FLORIDA DEPARTMENT OF FINANCIAL SERVICES

DIVISION OF REHABILITATION & LIQUIDATION

Annual Report

2020

CHIEF FINANCIAL OFFICER

Jimmy Patronis

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

DIVISION OF REHABILITATION & LIQUIDATION

Mission Statement

Manage receiverships to maximize value to claimants and the public.

Vision Statement

The Division's vision is to be a recognized and respected leader in the efficient administration of insurance receiverships.

Value Statements

Service	The Division's long and continuing tradition of public service is supported and sustained by a highly skilled and diverse workforce that responds rapidly and successfully to changes.
Teamwork	The Division promotes and reinforces a corporate perspective and challenges its employees to work cooperatively across internal and external organizational boundaries.
Excellence	The Division strives for continuous improvement, believing that competence, reliability, efficiency, and effectiveness are keys to excellence.
Accountability	As an organization and as individuals, the Division accepts full responsibility for our performance and acknowledges our accountability for the ultimate outcome of all that we do.
Diversity	Capitalizing on the varied experiences of its workforce is key to the Division's continued success.
Integrity	The Division performs its work with the highest sense of integrity which requires the agency to be, among other things, honest and fair. Integrity is measured in terms of what is right and just, standards to which the Division is committed.
Innovation	The implementation of ideas into new or improved processes, services, and systems is fundamental to the Division's continued success.

Jimmy Patronis

Message from the Chief Financial Officer

As the Chief Financial Officer of the State of Florida, I am pleased to present the 2019-2020 Annual Report for the Division of Rehabilitation and Liquidation (Division). The Division is responsible for the administration of insurance receiverships on behalf of the Florida Department of Financial Services. At every level of the Department we are committed to helping policyholders, and the Division is critical to that effort.

This year, the Division established strategic priorities to improve operational procedures in the receivership process, continue service during the COVID-19 pandemic, and advocate on behalf of policyholders, creditors, and consumers. During the 2019-2020 fiscal year, the Division paid over $9.4 million in distributions to claimants and guaranty associations. In addition, it continued to make progressive strides in reducing receivership costs by streamlining and shortening the receivership life cycle. This was demonstrated by successfully closing two receiverships.

This Annual Report provides additional information regarding the Division's activities and accomplishments during the 2019-2020 fiscal year. The Division's achievements are the result of our commitment to public service and the collaborative efforts of our team. For more information about the receivership process and companies in receivership, please visit www.myfloridacfo.com/division/receiver. We look forward to the work ahead.

Jimmy Patronis
Chief Financial Officer
State of Florida

Table of Contents

Division Overview

The Division is divided into five functional areas (see Figure 1), each lead by a manager who reports to the Division Director. As of June 30, 2020, the Division has sixty-one (61) funded positions.

Figure 1 *Division of Rehabilitation and Liquidation Organizational Structure in 2019-2020*

ROLE OF THE DIVISION

Insurance companies that become financially impaired or insolvent are exempted from federal bankruptcy jurisdiction and are subject to state laws regarding receivership. A receivership is the legal process by which the affairs of an insurance company are administered by a court appointed entity for purposes of rehabilitation or liquidation. Under Florida law, the Second Judicial Circuit Court in Leon County, Florida, (Referred to as the "Receivership Court" or the "Court") has jurisdiction over insurance receivership matters. The Florida Department of Financial Services ("Department") is appointed by the Court as Receiver for insurers placed into receivership in Florida. The role of the Division of Rehabilitation and Liquidation ("Division") is to administer the receiverships on behalf of the Department and protect claimant interests. The Division plans, coordinates, and directs the affairs of the companies placed into receivership for purposes of carrying out the rehabilitation or liquidation order of the Court. This 2019-2020

Annual Report provides a brief look at the role of the Division and the overall receivership process.

In rehabilitation, the Division implements a plan that aims to return the company to the marketplace. Major tasks associated with a rehabilitation order include taking control of and protecting the property and assets of the insurer, conducting the business of the insurer, and formulating a plan to address the causes and conditions necessitating the receivership. The rehabilitation is successful when the insurance company meets the solvency criteria set forth in the Florida Insurance Code and the Receivership Court finds the causes that required rehabilitation have been corrected. The Court then enters an order discharging the Department from its duties and closes the rehabilitation receivership.

In liquidation, the insurance company is closed, outstanding policies are usually cancelled, and the process of collecting and selling the company's assets begins. The goal of liquidation is to use the money acquired from selling the company's assets to pay off the company's debts and outstanding insurance claims. Major tasks associated with a liquidation order include marshaling and liquidating insurer assets, identifying and paying claims, distributing assets to claimants, and responding to consumer inquiries about the receivership process.

CORE PROCESSES

The core processes of the Department, acting as Receiver under the direction of the Receivership Court, are illustrated in Figure 2. The process starts when the Receivership Court places an insurance company into receivership for purposes of rehabilitation or liquidation. In the "Company Control" process, the Division moves to take physical possession of the company's assets, offices, records, and other property. The Division then immediately attempts to determine the true financial status of the company. Under an order of rehabilitation, the Division seeks to remedy the problems that resulted in the entry of the rehabilitation order. Efforts are made to evaluate a financial plan which can include: acquiring new funds, merging with other companies, selling parts of the business, hiring new management or exercising other remedial steps. All such activities are subject to scrutiny and final approval by the Receivership Court.

If rehabilitation is not possible, or is unsuccessful, the Division will petition the Receivership Court for an order of liquidation. At that time, the Division starts the "Company Asset Recovery and Asset Management" process, which involves marshaling all available assets and determining all liabilities of the company to ascertain the net value of the estate. During this phase, the Division will control and process all the business functions of the company in receivership and will recover company assets. Often, the Division needs to file litigation to best pursue and collect the assets of the company.

"Claims Processing" begins when notification of the company's liquidation is provided to all those with an interest in the estate, including policyholders, creditors, and guaranty associations. Claims in the estate are received by the Division and evaluated. Distribution of payment to claimants is dependent upon the recommendation of the Division, approval by the Receivership Court, and the availability of funds in the estate. Insurance guaranty associations may be intricately involved in this claims processing stage by directly paying some of the policyholder claims of the failed insurance company. A great deal of communication and cooperation is required between the Division and the guaranty associations.

Following the final distribution of money to claimants, legal pleadings are filed that ultimately lead to the discharge of the company from receivership. It is during this "Company Discharge" process that the Division prepares and files the unclaimed property reports and final financial reports for the estate. The time required to close a receivership proceeding is largely determined by the amount and complexity of the assets to be monetized and the ability of the Division to make a final determination of an estate's liability. The company discharge phase is complete when the Receivership Court issues an order discharging the Department from all duties, obligations, and liabilities in the administration of the receivership.

CORE PROCESS	PRIMARY TASKS
Company Control	• Identify, secure and control company assets • Manage business functions • Implement receivership plan
Company Asset Recovery and Asset Management	• Collect and liquidate all company assets • Pursue litigation as necessary to collect assets • Maximize assets returned to receivership
Claims Processing	• Acquire claimant information • Proof-of-Claims processing *(liquidation only)* • Guaranty association claim processing *(liquidation only)* • Claims evaluation *(liquidation only)* • Interim distributions/payment of available funds on allowed claims *(liquidation only)* • Early Access distributions *(liquidation only)*
Company Discharge	• Determination of final financial accounting • Final distribution of available funds on allowed claims *(liquidation only)* • Unclaimed property reporting *(liquidation only)* • Destruction of non-permanent company records *(liquidation only)*

Figure 2 *Division's Core Processes*

DIVISION FUNDING

The Division's overall cost of managing receiverships is paid for by recoveries from the estates that are in receivership, supplemented by funds from the state. The Division maintains staff that is paid from receivership funds. This staffing structure allows the Division's management to expand or downsize staff as necessary with the fluctuation of the number of estates being administered.

The Division's state budget is funded from the Insurance Regulatory Trust Fund. The state budget supports one state position, infrastructure, and certain technological improvements that benefit future receivership estates. For the 2019-2020 fiscal year, the Division's operating state budget was $1,010,033. Figure 3 displays the Division's Receivership Budget for the 2019-2020 fiscal year, and Figure 4 gives an overview of the Division's 2019-2020 state budget.

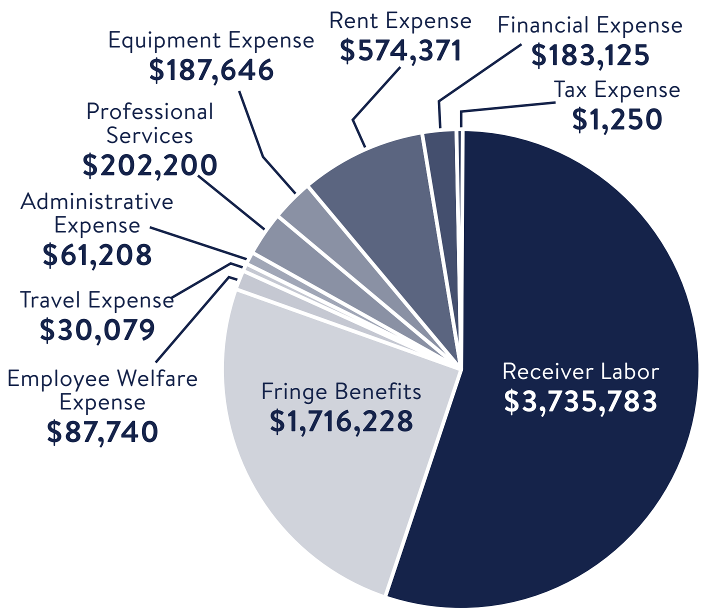


Figure 3 *Division's Receivership Budget for FY 2019-20*

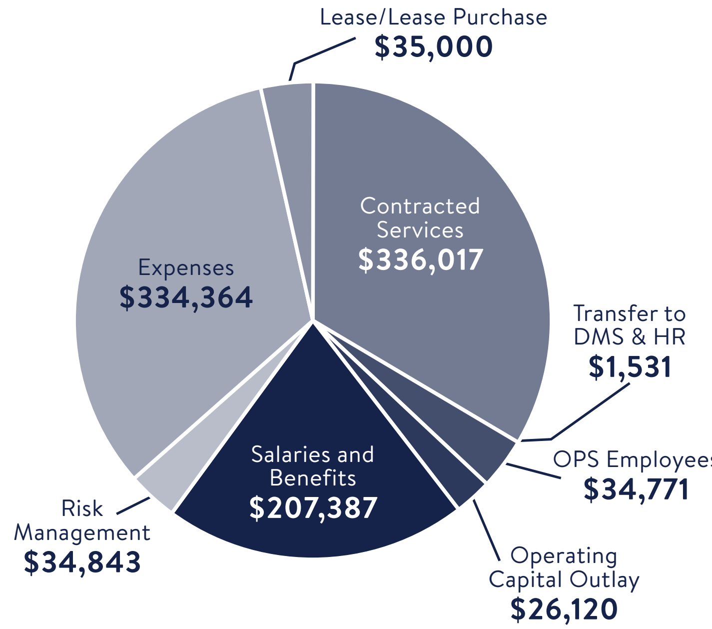


Figure 4 *State Budget FY 2019-20*

General Information

TYPES OF RECEIVERSHIPS IN THE LAST FIVE YEARS

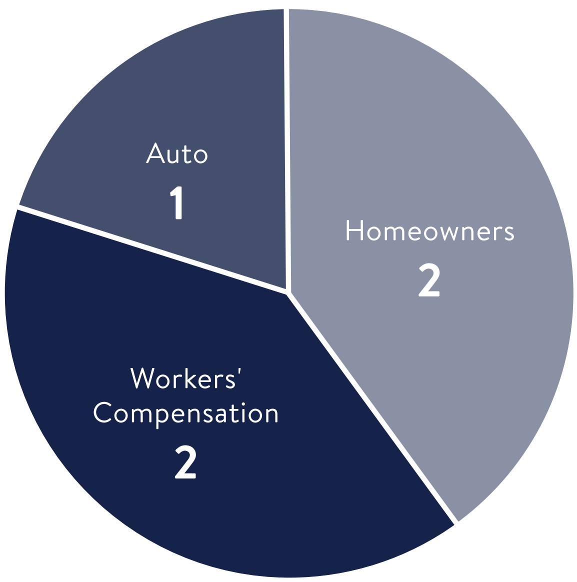


Figure 5 *Types of Companies Entering Receivership in Last Five Years*

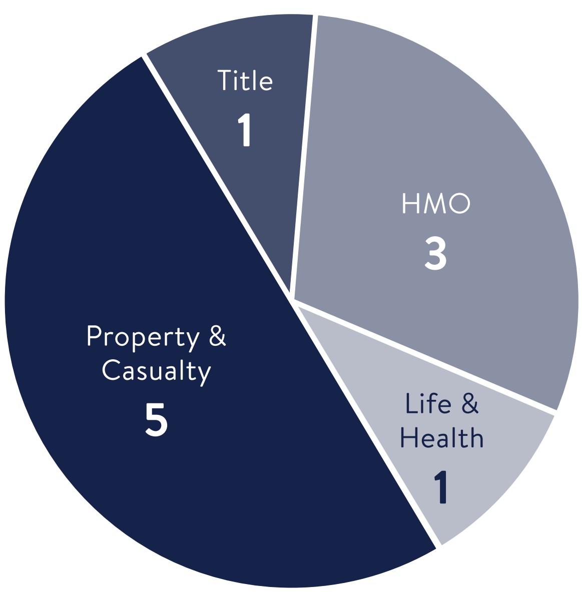


Figure 6 *Companies in Receivership by Lines of Business in Last Five Years*

FACTORS CONTRIBUTING TO INSOLVENCY

Pursuant to section 631.398, Florida Statutes, the Division shall prepare, or cause to have prepared, a summary report containing information relating to the history and causes of the insolvency including the business practices of the insurer which led to its insolvency. This report must be prepared no later than the conclusion of any domestic insurer's insolvency proceeding. Over the course of the last five fiscal years, the Division has closed 24 estates. Factors contributing to the insolvencies of these estates include the following:

- Inadequate capitalization or asset deterioration
- Improper management
- Insufficient claim reserves
- Rapid premium growth
- Inappropriate transactions with affiliates or subsidiaries
- Inadequate premium rates
- Natural disasters or catastrophic losses
- Change in business conditions
- Reinsurance market issues

Accomplishments and Significant Events

DIVISION HIGHLIGHTS

During the 2019-2020 fiscal year:

- The Division moved its Tallahassee and Miami offices. Tallahassee moved to 325 John Knox Road within the Atrium Building in October, and Miami moved to 8350 NW 82nd Terrace, within the Spokane Building in November.
- In response to the COVID-19 pandemic, the Division transitioned its workforce to remote status and 99% of employees were successfully set up to work from home. While working remotely, the Division continued to effectively perform essential services and receivership functions.
- Two companies were placed into liquidation during the fiscal year. The Division administered 11 companies in liquidation and one company in rehabilitation.
- Two companies were closed in fiscal year 2019-2020. These estate closures are a direct result from the Division's implementation of improved and more efficient processes allowing the Division to better streamline the life cycle of receivership estates.
- The Division distributed $3 million in early access distributions to guaranty associations from two different estates. In addition to the early access distributions, the Division distributed $6.4 million to claimants in two estates during the fiscal year.
- To facilitate distribution, the Division processed 3,997 Proof of Claims forms, facilitated the Deemed Filing of 13,334 claims, evaluated 4,161 claims, mailed 4,158 Notice of Determinations, processed five filed objections, resolved 38 filed objections, processed 26 requests for an assignment of claim, reopened 3,597 claims, and set up 3,166 new claims.
- The Division performed three distribution accountings, two discharge accountings and processed and filed unclaimed property reports in 17 states, for unclaimed amounts totaling $442,378 from one discharged receivership.
- The Division recovered assets totaling $44 million, excluding litigation recoveries.
- The Division recovered assets totaling approximately $18.6 million through litigation.

As in prior years, the Division continues to place a great emphasis on developing strategies to shorten the lifecycle of estates in receivership.

RECEIVERSHIPS OPENED AND CLOSED DURING THE FISCAL YEAR

Receiverships Opened

Florida Specialty Insurance Company

Effective October 2, 2019, Florida Specialty Insurance Company ("FSIC") was ordered into receivership for purposes of liquidation by the Court. FSIC was a homeowner's insurance company located in Sarasota, Florida.

All insurance policies issued by FSIC were cancelled on November 1, 2019. A total of 3,439 Proof of Claims (POC) forms were sent to claimants and policyholders.

Windhaven Insurance Company

Effective January 6, 2020, Windhaven Insurance Company ("WIC") was ordered into receivership for purposes of liquidation by the Court. WIC was an automobile insurance company located in Miami, Florida.

All insurance policies issued by WIC were cancelled on February 5, 2020. On September 30, 2020 the mailing of approximately 55,000 Proof of Claims forms commenced. The deadline for filing a Proof of Claims was January 6, 2021.

Receivership Closures

Aries Insurance Company

Effective November 14, 2002, Aries Insurance Company ("Aries ") consented to and was placed into liquidation by the Court. Aries was an automobile insurance company located in Miami, Florida.

On August 14, 2017, the Department mailed distribution checks. These checks represent 100% of the Class 1 and 13.96% of the Class 2 claims. Effective June 30, 2020, the Court entered an order discharging the Department as Receiver of Aries.

National Group Insurance Company

Effective August 1, 2011, National Group Insurance Company ("NGIC") was ordered into receivership for purposes of rehabilitation by the Court.

Effective October 10, 2011, NGIC was placed into liquidation. NGIC was a commercial property and casualty insurer in Coral Gables, Florida.

On May 1, 2019 and August 28, 2019, distribution payments were sent to the Florida Insurance Guaranty Association. These payments represent 98.6% of the Class 1 claims. Effective August 31, 2019, the Court entered an order discharging the Department as Receiver of NGIC.

DISTRIBUTIONS

The following list provides additional information about the Court ordered distributions to claimants and policyholders during the 2019-2020 fiscal year:

Claims Distribution Payments	Month of Distribution	Court Ordered Distribution Amount
National Group Insurance Company	August 2019	$753,126
Universal Health Care Insurance Company, Inc.	November 2019	$5,660,882
Early Access Distributions		
Sunshine State Insurance Company	December 2019	$3,000,000
TOTAL DISTRIBUTIONS		**$9,414,008**

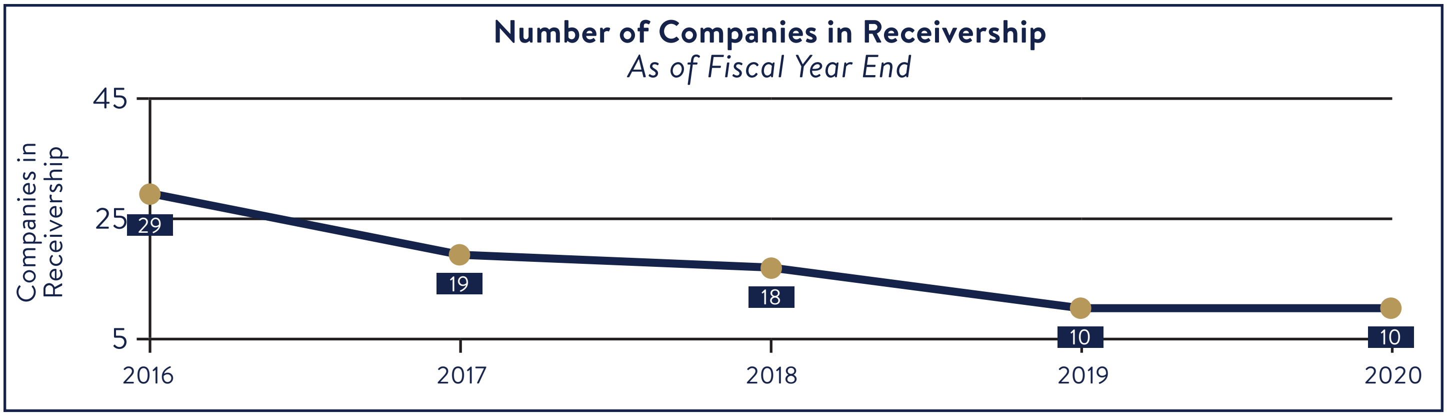


Figure 7 *Number of Companies in Receivership – Last Five Fiscal Years*

EARLY ACCESS

As deemed appropriate, section 631.397, Florida Statutes, allows the Division to advance funds to Florida's guaranty associations and similar associations in other states for the administration and payment of covered claims. These advances are referred to as early access distributions and must be approved by the Receivership Court. An analysis of all estates to determine possible early access distributions is performed twice a year to maximize the amount distributed while taking care to reserve enough of the estate's assets to cover the expected claims distributions to non-guaranty association claimants and the costs related to claims administration, asset recovery, and pending litigation.

There is a benefit to the public when the Division makes early access distributions to the guaranty associations. Each dollar the Division supplies to the guaranty associations for claims administration and payment is a dollar that the guaranty associations will not have to assess their member insurers. This, in turn, helps hold down the cost of policies to the insurance buying public by not having a portion of an assessment reflected in premiums charged to the policyholders.

The assessment processes of the Florida Insurance Guaranty Association, Inc. ("FIGA") help to illustrate how the early access distributions ultimately help the insurance buying public. Pursuant to section 631.57(3)(a), Florida Statutes, FIGA is required to secure funds necessary for the payment of covered property and casualty claims and to pay the reasonable costs of claims administration as necessary, to levy assessments against its member insurers. Pursuant to this law, the assessments levied against each insurer are limited to 2% of annual written premiums with an option for an additional emergency assessment also limited to 2% annually. When assessments are made, insurers may recoup their portion of the assessment from their policyholders as a part of their policy premium, under section 631.64, Florida Statutes. Similar statutory requirements for assessment against the members of Florida's other guaranty associations are found in the following laws:

- Section 631.718, Florida Statutes, establishes the assessment authority of the Florida Life and Health Insurance Guaranty Association ("FLAHIGA");
- Section 631.819, Florida Statutes, establishes the assessment authority of the Florida Health Maintenance Organization Consumer Assistance Plan ("FHMOCAP"); and
- Section 631.914, Florida Statutes, establishes the assessment authority of the Florida Workers' Compensation Insurance Guaranty Association, Inc. ("FWCIGA").

The early access distributions which the Division pays the guaranty associations reduces the amount the guaranty associations assess their members. In the 2019-2020 fiscal year, the Division paid $3 million in early access distributions to guaranty associations.

Appendix A

History of the Division

The need for a specialized program to handle the duties of a Receiver for troubled insurance companies began to emerge in 1957. In November of that year, Alabama General Insurance Company, a fire and casualty insurance company, was found to be insolvent and a state agent was needed to act as Receiver to protect the assets of all parties who had an interest in the estate. For the next 10 years, the duties of Receiver for troubled and insolvent insurance companies fell on five employees under the direction of the General Counsel at the Florida Department of Insurance ("DOI").

During those 10 years, DOI was named Receiver for 15 more insurance companies. As the trend of insurance companies entering receivership continued to grow, Insurance Commissioner Broward Williams asked the 1967 Legislature for additional staff to manage the receiverships. The legislature approved 13 new positions, one of which was an attorney position. The addition of the attorney position paved the way for the staff to be separated from the Office of General Counsel. Commissioner Williams administratively created the Division of Rehabilitation and Liquidation in 1967 as recorded in the Florida Administrative Code, Chapter 4-38.13. It has operated as a separate division since September 1967. Tom Waddell became the Division's first Director effective September 1, 1967 (see Table A for a listing of all Division Directors). Chapter 4-38.003 of the Florida Administrative Code officially provided for the Division of Rehabilitation and Liquidation in 1975. The Division's Miami Office was established in 1989, primarily as a result of multiple insolvencies in that region.

A receivership employment system was developed in the early years of the Division to provide managers with greater flexibility in staffing according to workload. Administrative costs to maintain a receivership staff were funded, as today, from the assets of the insolvent estates.

The 1970 Legislature created the first of four guaranty associations, which are separate from state government, to ensure that money is available to pay outstanding claims when an insurance company no longer can meet its contractual obligations. Chapter 631, Florida Statutes, mandates examination and regulatory oversight of each guaranty association by the Department or by the Office of Insurance Regulation. Please see Appendix C of this report for the name, purpose, and contact information of all guaranty associations in Florida. Under current state law, only the Receivership Court's Order of Liquidation triggers action by the guaranty associations. There is no guaranty association intervention under the Court's Order of Rehabilitation. Please refer to Appendix B, Summary of Rehabilitation v. Liquidation, for more information about activities that occur when an insurance company is in rehabilitation or liquidation. Most licensed insurance companies are covered by one of the guaranty associations. Some exceptions are title insurance companies, warranty companies, continuing care retirement communities ("CCRCs"), multiple employer welfare arrangements ("MEWAs"), and bond companies. The Division and the guaranty associations work closely to protect the insurance consumers of Florida.

Division Director	Years of Service	Division Director	Years of Service
Tom Waddell	1967 - 1969	Doug Shropshire	1989 - 1991
Charles Friend	1969 - 1971	Robert Johnson	1991 - 1996
L.E. Caruthers	1971 - 1980	Belinda Miller	1996 - 1999
Helen Hobbs	1980	Eric J. Marshall	1999 - 2001
James Brown	1981 - 1982	R. J. Castellanos	2001 - 2008
Gerald Wester	1982 - 1983	Wayne Johnson	2008 - 2011
Jerry D. Service	1983 - 1988	C. Sha`Ron James	2011 - 2015
Bill O'Neill	1989	Toma Wilkerson	2015 - Present

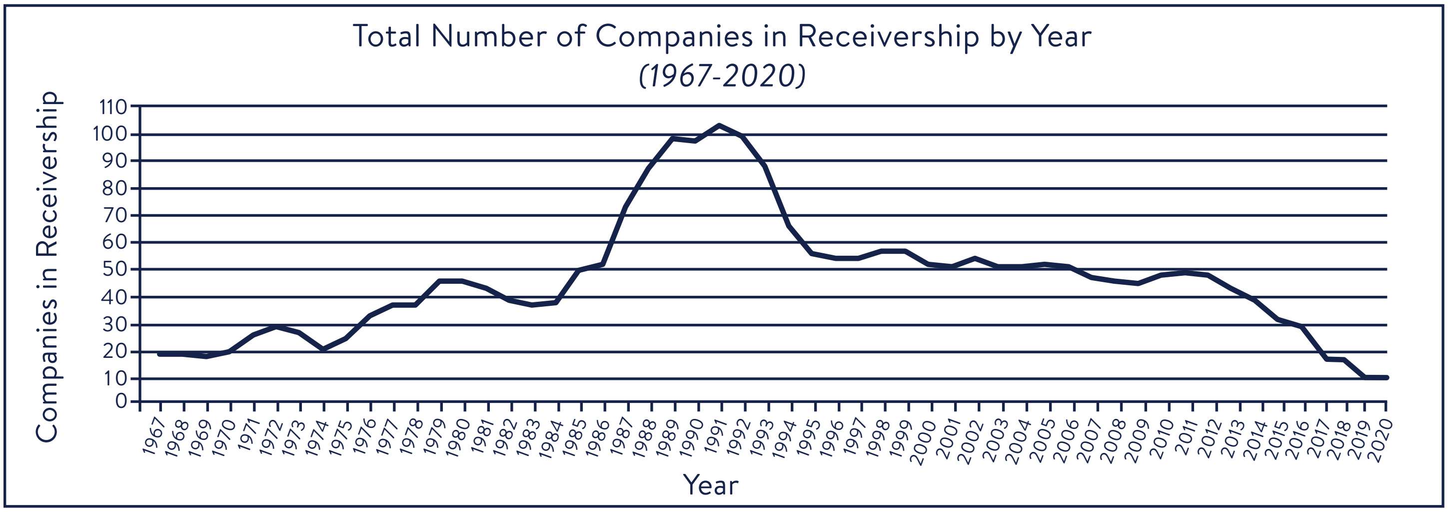
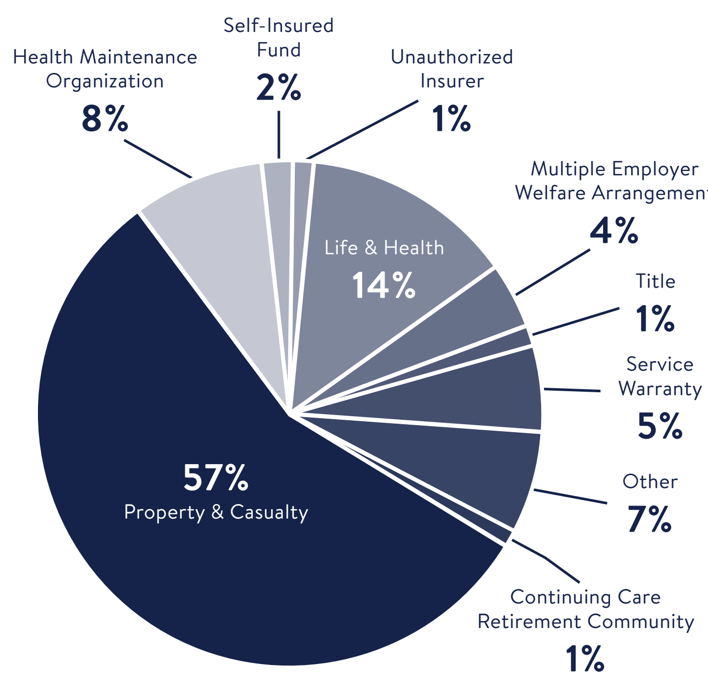


Figure 8 *Historical Data: Total Number of Companies in Receivership by Year, 1967-2020*

Figure 9 *Historical Data: Types of Companies Entering Receivership, 1957-2020*



Appendix B

Summary of Rehabilitation v. Liquidation

REHABILITATION	LIQUIDATION
Board of Directors are suspended temporarily. The Department assumes their authority but can redelegate certain authority at the Department's discretion.	Company is dissolved by Court Order of Liquidation. The Department assumes authority over company affairs.
The Department, appointed by the court, is in charge. The Department's Division of Rehabilitation and Liquidation administers the receiverships.	The Department, appointed by the court, is in charge. The Department's Division of Rehabilitation and Liquidation administers the receiverships.
Financial activity is carried out through the company's office systems utilizing its procedures.	Financial activity is ultimately carried out through the office of the Department's Division of Rehabilitation and Liquidation after the company's offices are closed.
Company continues to be responsible for paying claims.	A deadline for filing claims is established by court order. Guaranty associations, if applicable, pay covered policy claims. Claims not covered by a guaranty association are processed by the Department.
Payments are based on a court order which provides authority as to what the Department may pay.	Payments are based on a statutory priority scheme. A claims distribution is determined by the amount of available assets, if any, of the receivership estate. Claims are paid by class in order of the priorities set out in section 631.271, Florida Statute. Beginning with Class 1, all approved claims in a class must be paid in full before any payment is made to the next class. If there are insufficient funds to pay a class in full, all approved claims in that class are paid in equal pro rata shares.
Marshaling of assets by the Department (finding and collecting property or debts due, selling them to convert to cash).	Marshaling of assets by the Department (finding and collecting property or debts due, selling them to convert to cash).

REHABILITATION	LIQUIDATION
Litigation against the company is stayed by statute and court order. Litigation against the insureds is not stayed by statute, but may be stayed by court order. The company will continue to defend its insureds. There is no activity by a guaranty association during rehabilitation.	Litigation against the company is permanently stayed by statute and court order. Insureds are defended by the appropriate Guaranty Association.
Proof of claims forms are not issued in a rehabilitation since claims normally continue to be paid.	Potential claimants are provided instruction on how they can file a claim in the liquidation proceeding. Upon return of required proof of claims forms and other information, claims adjusters for the Department evaluate the claims for priority and amount.
Not applicable.	Evaluated claims are reported to the Second Judicial Circuit Court in Leon County, Florida, and the Department's recommendation of the priority and amount of the claim are approved subject to objection (the procedure whereby the claimant may disagree with the evaluation).
Not applicable.	If objections are unresolved, the Department's attorneys will set the objection for a court hearing.
Not applicable.	When all objections and appeals are concluded, the Department calculates the distribution that may be made to eligible claimants. The priority of claims is set out by statute. Upon obtaining court approval of the distribution, the Department sends payments to the claimants' last known addresses.
Not applicable.	Undistributed funds are turned over to the Department's Division of Unclaimed Property.
The Department returns the company to a sound financial condition and ends the rehabilitation or, when it is not possible to return the company to the marketplace, the Department converts the receivership to a liquidation proceeding.	The Department will evaluate all claims filed in the receivership proceeding, issue checks, prepare a final accounting, and obtain a court order discharging it from further responsibilities and closing the receivership/ liquidation proceeding.

Appendix C

Florida Guaranty Associations

Guaranty associations are non-profit organizations created by statute that protect policyholders from severe losses and delays in claim payments due to insolvency of an insurance carrier. These entities provide a mechanism to resolve claims during such times. The state of Florida has the following associations:

Florida Insurance Guaranty Association ("FIGA")

FIGA was created to provide a mechanism for the payment of covered property and casualty claims under certain insurance policies because of the insolvency of an insurer. FIGA's membership consists of all Florida licensed direct writers of property or casualty insurance. Coverage limits for claims filed to FIGA are as follows: (1) Auto/Liability/Commercial Property Claims: $300,000 (2) Homeowners Property Damage claims: $500,000 (3) Condo Association claims: $200,000 times the number of residential units. For more information on FIGA, visit www.figafacts.com.

Florida Workers' Compensation Insurance Guaranty Association ("FWCIGA")

FWCIGA was created by statute in 1997 from the merger of the Florida Self-Insured Fund Guaranty Association, Inc. ("FSIFGA") and the workers' compensation insurance account of FIGA. Coverage limits for workers' compensation claims filed to FWCIGA are as follows: (1) Employer Injury claims: no limit (2) Employer Liability claims: $300,000. For more information on FWCIGA, visit www.fwciga.org.

Florida Life and Health Insurance Guaranty Association ("FLAHIGA")

FLAHIGA is a statutory entity created in 1979 when the Florida Legislature enacted the Florida Life and Health Insurance Guaranty Association Act (FLAHIGA Act). FLAHIGA is composed of all insurers licensed to sell direct life insurance, accident and health insurance, and certain annuities in the state of Florida. Coverage limits for claims filed to FLAHIGA are as follows: (1) Life Insurance Death Benefit: $300,000 per insured life (2) Life Insurance Cash Surrender: $100,000 per insured life (3) Health Insurance Claims: $500,000 per insured life (4) Annuity Cash Surrender: $250,000 for deferred annuity contracts per contract owner (5) Annuity in Benefit: $300,000 per contract owner. For more information on FLAHIGA, visit www.flahiga.org.

Florida Health Maintenance Organization Consumer Assistance Plan ("FHMOCAP")

FHMOCAP was created by statute in 1988 to protect persons enrolled for coverage with Health Maintenance Organizations (HMOs), subject to certain limitations, against the failure of their HMO to perform its contractual obligations due to its insolvency. The FHMOCAP only provides protection for "commercial" HMO members – those who have group coverage, generally through their employer, or persons who purchase individual coverage directly through the HMO. The benefit the plan provides is continued coverage up to a maximum of $300,000 per person or 6 months. For more information on FHMOCAP, visit www.flhmocap.com.

Appendix D

Glossary

Admitted Company – An insurance company licensed and authorized to do business in a state is called an admitted company in that state.

Assets – Property owned by an insurance company, including stocks, bonds, and real estate. Insurance accounting is concerned with solvency and the ability to pay claims. State insurance laws require a conservative valuation of assets, prohibiting insurance companies from listing assets on their balance sheets when the values are uncertain, such as furniture, fixtures, debit balances, and accounts receivables that are more than 90 days past due.

Conservation – The regulatory process by which an insurance company's affairs are administered to preserve the company's assets.

DFS – The abbreviation for the Florida Department of Financial Services.

Domestic Insurance Company – An insurer formed under Florida law.

Early Access Distribution – The process by which a guaranty association recovers from the Receiver a portion of the loss amount paid and/or administrative expenses incurred by the guaranty association in settling a claim prior to the final distribution of an estate's assets.

Estate – A term used interchangeably with receivership in this report.

FHMOCAP – The abbreviation for the Florida Health Maintenance Organization Consumer Assistance Plan. Refer to Appendix C for detailed information related to FHMOCAP.

FIGA – The abbreviation for the Florida Insurance Guaranty Association. Refer to Appendix C for detailed information related to FIGA.

FLAHIGA – The abbreviation for the Florida Life and Health Insurance Guaranty Association. Refer to Appendix C for detailed information related to FLAHIGA.

FWCIGA – The abbreviation for the Florida Workers' Compensation Insurance Guaranty Association. Refer to Appendix C for detailed information related to FWCIGA.

Guaranty Association – A mechanism by which solvent insurers ensure that some of the policyholder and third-party claims against insurance companies that fail are paid. Such funds are required in all 50 states, the District of Columbia, and Puerto Rico, but the type and amount of claim covered by the fund varies from state to state. Such funds are supported by assessments levied against insurance companies writing business in those states. 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.

Indemnity – As used in an insurance or reinsurance context, indemnity refers to payment of loss to a claimant and/or policyholder. Such indemnity payment, in turn, serves as a basis for a claim against a reinsurer.

Insolvency – A company's financial condition reflected by an excess of liabilities over the available assets required to meet those liabilities; i.e., a company's inability to pay its debts.

Liquidation – The statutory process by which the affairs of an insolvent company are finalized and the company's remaining assets are marshaled and ultimately distributed to policyholders and other creditors.

Proof of Claims Form – The form required by a Receiver to support a claim against an estate.

Receiver – An agent of the court that is appointed to be responsible for the conservation, rehabilitation and/or liquidation of an impaired or insolvent company. The Receiver also has the duty as a court-appointed trustee to represent the court and all parties having an interest in the estate.

Receivership – The legal status of an impaired or insolvent company by which a court appointed Receiver administers the affairs of such company.

Rehabilitation – A legal process by which a court-appointed individual or entity is assigned the responsibility to conserve the assets in an insolvent company and attempt to restore such company to a solvent condition. Rehabilitation can be used to remedy an insurer's impairment/insolvency and may include a court approved plan to reduce or resolve the insurer's liabilities and avoid liquidation.

Reinsurance – Insurance bought by insurers. Reinsurance effectively increases an insurer's capital and its capacity to sell more coverage because it reduces the potential risk of losses for business written by the insurer.

Reinsurer – The insurance entity that accepts all or part of the liabilities of the ceding company in return for a stated premium and reinsurance agreement. A reinsurer does not pay policyholder claims. Instead, it reimburses insurers for claims paid by the insurer.

Risk – A term that refers to (1) uncertainty arising from the possible occurrence of given events, and (2) the insured or property to which an insurance policy relates.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES DIVISION OF

REHABILITATION & LIQUIDATION

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