



## Florida Department of Financial Services

Division of Rehabilitation and Liquidation

# Weston Property and Casualty Insurance Company Annual Insolvency Report – December 6, 2024

### 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 Cantilo & Bennett, L.L.P. as Special Deputy Receiver (“SDR”). In these capacities, DFS and the SDR were authorized to plan, coordinate, and direct the affairs of the company to carry out the liquidation 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

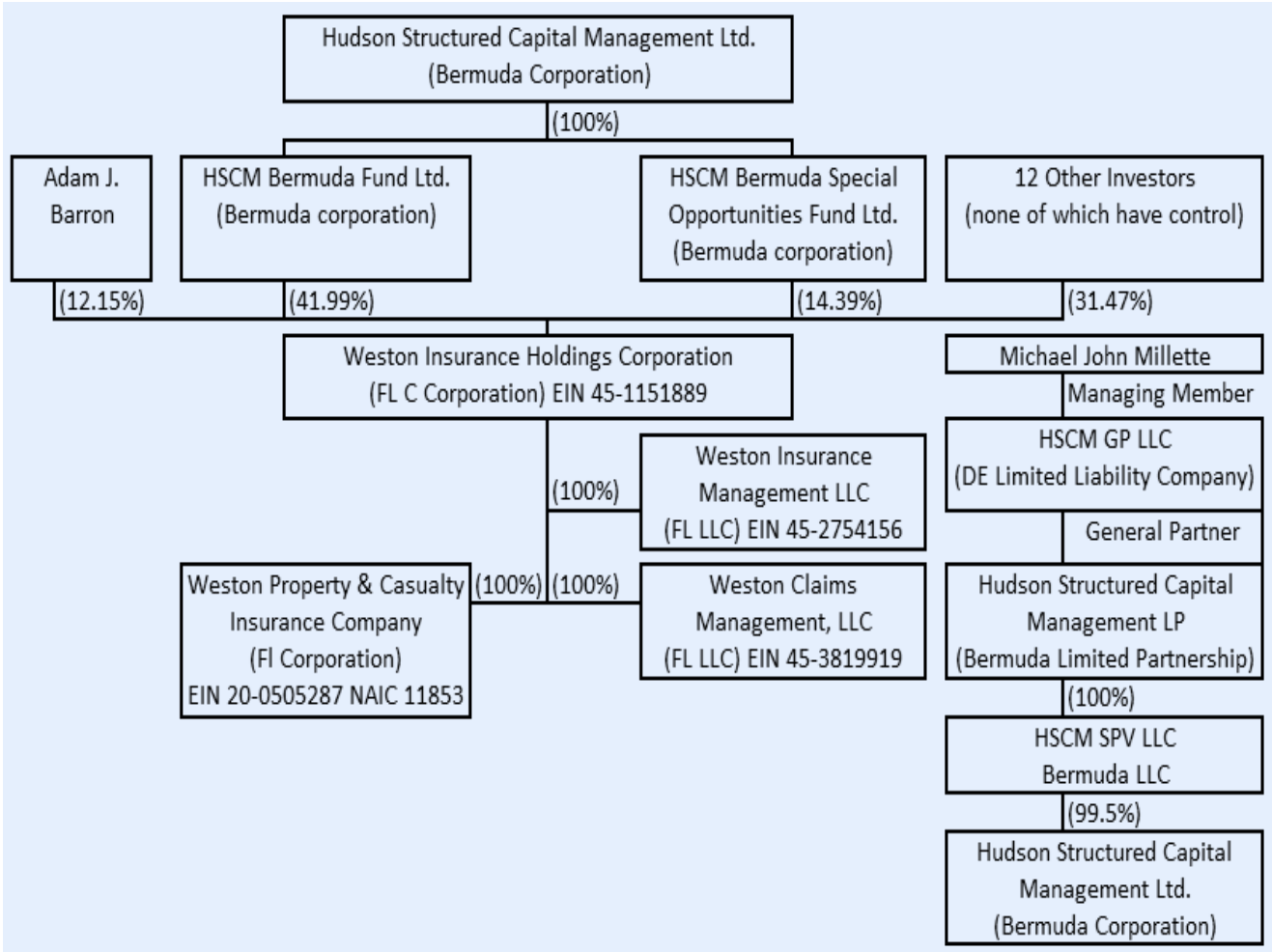
and into Weston Specialty Insurance Company, a Texas Domestic. Upon effectuation of the merger, Weston Specialty Insurance Company re-domesticated to Florida and changed its name to Weston Property and Casualty Insurance Company. All original duties and obligations of both Weston Insurance Company and 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
<b>Surplus as Regards Policyholders</b>	<b>\$28,294,519</b>	<b>\$19,197,626</b>

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
<b>Company Total</b>	<b>63,484</b>	<b>1,038</b>	<b>\$24,640,328.52</b>

### 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 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)

<b>08/16/22</b>	Notice of Receivership mailed to policyholders August 16 – 18, 2022 (Total: 63,484)
<b>09/07/22</b>	Policies cancelled
<b>09/21/22</b>	Last day of onsite receivership activities at WPCIC
<b>08/08/23</b>	Claims Filing Deadline

**Post-Receivership Information**  
(Figures Represent Comprehensive Totals from Date of Liquidation to Date Listed in Chart)

Description	Figure	Date
(1) Funds Recovered	\$35,931,270.52	09/30/24
(2) Sale of Properties Owned by WPCIC	N/A*	09/30/24
(3) Number of Lawsuits Currently Pending	77	09/30/24
(4) Number of Proof of Claims (POC) Filed in the Receivership Estate	488	09/30/24

\*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, 2024, 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, 2024, is listed below.

Class	Description of Claim	Total Liabilities
1	Administrative Expenses of Guaranty Associations	\$9,832,646.64
2	Loss Claims	\$40,753,513.74
3	Unearned Premium under Non-Assessable Policies	\$77,301,475.09

## V. Post-Receivership Claims Information

As a result of the receivership, all policies were cancelled on September 7, 2022. As of October 31, 2024, the guaranty associations have reported the following pending claims, litigated claims, and loss reserves in each of the below states:

<b>Claims Information</b>			
<b>State</b>	<b>Number of Pending Claims</b>	<b>Number of Litigated Claims</b>	<b>Loss Reserve</b>
Florida	38	29	\$3,132,500
Louisiana	77	47	\$943,473.31
Mississippi	0	0	\$0
Texas	57	1	\$710,316.27
<b>Company Total</b>	<b>172</b>	<b>77</b>	<b>\$4,786,289.58</b>

<b>Number of Claims Transferred to Guaranty Associations by Claim Status As of November 18, 2024</b>	
<b>Claim Status</b>	<b>Total Claims</b>
Open Claims at Liquidation	971
New Claims	857
Reopen Claims	753
<b>TOTAL</b>	<b>2,581</b>

## 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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