 material estimates for future administrative costs to liquidate the estate or costs to pursue or litigate claims, and the estimated deficiency is subject to further adjustment in the future as the liquidation of the Company continues.

The accompanying notes above are an integral part of these financial statements and unaudited.