Division of Rehabilitation & Liquidation

2015 Annual Report

CHIEF FINANCIAL OFFICER
JEFF ATWATER
FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Mission Statement

Manage receiverships so as to maximize value to claimants and the public.

Value Statements

Service

The Receiver'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 Receiver promotes and reinforces a corporate perspective and challenges its employees to work cooperatively across internal and external organizational boundaries.

Excellence

The Receiver strives for continuous improvement, believing that competence, reliability, efficiency and effectiveness are keys to excellence.

Accountability

As an organization and as individuals, we accept full responsibility for our performance and acknowledge our accountability for the ultimate outcome of all that we do.

Diversity

Capitalizing on the varied experiences of its workforce is a key to the Receiver's continued success.

Integrity

The Receiver performs its work with the highest sense of integrity, which requires the agency to be, among other things, honest and fair. The Receiver can accommodate the honest difference of opinion; it cannot accommodate the compromise of principle. Integrity is measured in terms of what is right and just, standards to which the Receiver is committed.

Jeff Atwater

Message from the Chief Financial Officer

I'm pleased to present the FY 2014-2015 annual report for the Division of Rehabilitation and Liquidation.

When a Florida insurance company is ordered into receivership, the Department is appointed as the Receiver. The Division of Rehabilitation and Liquidation administers and guides the receiverships on behalf of the Department. In keeping with the Department's priority to advocate on behalf of Florida's citizens, the Division focuses its efforts on assistance to the policyholders, creditors, and consumers who are negatively impacted by these insurance company insolvencies.

This report details the processes followed for the receiverships the Division was involved in during Fiscal Year 2014-2015 and highlights some of the Division's many achievements during the year. The Division has continued to make progress in streamlining the receivership processes so as to maximize distributions to claimants and shorten the lifecycle of the estates in receivership. During the last fiscal year, we are pleased to report that the Division paid over $36 million in distributions to claimants and guaranty associations. The Division successfully completed its responsibilities as Receiver in 10 receiverships, resulting in the closure of those receivership proceedings.

We appreciate your interest in the receivership program and hope you find the detailed information contained in this report to be beneficial.

Jeff Atwater
Chief Financial Officer
State of Florida

Toma Wilkerson

Message from the Division Director

It is with great pleasure that we present the Division of Rehabilitation and Liquidation's Annual Report for Fiscal Year 2014-2015. The Annual Report details the steps taken by the Division in administering the various insurance company receiverships on behalf of the Department, as Receiver. Our mission is to manage receiverships in order to maximize value to claimants and the public. What motivates the Division throughout the years is the opportunity to consistently improve the many ways in which we effectively and efficiently fulfill this mission.

As of June 30, 2014, there were 39 insurers in receivership in Florida - 37 in liquidation and 2 in rehabilitation. The State of Florida fared well during the 2015 hurricane season. As a result of conditions unrelated to weather, 3 companies were placed into receivership during the fiscal year. Due to the Division's efforts to improve receivership processes, 10 receivership estates were closed, leaving a total of 32 companies in receivership by the end of the fiscal year. Over the last five fiscal years, the Division's increased efforts to shorten the lifecycle of the estates in receivership has resulted in an increase in the annual average of closed receiverships from the prior reported annual average of 4 to an average of 7 receiverships per year. In addition, we are particularly pleased to report that our asset collection efforts garnered more than $50 million, including litigation recoveries, for the benefit of the receivership estates and that we paid in excess of $36 million in distributions to claimants and guaranty associations.

The Division will continue to focus on areas that lead to continuity and efficiencies in the receivership processes. As we look forward to FY 2015-2016, some of the measures which the Division will emphasize include the following:

- Improved project management processes for guiding the various receiverships from start to finish.

- Enhanced cybersecurity to improve our security assessment processes and technology as well as protecting sensitive information.

- Improved contracting processes in order to provide a more streamlined, centralized procedure for acquiring goods and services.

For more information about this Division or insurance company receiverships, please visit our website at: www.myfloridacfo.com/division/receiver.

Thank you for your interest in the Division of Rehabilitation and Liquidation.

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Division Overview

Role of the Division

The role of the Division of Rehabilitation and Liquidation is to perform the Department of Financial Services' (DFS) duties as court-appointed Receiver of insurance companies ordered into receivership to protect consumer interests. In this capacity, the Division as Receiver administers the affairs of a company placed into receivership by the Court's conservation order, rehabilitation order, or liquidation order, pursuant to chapter 631, Florida Statutes. Insurance companies are exempt from federal bankruptcy jurisdiction and are instead subject to specific state laws regarding receivership. Under Florida law, the Second Judicial Circuit Court in Leon County, Florida, (the "Receivership Court" or the "Court") has jurisdiction over insurance company receivership matters. This 2014-2015 Division Annual Report provides a brief look at the role of the Division of Rehabilitation and Liquidation (interchangeably referred to as the "Receiver") and the overall receivership process.

The glossary at the end of this report contains definitions of conservation, rehabilitation, and liquidation proceedings; however a brief summary of these legal proceedings may be useful at this point. Major tasks associated with a conservation order include taking control of and protecting the property of the insurer, which is the primary purpose of conservation proceedings. The main purpose of a conservation is to preserve the company's assets.

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 remove the causes and conditions necessitating the rehabilitation. The rehabilitation is successful when (1) the insurance company meets the solvency criteria set forth in the Florida Insurance Code and (2) the Receivership Court, after finding that the causes that required rehabilitation have been removed, issues an order to discharge the Receiver from its duties and close the rehabilitation receivership.

When a liquidation order is issued, 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.

Structure and Activities

The Division of Rehabilitation and Liquidation is one of fourteen (14) divisions within DFS. The Division performs its duties under the supervision of the Department's General Counsel. The current Division Director is Toma Wilkerson. Figure 1 illustrates the relevant portion of the structure of DFS.

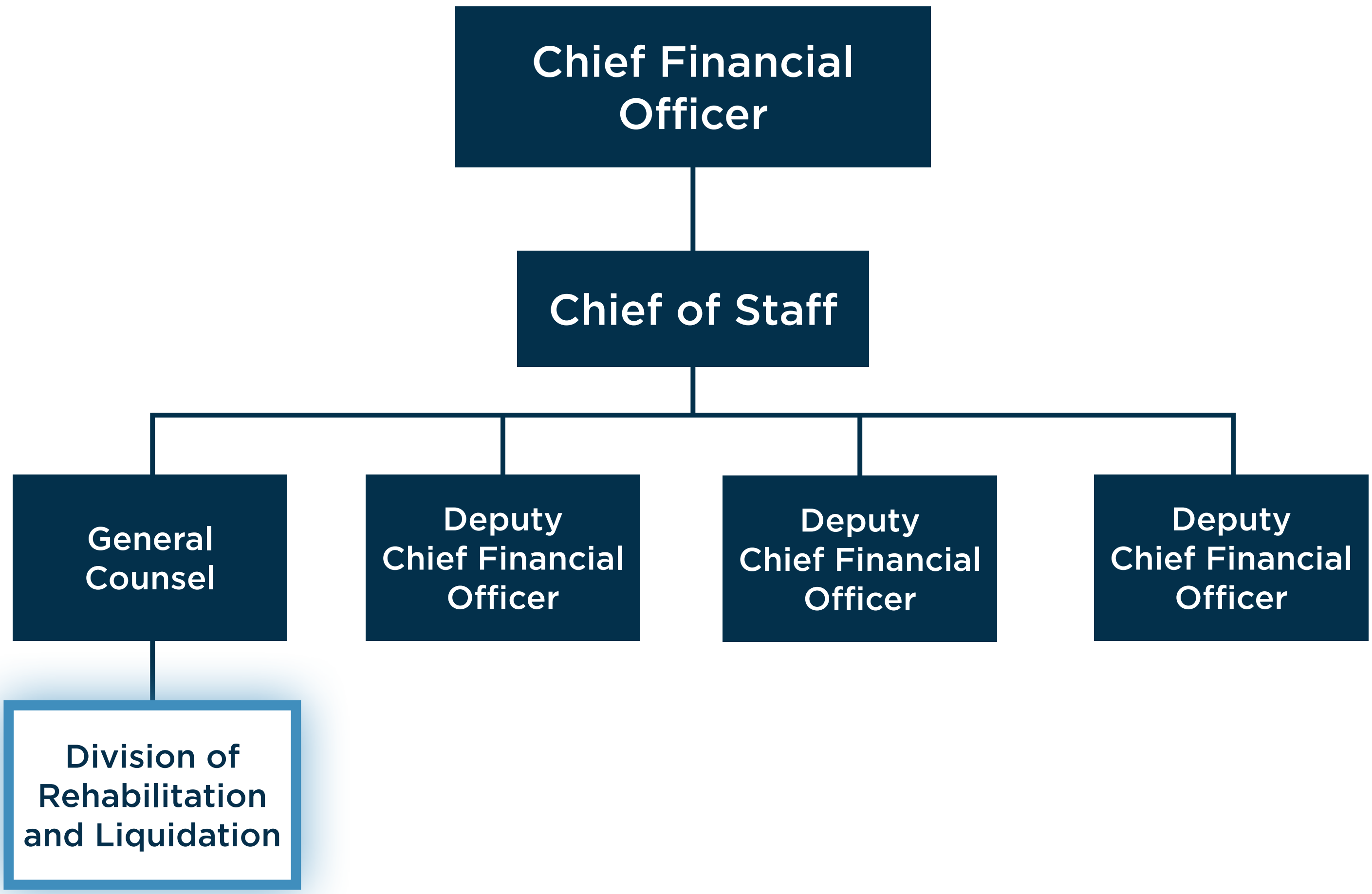


Figure 1 *Partial View of DFS Organizational Chart including the Division of Rehabilitation and Liquidation*

The Division is divided into nine (9) functional areas (see Figure 2), each headed by a manager who reports to the Division Director or to the Assistant Division Director. Division staff includes 121 managerial, professional, and clerical personnel. Of the 121 Division positions, 104 are located in Tallahassee and 17 are located in Miami. The Miami Office primarily performs an auxiliary collections function as part of the Asset Recovery and Management Section. Miami Office employees also assist staff from Tallahassee during the initial stages of a receivership and provide legal counsel and support as needed.

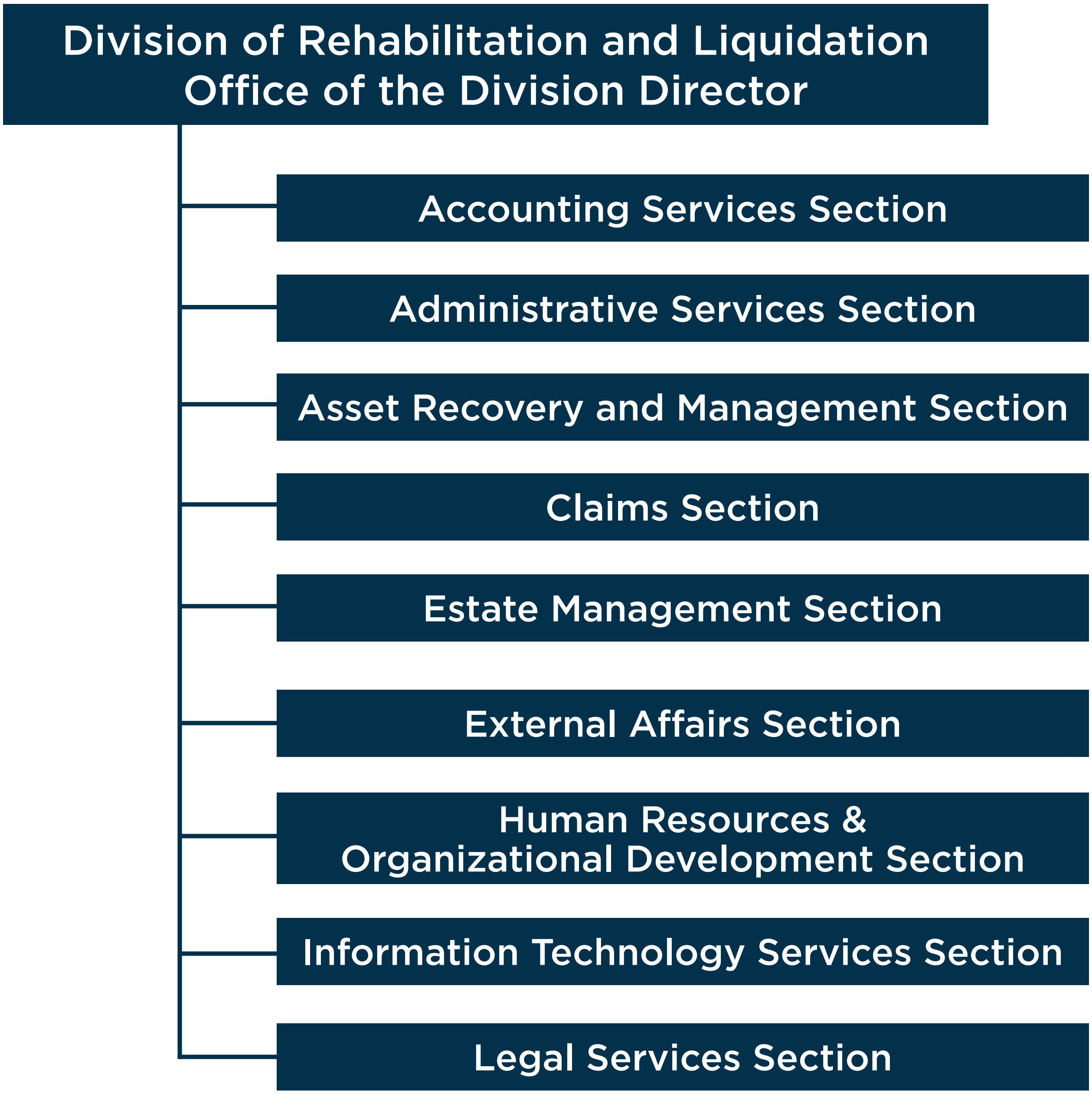


Figure 2 *Division of Rehabilitation and Liquidation Organizational Structure*

Tasks

The core processes of the Division acting as Receiver, under the direction of the Receivership Court, are illustrated in Figure 3. The process starts when the Receivership Court places an insurance company into receivership for purposes of conservation, rehabilitation, or liquidation. In the "company takeover" stage, 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 – typically financial impairment or insolvency - that resulted in the entry of the rehabilitation order. Every effort is made to assist the company in developing a financial plan for acquiring new funds, merging with other companies, selling parts of the business, hiring new management or taking other remedial options. All such activities are subject to close scrutiny and final approval by the Receivership Court.

If rehabilitation is an unavailable option, or is unsuccessful, the Receiver will petition the Receivership Court for an order of liquidation. At that time, the Division starts the "company asset recovery" phase, which involves marshaling all available assets and determining all liabilities of the company in an attempt to ascertain the net value of the estate. During this phase, the Division will control and process all of the business functions of the company in receivership and will recover company assets. Often, the Receiver needs to file litigation in order to best pursue and collect the assets of the company.

The asset recovery stage usually overlaps with the "claims processing stage." The "claims processing stage" begins when notification of the company's liquidation is provided to all those with interest in the estate, including policyholders, creditors, and guaranty associations. Claims against the estate are received by the Division and evaluated by the Claims Section. Distribution of payment to legitimate claimants is dependent upon the recommendation of the Receiver, 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 paying some of the policyholder and third-party claims of the failed insurance company. A great deal of communication and cooperation is required between the Receiver and these 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" phase that unclaimed property reporting and the final financial reporting for the estate is performed. 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 Receiver 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 Receiver from all duties, obligations and liabilities in the administration of the receivership.

Core Process	Primary Tasks Within Core Process
Company Takeover	• Identify and secure company assets • Control and process business functions • Deliver company assets to receivership
Company Asset Recovery/Asset Management	• Collect all company assets • Pursue litigation as necessary to collect assets • Maximize assets returned to receivership
Claims Processing	• Acquire claimant information • Proof-of-claim processing *(liquidation only)* • Guaranty association claim processing *(liquidation only)* • Claims evaluation
Company Discharge	• Determination of existing company assets • In rehabilitation, either return the company to sound financial condition or convert the receivership to liquidation • Distribution of payments to claimants *(liquidation only)* • Unclaimed property reporting • Company financial reporting • Destruction of non-permanent company records *(liquidation only)*

Figure 3 *Division's Core Processes*

Financial Update

Division Funding

The assets of the companies placed into receivership primarily fund the Division's administrative expenses in its role as Receiver. The overall cost of managing receiverships is paid for by recoveries from the estates that are in receivership, supplemented by funds from the state. The Receiver maintains staff that is paid from receivership funds. Receivership staff are at will employees. 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 sources such as licensing fees for insurance agents and insurance companies, and penalties, fines, and restitutions collected by the DFS. These funds are deposited into the Insurance Regulatory Trust Fund. The budget supports one state position, certain projects and technological improvements that benefit future receivership estates, and receivership expenses incurred when the Division is appointed Receiver. For FY 2014-2015, the Division's operating state budget was $1,000,249. The state budget funds many duties that are not directly related to administering specific receivership estates (and, therefore, cannot be funded by estates), but that are required by statute or by the regulatory aspects of the Division's mission. When not administering an estate, the Division functions as part of an executive branch agency. Figure 4 displays the Division's Receivership Budget for the 2014-2015 Fiscal Year, and Figure 5 gives an overview of the Division's 2014-2015 state budget.

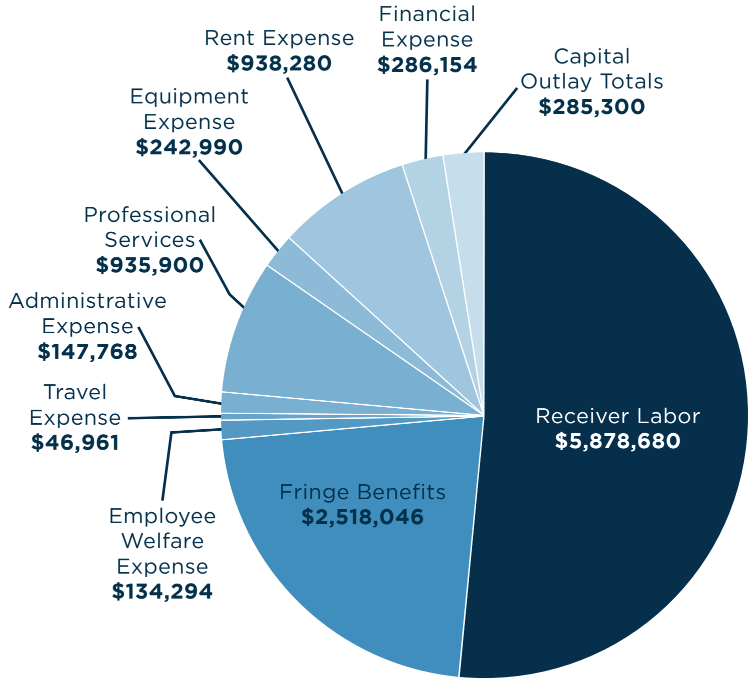


Figure 4 *Division's Receivership Budget for FY 2014-2015*

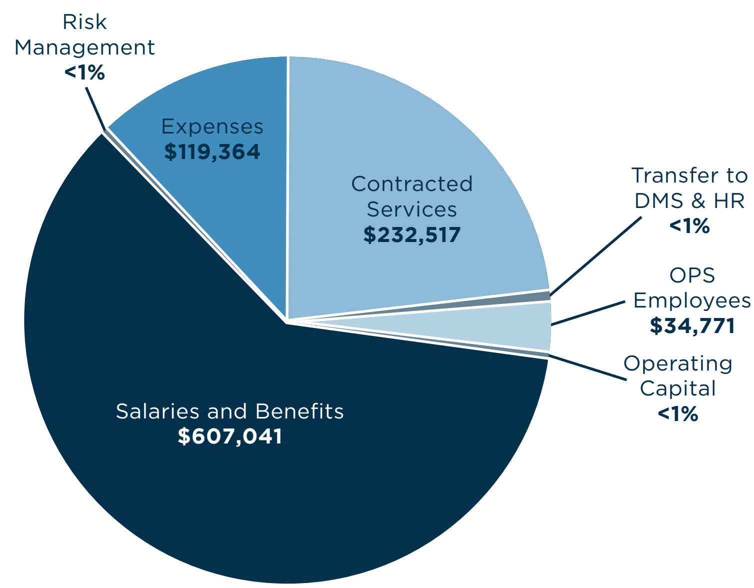


Figure 5 *State Budget FY 2014-2015*

Accomplishments

Division Highlights

During Fiscal Year 2014-2015:

- The Division maintained thirty (30) companies in liquidation and two (2) companies in rehabilitation.
- Three (3) companies were placed into receivership – DoctorCare, Inc., Florida Healthcare Plus, Inc., and Sensible Home Warranty, LLC.
- Ten (10) companies were closed – more than twice the prior reported annual average. Figure 6 displays the number of companies discharged during each of the last five (5) fiscal years. Over the last five (5) fiscal years, the Division has increased the average number of closed receiverships per year from the prior reported annual average of four (4) to an average of seven (7) receiverships per year. This increase is the direct result of the Division's implementation of improved and more efficient processes allowing the Division to better streamline the lifecycle of the receivership estates.
- The Division distributed $12.0 million in early access distributions to guaranty associations from seven (7) different estates during the fiscal year.
- The Division recovered assets totaling over $30.6 million (this amount does not include recoveries where litigation was required.)

As in prior years, the Division continues to place a great emphasis on developing strategies to shorten the lifecycle of estates in receivership in order to increase the number of estate closures during each fiscal year.

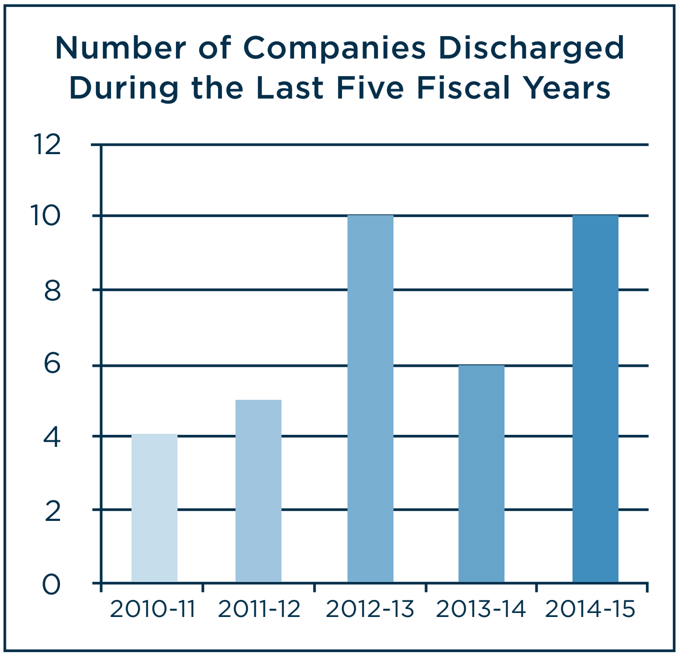


Figure 6 *Number of Companies Discharged during the last 5 years*

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 in order 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 regular and substantial 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.

Pursuant to section 631.57(3)(a), Florida Statutes, to secure funds necessary for the payment of covered property and casualty claims and to pay the reasonable costs of claims administration, the Florida Insurance Guaranty Association, Inc. ("FIGA") is required, as necessary, to levy assessments against its member insurers. The method for the calculation of the assessments is described in the statute. Pursuant to this law, the assessments levied against each insurer cannot exceed more than 2% of an insurer's net direct written premium from the previous year for the kind of insurance being assessed. When assessments are made, insurers are allowed to 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 reduce the amount of funds for which the guaranty associations need to assess their members. In FY 2014-2015, the Division paid $12,000,000 in early access distributions to guaranty associations.

Key Performance Indicators

The Division's Key Performance Indicators (KPIs) are performance measures designed to evaluate the Receiver's success in specific areas. KPIs align with the Division's mission to manage insurance receiverships so as to maximize value to claimants and the public. The critical success factors tied to key performance indicators are to protect the integrity of insurance policies for consumers and to timely communicate with policyholders, agents, and claimants. The following provides information on two of the Division's most successful KPIs.

Appraised Value of Real Property

In Fiscal Year 2014-2015, the Asset Recovery and Management Section sold four (4) parcels of real estate for a total of $11,156,000, which was 105.01% percent of the appraised value. The target is 90%. Figure 7 shows the percentage of appraised value realized from real property sold for the last five (5) fiscal years.

The four (4) parcels sold involved real property assets of the Universal Health Care, Inc. ("UHC"); K.E.L. Title Insurance Group, Inc. ("KEL"); and First Commercial Insurance Company ("FCIC"). The property sold included the home office complex of UHC, a residential property in KEL and two (2) warehouses owned by FCIC. Each property presented unique challenges to a successful sale but, through the combined efforts of several Division sections, the Division was able to sell these assets at over 100% of their appraised value. The revenue generated by these sales provided additional resources for the administration and payment of liabilities for these three (3) liquidated insurers.

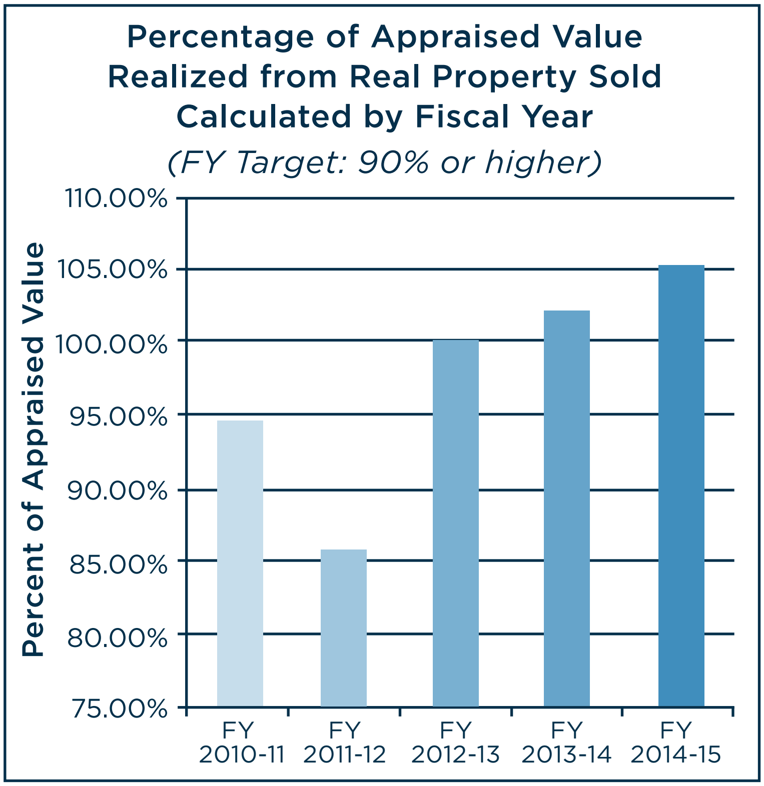


Figure 7 *Percentage of Appraised Value Realized from Real Property Sold – Calculated by Fiscal Year*

Consumer Services

In Fiscal Year 2014-2015, the Estate Management and External Affairs Sections facilitated the processing of over 3,440 requests from consumers for services, information or documents other than those involving public records. The goal for processing these consumer requests is to respond to the consumers and close at least 80% of the requests within thirty (30) days. Since Fiscal Year 2012-2013, the Division has consistently processed and closed over 85% of the service requests within thirty (30) days. In Fiscal Year 2014-2015, the Division successfully closed 96.48% of the requests within thirty (30) days of their receipt. This measure is just one example of the many ways in which the Division is able to provide exemplary service to its internal and external customers.

Other Division Accomplishments

The table below shows some of the successful outcomes associated with other initiatives and accomplishments during Fiscal Year 2014-2015.

Division Accomplishments 2014-2015

Activity	Outcome	Primary Section Leading Activity
Implemented enhanced Intranet team sites for the various sections within the Division, with automation of certain processes such as those involving Human Resources.	Improved efficiencies through better internal communications and streamlined processes.	All Sections
In an effort to maximize the efficiency of all Division operations, the Division relocated its Records Management Warehouse. The Division was able to decrease the size of its warehouse, primarily as a result of the following reasons: 1) With more companies in the insurance industry transitioning to electronic record storage, the need for paper records storage has decreased. 2) Through aggressive practices, the Division has imaged and electronically stored many receivership records, thus alleviating the need to retain the matching paper records. The Division has also destroyed the obsolete records of closed receiverships.	The Division relocated its Records Management Warehouse from an approximately 36,000 square foot building to an approximately 20,000 square foot warehouse. This resulted in an annual savings of over $90,000.	Administrative Services
Estate Accounting unit managed nine (9) distribution accountings, ten (10) discharge accountings and processed and filed unclaimed property reports in twenty (20) states for unclaimed amounts totaling $719,308 from seven (7) discharged receiverships impacting 2,060 claimants.	These efforts facilitated the timeliness of receivership distributions and the closure of certain receiverships.	Accounting

Accounts Payable unit maintained an Efficient Payment Process for invoices with 99.8% processed within the statutorily-required forty (40) days and 92.8% processed within the Division goal of thirty (30) days.	Improved efficiencies in receivership accounting processes and timely payment to vendors.	Accounting
Accounts Payable, General Ledger and Tax units all continued with e-storage initiatives. Accounting also moved two forms, fixed assets change of location and check request, to electronic approval signatures.	Improved efficiencies in receivership processes, particularly for payment processes requiring multiple approvals.	Accounting
The Asset Recovery and Management Section ("Asset Recovery") made total recoveries of $30,621,101 for reinsurance, subrogation, Special Disability Trust Fund, and all other collections not involving litigation. The majority of the amount collected was reinsurance recovery. In recent years, in an effort to reduce the costs of collection, the Asset Recovery Section internally assumed a greater role in the collections based on the size and complexity of the liquidated company.	The collection of reinsurance and other assets ultimately increases the net value to the receivership estates. Reducing the internal and external costs of collections helps the Division successfully accomplish its mission.	Asset Recovery
The liquidation of Sunshine State Insurance Company (SSIC) presented an opportunity for the Receiver to assist the policyholders in locating replacement coverage. The process used by Asset Recovery is to seek competitive bids from other insurers and negotiate a transition plan whereby the new carrier purchases the rights to offer replacement coverage for the policyholders. In SSIC the Receiver successfully negotiated a transition plan with Heritage Property & Casualty Insurance Company.	This process accomplished two (2) extremely important goals for the receivership: (1) it assisted approximately 33,000 SSIC policyholders in securing replacement coverage with a solvent carrier with no lapse in coverage for the risk; and (2) it provided revenue in excess of $3,000,000 to the Receiver for the administration of the liquidated company.	Asset Recovery
Proof of Claim Notification: The Claims Section further improved the process of claimant proof of claim notification. There was an 18% reduction in the amount of time needed to identify claimants and send proof of claim notice.	Claimants were identified and provided notices more quickly allowing the claimants additional time to file claims in the Estate. This resulted in a reduction of inquiries and a cost savings to the receivership.	Claims

Proof of Claim (POC) Delivery Success: The percentage of POCs successfully delivered increased to 95% from the average of 92% for the previous four (4) fiscal years.	Enhanced information flow to potential claimants. Reduced receivership costs in processing mail returned from the post office.	Claims
The Claims Section expanded its notification function to include the initial notice of receivership to policyholders, agents and medical providers. To further improve the notice process the use of electronic notification was implemented for agents, lawyers and healthcare providers.	Improved efficiencies by centralizing the notification processes for the Division, particularly those involving the timely communication of policy transition options to policyholders and agents. The use of electronic communication allows for more frequent status updates, particularly to health providers. The reduced cost to e-mail notices will ultimately result in cost savings for the receiverships.	Claims
Improved processes for company monitoring/tracking, including the redesign and increased accessibility of the Company Summary sheets to be used in company meetings and by Division staff for planning purposes.	Division staff are able to more readily obtain information regarding the progress of the individual receiverships.	Estate Management
Facilitated closure of the offices of all Physicians United Plan and Florida Healthcare Plus company offices within three (3) months of their entry into receivership, partially through cost effective IT system hosting arrangements.	A significant reduction in the cost to administer the estates without disruption to management of the receivership.	Estate Management and Information Technology
Facilitated cross sectional planning for an address update project.	Facilitated project management to develop an automated address update system to improve the efficiency of Division mailings.	Human Resources & Organizational Development
Created a process to facilitate the Medical Loss Ratio Rebate under the federal Affordable Care Act.	The Division was able to pay employees of certain companies in receivership the Medical Loss Ratio Rebates owed to the employees under the federal Affordable Care Act.	Human Resources & Organizational Development

Enhanced Division Collaboration: An Intranet Team Site was developed for information sharing, task assignment and tracking of the federal Centers for Medicare and Medicaid Services (CMS) Healthcare Receivership data reporting requirements.	Insured the timely submission of required reports which could result in significant financial recoveries.	Information Technology
The implementation of HarePoint, a SharePoint based IT service management system integrated with the Division's Intranet site and Microsoft Outlook.	Improved tracking for Information Technology section performance measures and enhanced customer service.	Information Technology
Through its successful litigation efforts, the Division recovered $252,000 for the Seminole Casualty Insurance Company Receivership and $20 million for three (3) affiliated Receiverships – Southern Family Insurance Company, Atlantic Preferred Insurance Company, and Florida Preferred Property Insurance Company.	The recoveries in the four (4) receiverships significantly increased the net value of these receivership estates.	Legal

Focus on FY 2015-2016

Enhance Cybersecurity

The Information Technology Services Section will focus efforts on enhancing the security of the Division's infrastructure so as to protect its networks, computers, programs and data from attack, damage or unauthorized access. With the advice of a cybersecurity expert(s), the Information Technology Services Section will create a cybersecurity plan largely focused on the systems and data obtained from companies placed in receivership, with an emphasis on safeguarding HIPAA and other sensitive data. The expected results are improved security assessment processes and technology and increased staff awareness of the necessity to protect sensitive information.

Improve Project Management Process

The Division continues to focus on areas that lead to continuity and efficiencies in receivership processes. As part of the Division's ongoing efforts in this regard, the Estate Management and Information Technology Services Sections will implement project management software to aid in the overall management of the various receiverships. The use of a more comprehensive project management tool will also result in improved communication and coordination of receivership issues with the Division's internal and external stakeholders.

Improve Contract Process

In an effort to improve efficiency, the Division will evaluate its current procurement processes in order to provide a more streamlined, centralized procedure for acquiring goods and services.

Decrease the Division's Paper Footprint

The Information Technology Services Section and the Administrative Services Section continue to work together with other Division sections to implement imaging of incoming mail as it arrives at the Division. Imaged mail can then be processed electronically by applicable Division personnel.

Improve Accounting System

To better facilitate the Division's Accounting business processes and improve integration with other internal systems, the Division will contract with a management consulting firm to assist with the procurement of new accounting systems.

Enhance Integration between Internal Information Technology Systems

To improve efficiencies within the Division and more fully leverage the systems in place, the Information Technology Services Section will continue to pursue improvements in systems integration. As an example, as the final phase in integrating the claims system with Navigator/FileNet for accessing claims and policy related images, the Information Technology Services Section will concentrate on moving older images stored on the claims system into the Navigator/FileNet environment. Additionally, the Division's sections will work to improve data flow between the accounting, claims, and asset recovery systems.

Significant Events

Companies Placed into Receivership

DoctorCare, Inc.

DoctorCare, Inc. ("DoctorCare") was a provider-sponsored health maintenance organization which provided health care coverage to approximately 5,700 Medicare subscribers and was headquartered in Coral Gables, Florida. The company was initially ordered into liquidation on December 1, 2006. The Receiver completed its responsibilities in this estate and, effective on January 31, 2013, the Court discharged the Florida Department of Financial Services of its duties as Receiver.

Following the initial closure of the DoctorCare receivership, the Division discovered additional assets belonging to the DoctorCare estate that made it cost-effective to reopen the estate and make an additional distribution to claimants. The estate was reopened pursuant to court order on October 21, 2014. On April 14, 2015, the Receiver mailed distribution checks, totaling $732,586, to Class 6 claimants in the DoctorCare estate. As a result of this additional distribution, a total of 27.47% of class 6 claims were paid from this receivership. Over the life of the estate, the Receiver distributed funds to 894 claimants totaling $4,197,887.00. Effective June 30, 2015 the Court discharged the Receiver of its duties and closed the receivership for the second time.

Florida Healthcare Plus, Inc.

On December 10, 2014, Florida Healthcare Plus, Inc. ("FHCP") was ordered into rehabilitation. It was subsequently ordered liquidated effective January 1, 2015. FHCP was a health maintenance organization licensed in Florida in 2007. Headquartered in Coral Gables, Florida, FHCP was a Medicare-only HMO with approximately 9,000 Medicare subscribers. Medicare premiums and contracts are administered through a federal agency, the Centers for Medicare and Medicaid Services ("CMS"). As a result of the receivership of FHCP and termination of its contract with CMS, the Receiver and CMS worked closely together to arrange for FHCP beneficiaries to receive continued health care coverage. Beneficiaries enrolled in FHCP had a Special Election Period through February 28, 2015, to enroll in a plan of their choosing. Any beneficiary that selected another Medicare Advantage or Medicare Advantage-Prescription Drug plan was covered under the new plan effective the first day of the next month after they enrolled.

Sensible Home Warranty

On February 19, 2015, Sensible Home Warranty, LLC ("SHW") was ordered into ancillary receivership for purposes of liquidation by the Court. SHW was a Nevada domiciled warranty company. SHW's primary place of business was in Brooklyn, NY, although it closed these offices prior to May 2014. The company failed to file its 2013 Annual Statement and was ordered by the Florida Office of Insurance Regulation ("OIR") to cease writing new business in Florida on March 11, 2014. As of June 1, 2014, SHW's license to offer home warranty contracts in Florida expired. On September 24, 2014, the Department of Insurance in Nevada issued an order setting liquidation procedures. Available records indicate that approximately 383 Florida consumers had open policies with SHW with unrefunded premiums at the time the company closed its offices. There is no guaranty association coverage for warranty companies in Florida.

Focus on Policyholders and Company Employees

When a company is placed into receivership, many different groups of people are adversely affected. In the past, the Division has focused on minimizing the negative impact on the claimants of the company in receivership by expeditiously transferring claims files to the guaranty associations, resulting in quicker payment of covered claims by the applicable guaranty associations. Other parties on which the receivership process has major effects include policyholders and the employees of the troubled company. The Division strives to reduce the stress these groups may experience as a result of policy cancellation and job loss.

Assistance to Policyholders in Transitioning Coverage

For policyholders of companies that sold homeowners' insurance, the Division has worked with the Office of Insurance Regulation to find financially sound companies willing to assume books of business from companies in receivership. In addition to easing the burden on the policyholders, especially around hurricane season, the potential sale involved in the transfer of a book of business has the added benefit of bringing more assets into an estate for ultimate claims payment. Since 2009, the Division has successfully arranged for insurers in Florida and other states to offer replacement coverage to over 172,000 policyholders of six (6) companies. For example, in the estate of Sunshine State Insurance Company, the Receiver worked with FEMA and the Florida Office of Insurance Regulation to sell the flood book of business, consisting of almost 20,000 policies, to American Bankers Insurance Company for $3.1 million. The Division also solicited and received bids from ten (10) insurance companies for the homeowners' insurance book of business. Ultimately, Heritage Property & Casualty Insurance Company purchased that book, providing transition/replacement coverage for approximately 33,000 Sunshine State policyholders. The Division also calculated and mailed return premium due the policyholders so that they would have the money available as quickly as possible to pay for new coverage. The Receiver entered into an agreement with the guaranty associations to treat those funds as early access distributions.

For policyholders of HMOs whose members have been primarily Medicare subscribers, the Division has worked closely with the Centers for Medicare and Medicaid Services (“CMS”) to coordinate the transitioning of those entities’ policies to other carriers and/or assist the HMO members in obtaining replacement health care coverage. For other types of coverage in these HMOs, including Medicaid coverage, the Division has coordinated with the Florida Agency for Health Care Administration (“AHCA”) and the Florida Department of Elder Affairs to assist policyholders in finding replacement coverage.

The Division has also been proactive in mailing notices to policyholders and agents informing them of impending policy cancellations and the need to obtain replacement coverage.

Focus on Policyholders and Company Employees, cont.

Close Coordination with Guaranty Associations

Insolvencies of companies that sell homeowners' and automobile insurance policies trigger the involvement of the Florida Insurance Guaranty Association ("FIGA"). Since both homeowners' and automobile insurance are more readily available and easier to replace than other forms of insurance, for these lines the Division expedites providing return premium data to FIGA so that the consumers can get their money back as soon as possible to buy replacement insurance coverage. The insolvency of companies that sell health insurance triggers the involvement of the Florida Life & Health Insurance Guaranty Association ("FLAHIGA"). FLAHIGA steps into the shoes of the company to ensure continued coverage for the policyholders for at least 180 days before policy cancellation to give them ample time to find a new insurer. Finally, the insolvency of a workers' compensation carrier triggers the Florida Workers' Compensation Insurance Guaranty Association ("FWCIGA"). The fund ensures that claims continue to be paid to workers' compensation claimants. The Division works very closely with these and guaranty associations in other states to facilitate a smooth transition of coverage for the policyholders impacted by insurance receiverships.

Assistance to Company Employees

Another group that the Division endeavors to help are the employees of the companies placed in receivership. Many times the employees of a company have no idea of its financial situation until Division personnel arrive on the scene to secure the company's records and assets. The Division tries its best to ease the blow of job loss and reduce the uncertainty that comes with sudden unemployment. Division personnel work to keep the employees informed about the progress of the receivership and assist the employees by contacting outside parties in an attempt to help them find new jobs.

The Division has sponsored job fairs – most recently for the 200 employees of Florida HealthCare Plus, Inc. ("FHCP"). The Receiver organized and conducted an on-site job fair, with eight (8) companies in attendance, to assist the employees. The Receiver also arranged for an on-site visit by Career Source representatives to assist company employees in finding new employment.

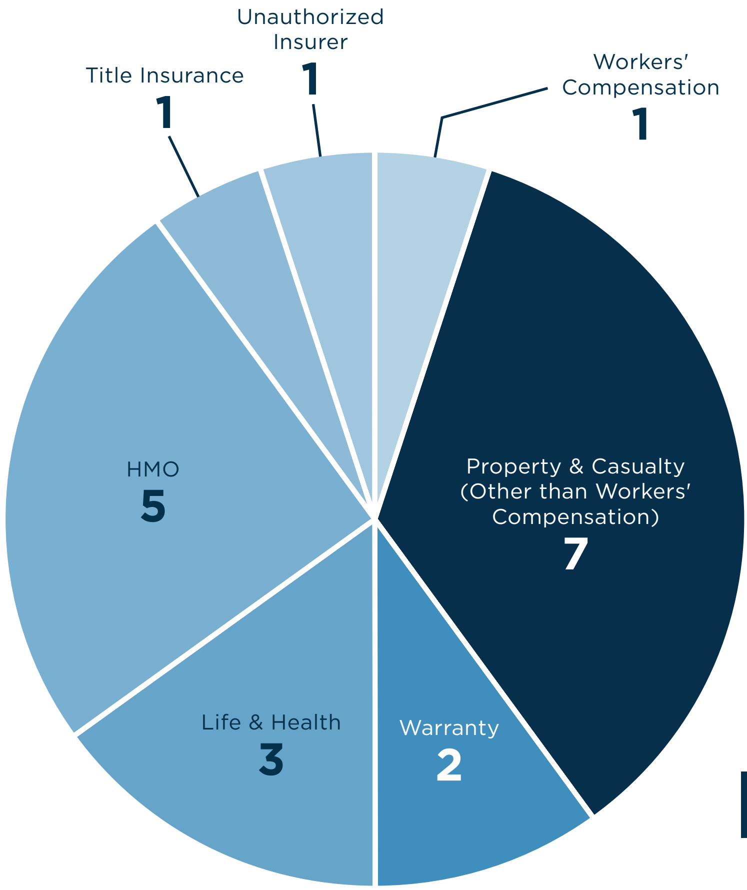


Figure 8 *Type of Companies Entering Receivership in Last Five Years*

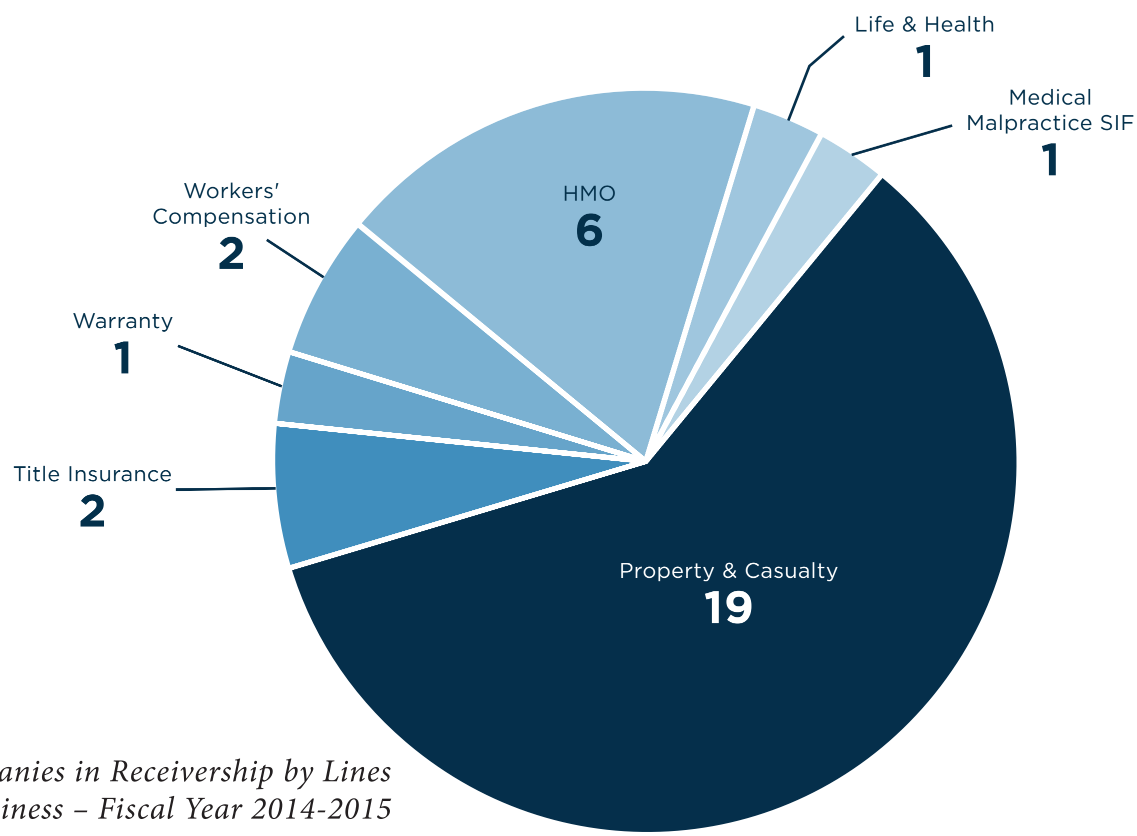


Figure 9 *Companies in Receivership by Lines of Business – Fiscal Year 2014-2015*

Distributions

The following list provides additional information about the distributions made to claimants and policyholders during the fiscal year:

Company	Date of Distribution	Distribution Amount
Avahealth, Inc. d/b/a Key Insurance Plan	July 2014	$591,448
PUP Medical Loss Ratio Rebate	September 2014	$3,016
Superior Insurance Company	September 2014	$11,801,782
Southeastern Casualty and Indemnity Insurance Company	October 2014	$5,083,812
Great Oaks Casualty Insurance Company	October 2014	$3,932,446
Trans-Florida Casualty Insurance Company	October 2014	$100,000
Trans-Florida Casualty Insurance Company	February 2015	$400,000
Great Oaks Casualty Insurance Company	March 2015	$1,134,000
Commercial Insurance Alliance, A Reciprocal Insurance Company	March 2015	$205,934
Commercial Insurance Alliance, A Reciprocal Insurance Company	April 2015	$69,536
DoctorCare, Inc.	April 2015	$732,586
Early Access Distributions	**2014-2015**	
Paid to Florida Insurance Guaranty Association	Various Months	$9,750,000
Paid to Florida Workers' Compensation Insurance Guaranty Association	Various Months	$2,000,000
Paid to Other Guaranty Associations	Various Months	$250,000
TOTAL ALL DISTRIBUTIONS		**$36,054,560**

Distributions to claimants and policyholders in eight (8) receiverships and early access distributions to guaranty associations totaled more than $36 million during FY 2014-2015.

Estate Closures

American Keystone Insurance Company

Effective on October 9, 2009, American Keystone Insurance Company ("American Keystone") was ordered into receivership for purposes of liquidation by the Receivership Court. Under the liquidation order, all policies were cancelled at 11:59 p.m. on November 8, 2009, unless otherwise cancelled earlier in the normal course of business. American Keystone, a Florida corporation licensed in 2007, was headquartered in Ponte Vedra Beach, Florida. The company primarily wrote homeowners, condominium unit owners, personal inland marine and residential condominium association policies in Florida. American Keystone had approximately 7,800 policies in force, including homeowners, commercial, residential, and wind policies at the time it entered receivership.

In order to assist American Keystone policyholders, the Division arranged with Homeowners Choice Property and Casualty Insurance Company ("Homeowners Choice") to provide an offer of replacement insurance coverage to selected American Keystone policyholders. The agreement with Homeowners Choice benefited the selected policyholders in that it offered a potentially smoother transition of the policies to another insurance company and also benefited the American Keystone creditors in that Homeowners Choice paid the American Keystone estate under the agreement for policies retained by the insurer.

On November 5, 2013, the Receiver mailed 6,295 distribution checks, totaling $1,722,846.88, to claimants of the American Keystone estate. This amount, combined with the $9,100,000 in early access previously distributed to the Florida Insurance Guaranty Association, represented payment of 100% of the Class 1-3 claims against the estate. In June 2015, the receiver distributed an additional $1,594,212 to claimants, representing payments of 14.57% of the Class 6 (general creditor) claims. The estate was closed, by court order, as of June 30, 2015.

AvaHealth, Inc., d/b/a Key Insurance Plan

Following a brief period of rehabilitation beginning on July 2, 2012, AvaHealth, Inc. d/b/a Key Insurance Plan (AvaHealth) was ordered liquidated on August 31, 2012. AvaHealth, a Florida corporation licensed in 2005, was headquartered in Tampa, Florida. AvaHealth wrote health insurance in Florida and had approximately 1,200 policies in-force as of the time of liquidation.

On July 9, 2014, a distribution in the amount of $591,488 was made to the Florida Life & Health Guaranty Association, the sole Class 1 and Class 2 claimant. That amount represented payment of 100% of the Class 1 claims and 91.49% of the Class 2 claims against the estate. The Receiver was discharged from any and all further duties, obligations, and liabilities in the administration of the AvaHealth estate as of July 31, 2014.

Commercial Insurance Alliance, a Reciprocal Insurance Company

Commercial Insurance Alliance, a Reciprocal Insurance Company ("CIA") was ordered into receivership for purposes of liquidation on January 26, 2011. CIA was licensed as a reciprocal insurer under Chapter 629, Florida Statutes, in 2006. CIA wrote commercial multi-peril liability, commercial auto liability and surety policies. The company was located in Jacksonville, Florida, but closed its main office in 2010. At its peak, it is estimated that CIA had no more than 5,000 policyholders. On August 19, 2009, the Office of Insurance Regulation suspended CIA's certificate of authority and ordered it to cease writing new or renewal insurance business. At the time of the liquidation, all of the CIA policies had expired and CIA was in a "run-off" mode. Thus, as of the liquidation date, there were no known policyholders.

In March 2015, the Receiver made a distribution of $205,934 to claimants in the CIA estate. That represented payment of 100% of the Class 1 and 18.84% of the Class 2 claims made against the estate. The estate was closed, by court order, on June 30, 2015.

Depawix Health Resources, Inc.

On May 28, 2011, the Court issued an Order to Show Cause against Depawix Health Resources, Inc. ("Depawix"), and its related companies - Green Cross Managed Health Systems; Peck & Peck, Inc.; New American Health Planning; and Distribution by Datagen. Depawix claimed that it was only providing benefits to Depawix employees as defined in the Employee Retirement Income Security Act of 1974 ("ERISA"). The company consented to receivership and was placed into liquidation as of June 11, 2013.

Depawix was incorporated in Georgia but not licensed there or in Florida. It issued health insurance in Florida without a Certificate of Authority. Despite the absence of any Certificate of Authority or any other authorization to transact insurance business in Florida, the Depawix companies engaged in the unlicensed and unauthorized transaction of insurance with consumers located in Florida, in violation of the Florida Insurance Code including, sections 624.401 and 626.901, Florida Statutes. Approximately 290 Florida consumers purchased insurance through Depawix. Each such transaction constituted the unauthorized transaction of insurance. Due to a lack of assets, no distributions were made for this estate, and it was closed, pursuant to court order on October 31, 2014.

DoctorCare, Inc.

DoctorCare, Inc. ("DoctorCare") was a provider-sponsored health maintenance organization which provided health care coverage to approximately 5,700 Medicare subscribers and was headquartered in Coral Gables, Florida. The company was initially ordered into liquidation on December 1, 2006. The Receiver completed its responsibilities in this estate and, effective on January 31, 2013, the Court discharged the Florida Department of Financial Services of its duties as Receiver.

Following the initial closure of the DoctorCare receivership, the Division discovered additional assets belonging to the DoctorCare estate that made it cost-effective to reopen the estate and make an additional distribution to claimants. The estate was reopened pursuant to court order on October 21, 2014. On April 14, 2015, the Receiver mailed distribution checks, totaling $732,586, to Class 6 claimants in the DoctorCare estate. As a result of this additional distribution, a total of 27.47% of class 6 claims were paid from this receivership. Over the life of the estate, the Receiver distributed funds to 894 claimants totaling $4,197,887.00. Effective on June 30, 2015, the Court discharged the Receiver of its duties and closed the receivership for the second time.

Great Oaks Casualty Insurance Company

Great Oaks Insurance Company ("Great Oaks") consented to be placed in liquidation and entered receivership on December 9, 1991. Great Oaks had been doing business since June 13, 1984. The company was headquartered in Boca Raton and wrote automobile liability and damage coverages; it concentrated on writing private passenger policies.

Over the course of the receivership 8,850 checks were sent to claimants in Classes 1-8, totaling $14,676,944. All of the claims filed against the estate were paid at 100%. Slightly over $5,000,000 remained, and in October 2014 and March 2015, that amount was sent to the known and unknown shareholders of the corporation. The estate was closed, pursuant to Court order, on March 31, 2015.

Southeastern Casualty and Indemnity Insurance Company

Southeastern Reinsurance Company, Inc.

Southeastern Casualty and Indemnity Insurance Company and Southern Reinsurance Company, Inc. ("Southeastern") were placed into rehabilitation on August 4, 1989, and subsequently liquidated on September 1, 1989. The administration, assets, and claims of the two estates were consolidated pursuant to a Court order entered on May 26, 1998. The companies, headquartered in Plantation, FL, were licensed to sell surety and fidelity bonds.

Over the life of the estates, $7,823,905 was distributed to the claimants who had filed a claim against the estate; this represented a 100% payment to all claimants. The remaining $5,066,456 was returned to the shareholders of the companies in a distribution made in October 2014. The receiverships were closed by Court order on October 31, 2014.

Trans-Florida Casualty Insurance Company

Trans-Florida Casualty Insurance Company ("Trans-FL") was ordered liquidated on June 18, 1992. The company, headquartered in Miami, FL, was licensed to write commercial multi-peril, allied lines, private and commercial auto, and other liability business. There were 8,063 claims filed in classes 1-8; over the course of three (3) distributions, $4,592,746 was disbursed, paying 100% of all claims made against the estate. After paying the contributed equity and windup expenses, $500,000 was returned to the shareholders of the company. The Trans-FL receivership was closed by Court order on March 31, 2015.

Union General Insurance Company

Union General Insurance Company ("Union General"), based in Miami, FL, wrote Private Passenger Auto Liability and Physical Damage insurance. The company was ordered liquidated on May 11, 1993. There were 8,011 claims filed in the estate. There were 3,916 distribution checks mailed, totaling $12,614,497 over the life of the estate, representing payment of 100% of all Class 1-8 claims. By Court order, the remaining assets of the estate were remitted to the Regulatory Trust Fund and the receivership was closed on March 31, 2015.

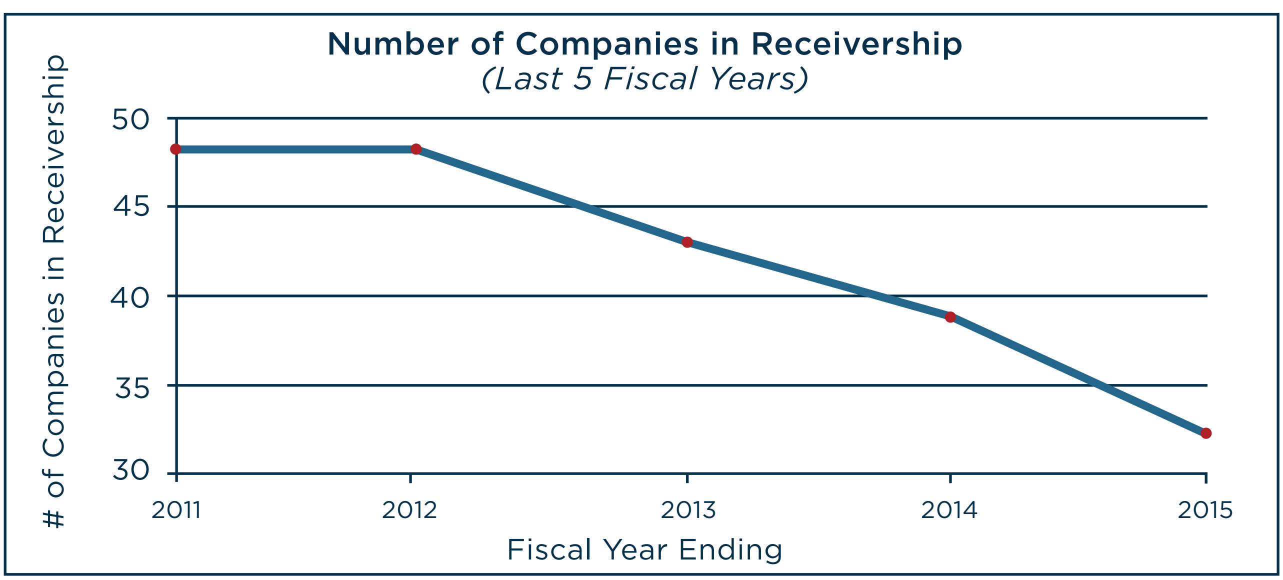


Figure 10 *Number of Companies in Receivership – Last Five Fiscal Years*

Factors Contributing to Insolvency

Pursuant to section 631.398, Florida Statutes, no later than the conclusion of any domestic insurer's insolvency proceeding, the Division shall prepare, or cause to have prepared, a summary report containing such information as is in the Division's possession relating to the history and causes of such insolvency, including a statement of the business practices of said insurer which led to its insolvency. Over the course of the last five (5) fiscal years, the Division has closed 36 estates. Factors contributing to the insolvencies of these estates include the following:

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

No relationship between the line of business that a company writes and any particular cause(s) of insolvency has been identified.

Appendix A

Glossary

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

Affiliated Companies – Companies that are related by common ownership (in whole or in part).

Alien Insurer – An insurance company incorporated under the laws of a foreign country.

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 then 90-days past due.

Balance Sheet – Provides a snapshot of a company's financial condition at one point in time. It shows assets (including investments and reinsurance) and liabilities (such as loss reserves to pay claims in the future) as of a certain date. It also states a company's equity, which is known as policyholder surplus. Charges in the surplus are one indicator of an insurer's financial standing.

Book of Business – The total amount of insurance on an insurer's books at a point in time.

Capacity – The extent of a company's commitment and/or financial ability to accept given levels of insurance or reinsurance business.

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 State law.

Domiciliary State – The state of a company's incorporation.

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.

FIGA – The abbreviation for the Florida Insurance Guaranty Association.

FLAHIGA – The abbreviation for the Florida Life and Health Insurance Guaranty Association.

FWCIGA – The abbreviation for the Florida Workers' Compensation Insurance Guaranty Association.

Foreign Insurance Company – The name given to an insurance company based in one state by the other states in which it does business.

Guaranty Association (alternatively referred to as Guaranty Fund) – 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 fifty (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 are as follows: the Florida Insurance Guaranty Association, the Florida Workers' Compensation Insurance Guaranty Association, the 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.

International Association of Insurance Receivers (IAIR) – An organization that encourages the interaction and exchange of information among its members who are responsible for the conservation, rehabilitation, and liquidation of troubled companies in the United States of America.

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.

Loss Run – A report that documents claims activity on each insurance policy.

National Association of Insurance Commissioners (NAIC) – An association of state insurance commissioners formed for the purpose of exchanging information and developing uniformity in the insurance regulatory practices of states through the drafting of model legislation and regulations.

Nonadmitted Assets – By statute, assets that are not allowed to be included as assets on the balance sheet of an insurance company.

Nonadmitted or Unauthorized Insurer – An insurer not licensed in a state is called a nonadmitted (unauthorized) insurer in that state.

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

Proof of Loss – The document required by an insurer or reinsurer to support a claim under an insurance policy or reinsurance contract.

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.

Reinsured – The insurance entity that cedes or transfers risk under a reinsurance agreement. Sometimes referred to as the original insurer or ceding company.

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.

SDTF – The abbreviation for the Special Disability Trust Fund.

UDS – The abbreviation for Uniform Data Standard, a defined set of data file formats and codes used by receivers and guaranty funds to exchange loss and return premium data electronically. The NAIC endorsed the use of the UDS by receivers and guaranty funds with an initial effective date of March 31, 1995.

Underwriting – Examining, accepting, or rejecting insurance risks and classifying the ones that are accepted in order to charge appropriate premiums for them.

Unearned Premium – The portion of a premium already received by the insurer under which insurance coverage has not yet been provided. The entire premium is not earned until the policy period expires, even though premiums are typically paid in advance.

Appendix B

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 interest in the estate. For the next ten (10) years, the duties of receiver for troubled and insolvent insurance companies fell on five (5) employees under the direction of the General Counsel at the Florida Department of Insurance ("DOI").

During those ten (10) years, DOI was named Receiver for fifteen (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 thirteen (13) new positions, one (1) 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). The Division was initially housed in the Dorian Building on the corner of South Monroe and Pensacola Streets in Tallahassee, the current location of the Leon County Courthouse. 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 the liquidation of Southeastern Casualty and its sister company, Southeastern Reinsurance.

A receivership employment system was developed in the early years of the Division to provide managers with greater flexibility in staffing according to workload and better control over receivership assets than would exist if the Division had to rely solely on either state employees or contract vendors. Receivership employment is contractual in nature, and decreases in staffing primarily have been accomplished by not filling vacancies that occur through attrition. Administrative costs to maintain a receivership staff were funded, as today, from the assets of the insolvent estates. The Division's state

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

employee staff has been reduced over the years to the current one (1) position, that of the Division Director.

The Receiver joined the state retirement plan with enactment of Chapter 94-259, Laws of Florida. All employees of the Receiver as of the effective date of the act were enrolled as members of the Florida Retirement System ("FRS"). The Receiver did not pay into FRS for past service and receivership employees did not receive credit in FRS for receivership employment prior to the effective date of the act. Before joining FRS, the Receiver provided retirement benefits in the form of an IRA made payable jointly to the receivership employee and the financial institution where the employee chose to deposit the IRA.

The 1970 legislature created the first of four (4) 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 Appendices C through F 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 G, Summary of Rehabilitation v. Liquidation, for more information about activities that occur whenever an insurance company is in rehabilitation or in 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 Receiver and the guaranty associations work closely to protect the insurance consumers of Florida.

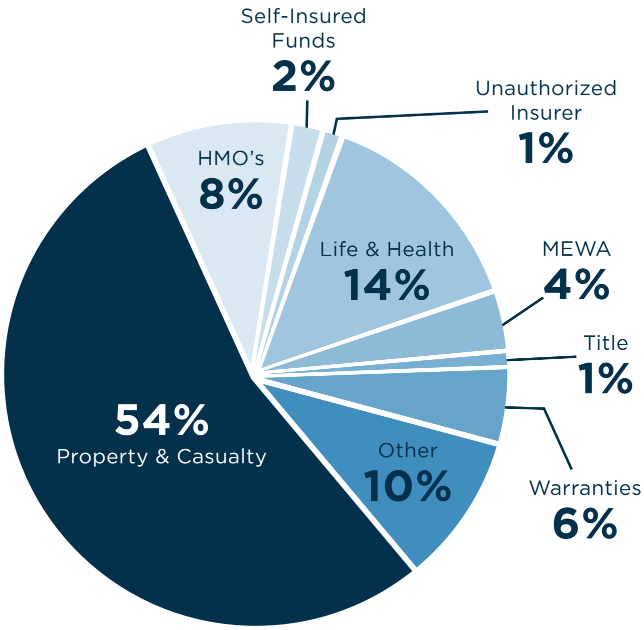
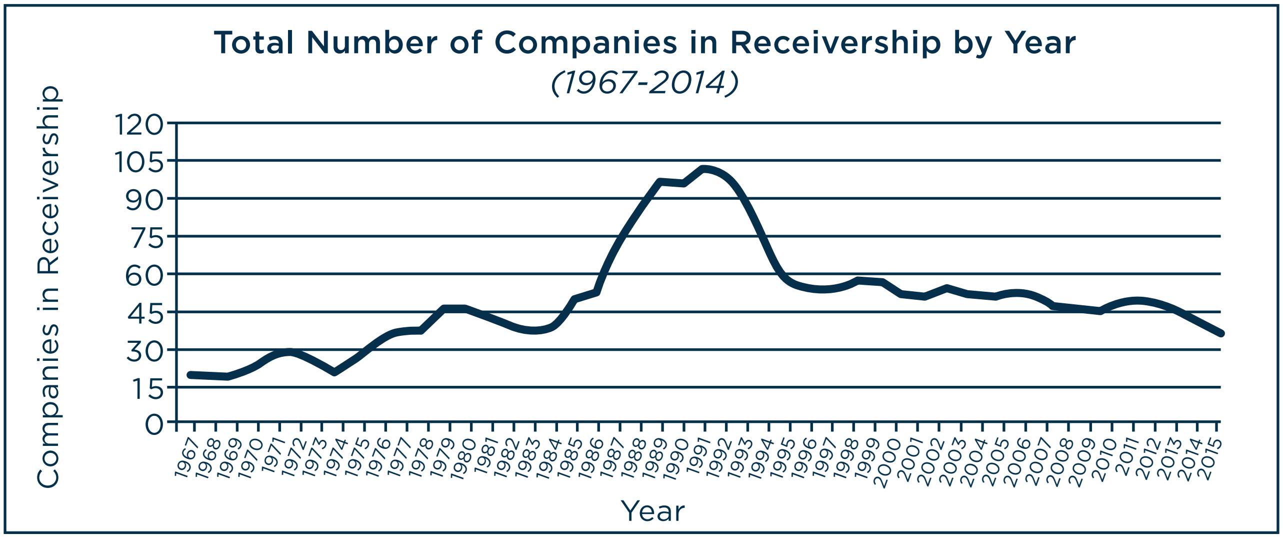


Figure 11 *Types of Companies Historically Entering Receivership*

The total number of companies in receivership has fluctuated between sixteen (16) and slightly more than 100 since 1967, but as of June 30, 2015, there were thirty-two (32) companies in receivership which is lower than the average of fifty (50).



Appendix C

Florida Insurance Guaranty Association ("FIGA")

FIGA is a nonprofit corporation created in 1970 by chapter 631, part II, Florida Statutes, to provide a mechanism for the payment of covered property and casualty claims under certain insurance policies because of the insolvency of an insurer. In general, the maximum payout by FIGA is $300,000 per claimant less a $100 deductible. An additional $200,000 in coverage is allowed on residential homeowners' claims stemming from damage to the structure and contents of the residence. The cost of this protection is assessed to property and casualty insurance companies admitted to do business in Florida. FIGA is also entitled to file claims in the relevant receiverships for its administrative expenses and covered clams that it pays. FIGA's membership is comprised of all Florida-licensed direct writers of property or casualty insurance.

A board of directors for the association is mandated under section 631.56, Florida Statutes, and may consist of not less than five (5) or more than nine (9) member insurers. Each board member serves a four-year term and may be reappointed.

For more information on FIGA visit www.figafacts.com.

Source: Chapter 631, Part II, Florida Statutes and Florida Insurance Guaranty Association website, www.figafacts.com

Appendix D

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

FWCIGA is a nonprofit legal entity established in 1997 by chapter 631, part V, Florida Statutes, resulting from the merger of the Florida Self-Insured Fund Guaranty Association, Inc. ("FSIFGA") and the workers' compensation insurance account of FIGA. FWCIGA was created to provide a mechanism for the payment of covered workers' compensation claims, to avoid financial loss to claimants in the event of the insolvency of a member insurer.

FWCIGA evaluates workers' compensation claims made by insureds against insolvent member companies or funds and determines if such claims are covered claims which should be paid or settled with funds from FWCIGA. FWCIGA also determines whether an assessment against its members is necessary to pay covered claims of an insolvent insurer or to reimburse FWCIGA for expenses associated with carrying out its statutory functions. FWCIGA is also entitled to file claims in the relevant receiverships for its administrative expenses and covered claims that it pays. In addition, FWCIGA may make reports and recommendations to the Florida Department of Financial Services regarding solvency, liquidation or rehabilitation of member insurers, may request an examination of member insurers that may be impaired or insolvent, and may make recommendations to the Florida Department of Financial Services regarding the detection and prevention of insolvency of a workers' compensation insurer.

An eleven-member Board of Directors is mandated under section 631.912, Florida Statutes. One member must be the Insurance Consumer Advocate appointed by the Chief Financial Officer. Each board member serves a four-year term and may be reappointed.

For more information on FWCIGA visit www.fwciga.org.

Source: Chapter 631, Part V, Florida Statutes, and Florida Workers' Compensation Insurance Guaranty Association website, www.fwciga.org

Appendix E

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

FLAHIGA is a nonprofit legal entity established in 1979 by chapter 631, part III, Florida Statutes, to protect policyholders, beneficiaries, and other claimants under life and health insurance policies, and annuity contracts, subject to certain limitations, from the financial impairment or insolvency of such an insurer. The cost of this protection is assessed to member life and health insurance companies.

FLAHIGA is also entitled to file claims in the relevant receiverships for its administrative expenses and the covered claims that it pays. All insurers defined as member insurers in section 631.714(7), Florida Statutes, are required to be members of the association as a condition of their authority to transact insurance in Florida.

A board of directors for the association is mandated under section 631.716, Florida Statutes, and consists of not fewer than five (5) or more than nine (9) member insurers. One member must be a domestic insurer and all member insurers must be fairly represented. Each board member serves a three-year term.

For more information on FLAHIGA visit www.flahiga.org.

Source: Chapter 631, Part III, Florida Statutes.

Appendix F

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

FHMOCAP is a nonprofit legal entity established in 1988 by chapter 631, part IV, Florida Statutes, to mitigate harm to subscribers of HMOs resulting from the failure of an HMO to perform its contractual obligations due to its insolvency. Each HMO must remain a member of the plan as a condition of its authority to transact business as an HMO in Florida. The benefit the plan provides is continued coverage up to a maximum of $300,000 per person or six (6) months. Extended coverage may be provided in limited circumstances pursuant to statute. The FHMOCAP does not provide coverage to Medicare or Medicaid members.

A board of directors for the association is mandated under section 631.816, Florida Statutes, and consists of not fewer than five (5) or more than nine (9) persons fairly representing all members HMOs. Each member serves a four-year term and may be reappointed.

For more information on FHMOCAP visit http://www.flhmocap.com/.

Source: Chapter 631, Part IV, Florida Statutes.

Appendix G

Summary of Rehabilitation v. Liquidation

REHABILITATION	LIQUIDATION
Board of Directors suspended temporarily – Receiver assumes their authority but can delegate back certain authority at Receiver's option.	Company dissolved by Court Order of Liquidation – Receiver assumes authority over company affairs.
Receiver, appointed by the court, is in charge.	Receiver, appointed by the court, is in charge.
Financial activity is carried out through the company's office systems utilizing its procedures.	Financial activity is carried out through the Receiver's office after company's offices are closed, using the Receiver's procedures.
Company pays claims.	Guaranty associations pay covered policy claims.
Payments based on court order which provides authority as to what the rehabilitator may pay.	Payments based on statutes which provide authority as to the priority of payments.
Marshaling of assets by Receiver (finding and collecting property or debts due, selling them to convert to cash).	Marshaling of assets by Receiver (finding and collecting property or debts due, selling them to convert to cash).
Suits against insureds are not stayed by statute; may be stayed by court order. The company will continue to defend its insureds. There is no activity by a guaranty association during rehabilitation.	Suits against insureds may be stayed by guaranty association statute; may be stayed by court order. The appropriate guaranty association defends insureds.
Suits against the company are stayed by statute.	Suits against the company are stayed by statute.

REHABILITATION	LIQUIDATION
Proof-of-claim forms are not issued in a rehabilitation effort since claims normally continue to be paid.	Proof-of-claim forms are sent out to potential claimants. Upon return of these forms, the Receiver's claims staff evaluates the claims.
Not applicable.	Evaluated claims are reported to the Second Judicial Circuit Court in Leon County, Florida, and approved for payment subject to objection (the procedure whereby the claimant may disagree with the evaluation).
Not applicable.	If objections are unresolved, the Receiver's Legal Section will set the objection for hearing before the Receivership Court.
Not applicable.	When all objections and appeals are concluded, the Receiver calculates the distribution that may be made to claimants. The priority of claims is set out by statute. Upon obtaining court approval of the distribution, the Receiver sends payments to the claimants' last known addresses.
Not applicable.	Undistributed funds are turned over to the Bureau of Unclaimed Property of the Florida Department of Financial Services and similar functional offices in other states.
Either returning a company to sound financial condition or converting the receivership to liquidation concludes rehabilitation.	The Receiver prepares a final accounting, which is filed with the Receivership Court, and obtains a final order of discharge from the Court.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

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