

FLORIDA DEPARTMENT OF FINANCIAL SERVICES



Annual Report  
**2022**

**DIVISION OF  
REHABILITATION  
& LIQUIDATION**

# 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

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## Message from the Chief Financial Officer

The Department of Financial Services (“DFS” or “Department”) is responsible for the administration of insurance receiverships in Florida. The Division of Rehabilitation and Liquidation (Division) administers the receiverships on behalf of DFS and aims to maximize value to policyholders at every opportunity. As Chief Financial Officer of the State of Florida, I am pleased to present the Division’s 2021-2022 Annual Report. It demonstrates the Department’s commitment to effectively serving policyholders throughout the receivership life cycle.

The 2021-2022 fiscal year was an extraordinary year for the Division. Four insurance companies were placed in receivership and legislation enacted statute that charges the Division with dissolving the Florida Patient’s Compensation Fund beginning July 1, 2022. As a result of these activities, the Division established procedures to manage new receiverships through hybrid operations and the engagement of Special Deputy Receivers. While faced with new challenges, the Division continued to maintain quality service to policyholders, creditors, and consumers. The Division paid over \$142 million in distributions to claimants and guaranty associations. The distributions were made possible through the Division’s endeavor to collect reinsurance, outstanding receivables, and other assets owed to the insurance companies in receivership.

The basis of the Division’s success is its workforce. This Annual Report summarizes their activities, accomplishments, and steady dedication to serving the citizens of Florida. I invite you to learn more about the receivership process and companies in receivership by visiting [www.myfloridacfo.com/division/receiver](http://www.myfloridacfo.com/division/receiver). We look forward to their continued success in serving Florida’s insurance receiverships with care.

Thank you.

A handwritten signature in blue ink that reads "Jimmy Patronis". The signature is fluid and cursive, with the first name "Jimmy" and last name "Patronis" clearly legible.

Jimmy Patronis  
Chief Financial Officer  
State of Florida



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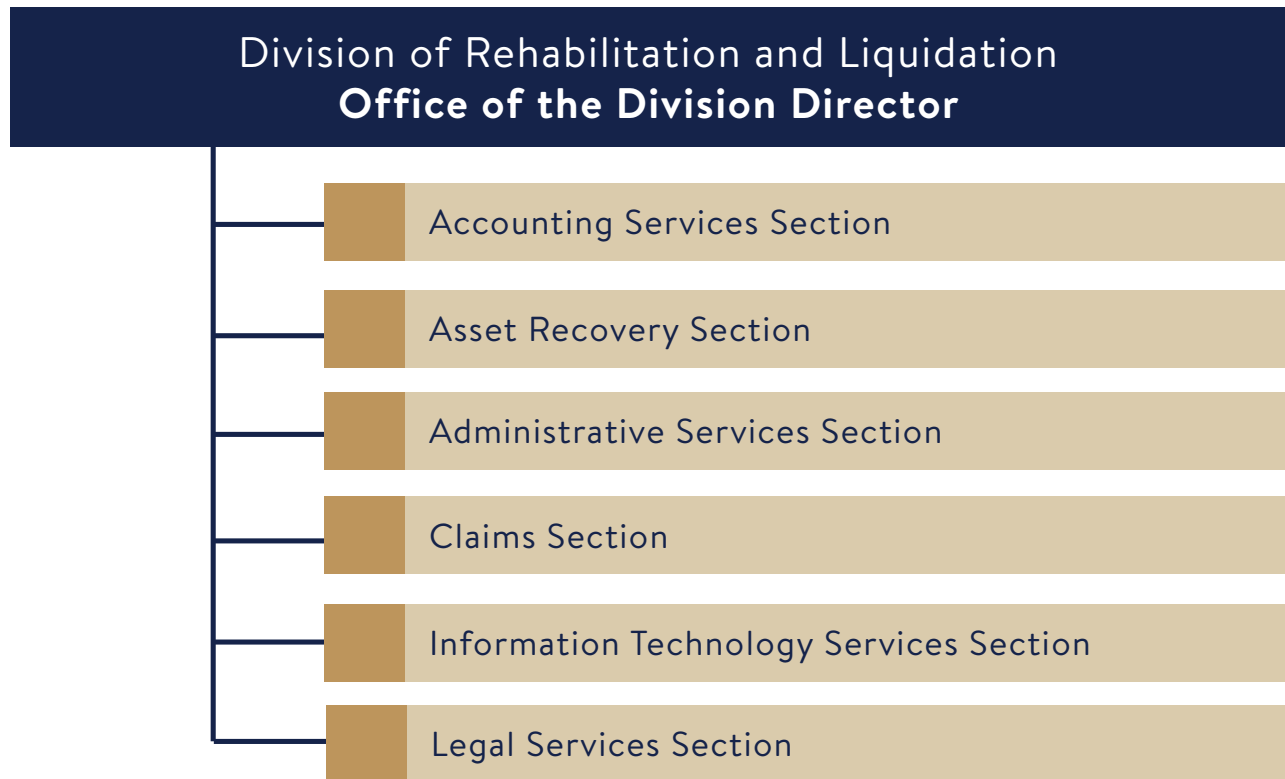
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# Division Overview

The Division is divided into six functional areas (see Figure 1), each lead by a manager who reports to the Division Director. As of June 30, 2022, the Division has sixty (60) funded positions.



**Figure 1**

*Division of Rehabilitation and Liquidation Organizational Structure in 2021-2022*

## 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 2021-2022

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	<ul style="list-style-type: none"> <li>Identify, secure and control company assets</li> <li>Manage business functions</li> <li>Implement receivership plan</li> </ul>
Company Asset Recovery and Asset Management	<ul style="list-style-type: none"> <li>Collect and liquidate all company assets</li> <li>Pursue litigation as necessary to collect assets</li> <li>Maximize assets returned to receivership</li> </ul>
Claims Processing	<ul style="list-style-type: none"> <li>Acquire claimant information</li> <li>Proof-of-Claims processing (<i>liquidation only</i>)</li> <li>Guaranty association claim processing (<i>liquidation only</i>)</li> <li>Claims evaluation (<i>liquidation only</i>)</li> <li>Interim distributions/payment of available funds on allowed claims (<i>liquidation only</i>)</li> <li>Early Access distributions (<i>liquidation only</i>)</li> </ul>
Company Discharge	<ul style="list-style-type: none"> <li>Determination of final financial accounting</li> <li>Final distribution of available funds on allowed claims (<i>liquidation only</i>)</li> <li>Unclaimed property reporting (<i>liquidation only</i>)</li> <li>Destruction of non-permanent company records (<i>liquidation only</i>)</li> </ul>

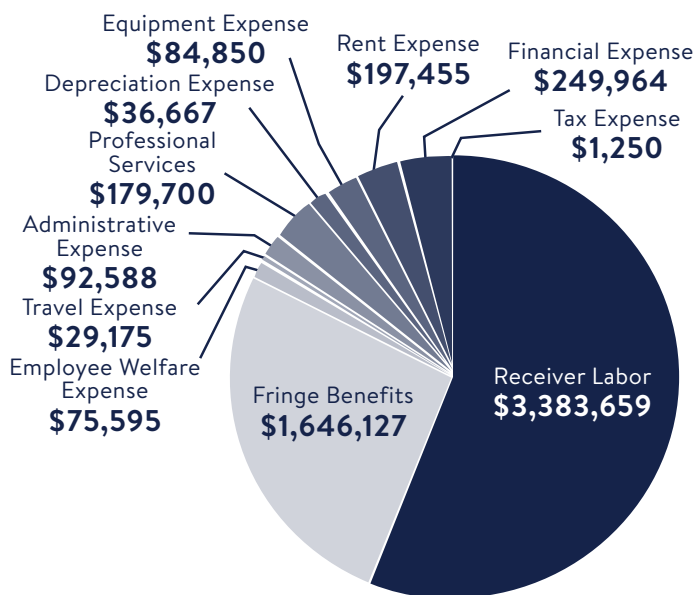
Figure 2

Division's Core Processes

## DIVISION FUNDING

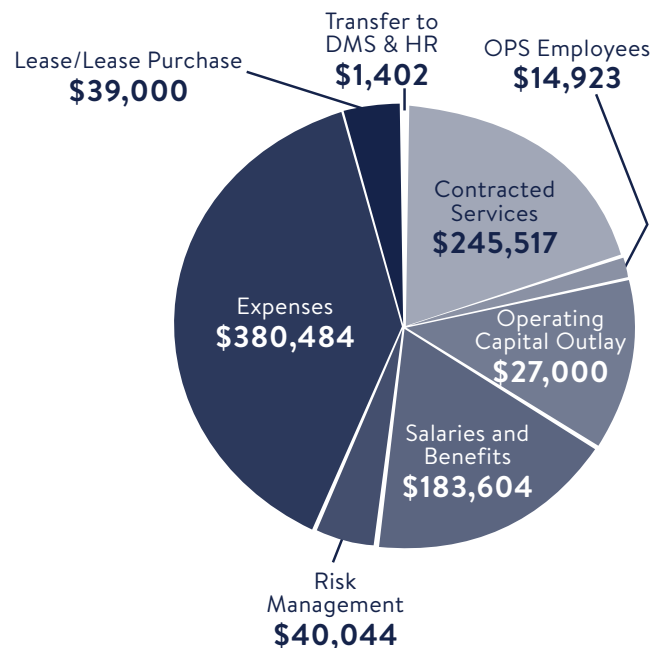
The Division's overall cost of managing receiverships is paid for by recoveries from the estates that are in receivership, supplemented by funds from the state. The Division maintains staff that is paid from receivership funds. This staffing structure allows the Division's management to expand or downsize 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 needs that benefit receivership estates. For the 2021-2022 fiscal year, the Division's operating state budget was \$931,974. Figure 3 displays the Division's Receivership Budget for the 2021-2022 fiscal year, and Figure 4 gives an overview of the Division's 2021-2022 state budget.



**Figure 3**

*Division's Receivership Budget for FY 2021-22*



**Figure 4**

*State Budget FY 2021-22*



# General Information

## TYPES OF RECEIVERSHIPS IN THE LAST FIVE YEARS

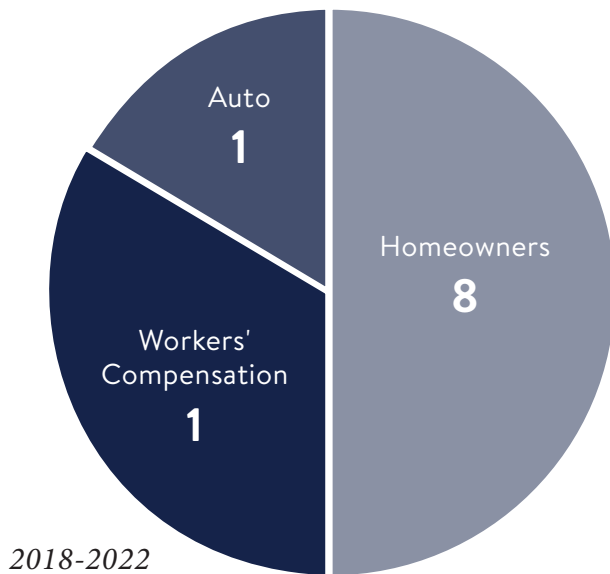


Figure 5

*Types of Companies Entering Receivership 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 15 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

## COMPANIES IN RECEIVERSHIPS BY LINES OF BUSINESS

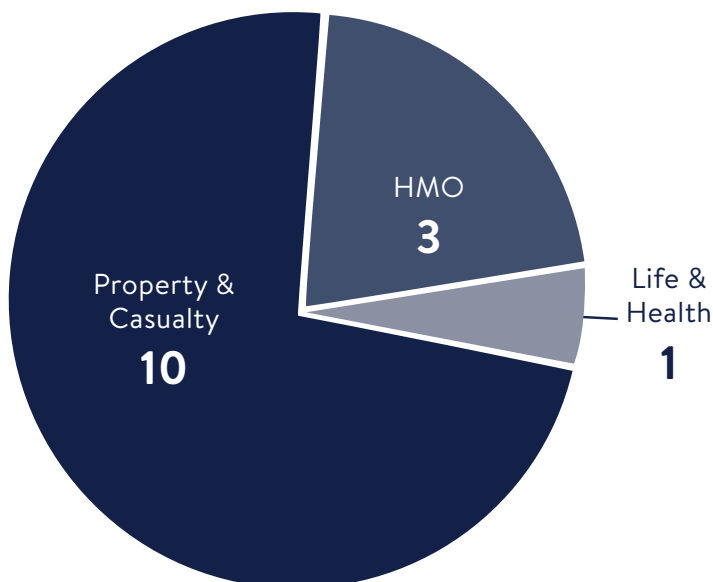


Figure 6

*Companies in Receivership by Lines of Business as of June 30, 2022*

# Accomplishments and Significant Events

## DIVISION HIGHLIGHTS

During the 2021-2022 fiscal year:

- Four companies were placed into liquidation during the fiscal year. The Division administered 14 companies in liquidation and one company in rehabilitation.
- The Division distributed \$134.2 million in early access distributions to guaranty associations from seven different estates. In addition to the early access distributions, the Division distributed \$7.8 million to claimants in three estates during the fiscal year.
- The Division responded to 7,748 consumer inquiries.
- To facilitate distribution, the Division mailed 11,244 Proof of Claim (POC) forms, processed 551 submitted POCs, evaluated 545 claims, mailed 535 Notices of Determinations, processed 27 filed objections, resolved 11 filed objections, processed 25 requests for an assignment of claim, and set up 4,605 new/reopened claims.
- The Division performed three distribution accountings.
- The Division recovered assets totaling \$90.5 million, excluding litigation recoveries.
- The Division recovered assets totaling approximately \$12.5 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

#### Gulfstream Property & Casualty Insurance Company

On July 28, 2021, Gulfstream Property and Casualty Insurance Company (“Gulfstream”) was ordered into receivership for purposes of liquidation. Gulfstream was a homeowner’s insurance company located in Sarasota, Florida. All insurance policies issued by Gulfstream were cancelled on August 27, 2021. On December 22, 2021, the Department mailed 2,881 Proof of Claim forms (“POCs”). The deadline for filing a POC was July 28, 2022.

#### St. Johns Insurance Company

On February 25, 2022, St. Johns Insurance Company (“SJIC”) was ordered into receivership for purposes of liquidation. SJIC was a homeowner’s insurance company located in Orlando, Florida. All insurance policies issued by SJIC were cancelled on March 1, 2022. On May 24, 2022, the Department mailed 3,650 Proof of Claims forms (“POCs”). The deadline for filing a POC was February 27, 2023.

**Avatar Property & Casualty Insurance Company**

On March 14, 2022, Avatar Property & Casualty Insurance Company (“Avatar”) was ordered into receivership for purposes of liquidation. Examination Resources, LLC was appointed as Special Deputy Receiver (“SDR”). Avatar was a homeowner’s insurance company located in Tampa, Florida. All insurance policies issued by Avatar were cancelled on April 13, 2022. The deadline for filing a POC is March 14, 2023.

**Southern Fidelity Insurance Company**

On June 15, 2022, Southern Fidelity Insurance Company (“SFIC”) was ordered into receivership for purposes of liquidation. SFIC was a homeowner’s insurance company located in Tallahassee, Florida. All insurance policies issued by SFIC were cancelled on July 15, 2022. The deadline for filing a POC is June 15, 2023.

**Receiverships Closed****K.E.L. Title Insurance Group, Inc.**

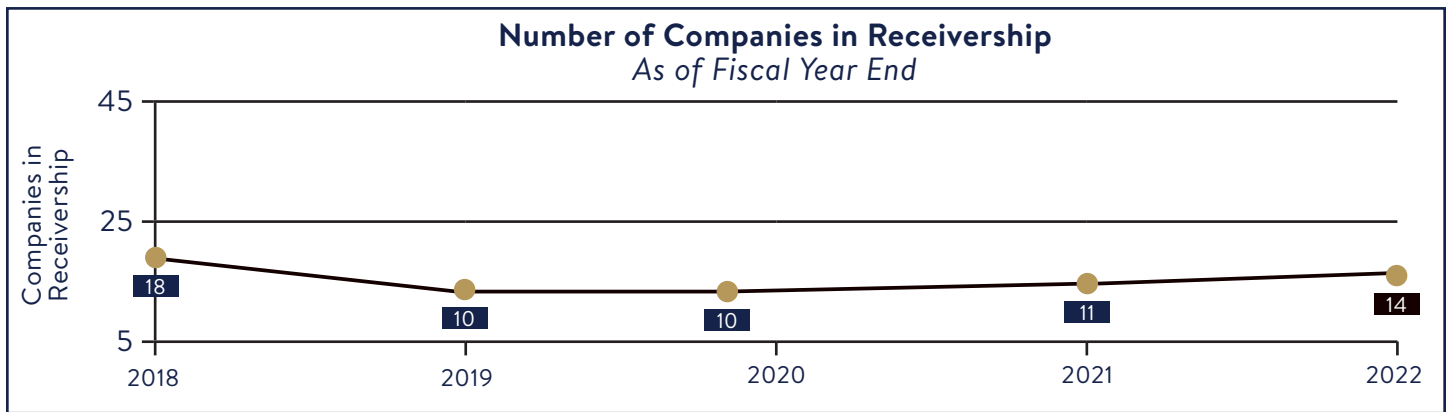
On October 30, 2012, K.E.L. Title Insurance Group, Inc. (“KELTIG”) was ordered into receivership for the purposes of rehabilitation. KELTIG was a title insurance company located in Orlando, Florida.

On March 11, 2022, a loss portfolio transfer was executed with Connecticut Attorneys Title Insurance Company (“CATIC”), transferring all active KELTIG insurance policies and liabilities on open and future claims to CATIC. Effective June 30, 2022, the Court entered an order discharging the Department as Receiver of KELTIG.

**DISTRIBUTIONS**

The following list provides additional information about the Court ordered distributions to claimants and policyholders during the 2021-2022 fiscal year:

<b>Claims Distribution Payments</b>	<b>Month of Distribution</b>	<b>Distribution Amount Approved by the Court</b>
Quality Health Plans, Inc.	September 2021	\$5,590,420
Universal Health Care Insurance Company, Inc.	February 2022	\$139,344
Sunshine State Insurance Company	March 2022	\$2,113,555
<b>Early Access Distributions</b>		
Florida Specialty Insurance Company	July 2021	\$5,000,000
Sunshine State Insurance Company	July 2021	\$15,000,000
American Capital Assurance Corp	August 2021	\$300,027
Florida Specialty Insurance Company	October 2021	\$10,000,000
Sunshine State Insurance Company	October 2021	\$1,300,000
Guarantee Insurance Company	December 2021	\$301,584
Guarantee Insurance Company	January 2022	\$12,266,624
Guarantee Insurance Company	February 2022	\$12,233
Windhaven Insurance Company	March 2022	\$10,800,000
American Capital Assurance Corp	March 2022	\$30,430,000
Gulfstream Property & Casualty Insurance Co.	March 2022	\$23,416,000
St. Johns Insurance Company	June 2022	\$25,392,393
<b>TOTAL DISTRIBUTIONS</b>		<b>\$142,062,180</b>



**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 limited to 4% 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 2021-2022 fiscal year, the Division paid \$134.2 million in early access distributions to guaranty associations.

## Appendix A

# History of the Division

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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”).

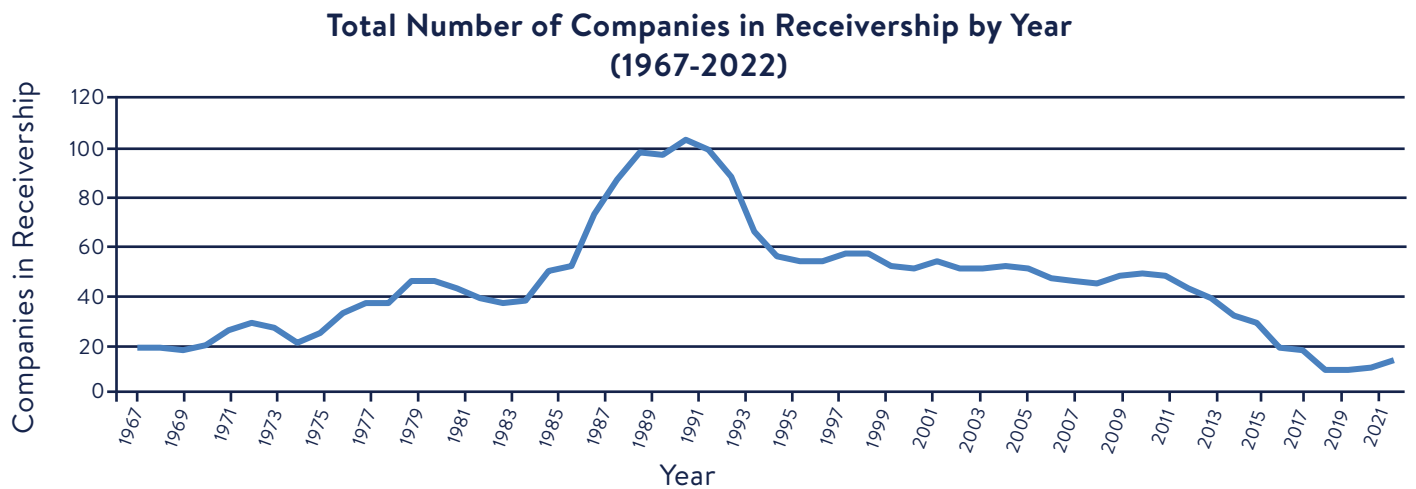
During those 10 years, DOI was named Receiver for 15 more insurance companies. As the trend of insurance companies entering receivership continued to grow, Insurance Commissioner Broward Williams asked the 1967 Legislature for additional staff to manage the receiverships. The legislature approved 13 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. 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.

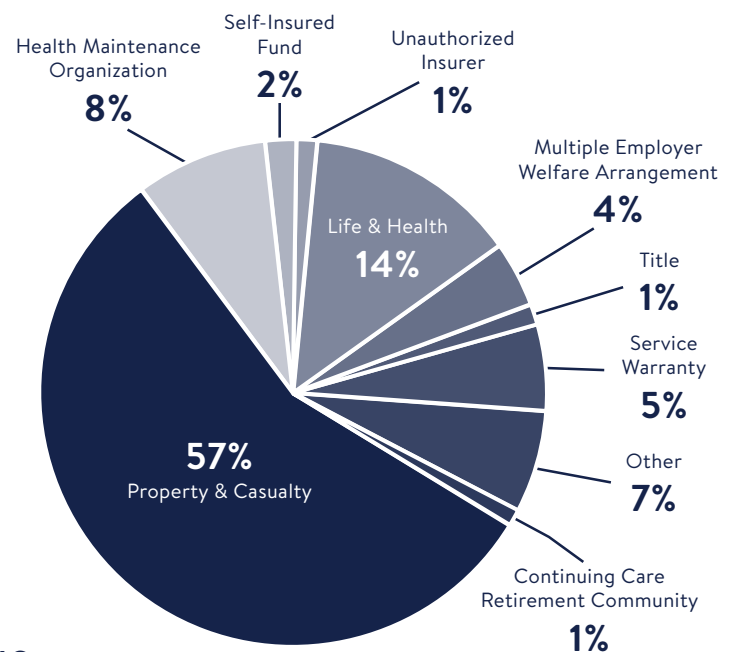
Division Director	Years of Service	Division Director	Years of Service
<b>Tom Waddell</b>	1967 - 1969	<b>Robert Johnson</b>	1991 - 1996
<b>Charles Friend</b>	1969 - 1971	<b>Belinda Miller</b>	1996 - 1999
<b>L.E. Caruthers</b>	1971 - 1980	<b>Eric J. Marshall</b>	1999 - 2001
<b>Helen Hobbs</b>	1980	<b>R. J. Castellanos</b>	2001 - 2008
<b>James Brown</b>	1981 - 1982	<b>Wayne Johnson</b>	2008 - 2011
<b>Gerald Wester</b>	1982 - 1983	<b>C. Sha'Ron James</b>	2011 - 2015
<b>Jerry D. Service</b>	1983 - 1988	<b>Toma Wilkerson</b>	2015 - 2022
<b>Bill O'Neill</b>	1989	<b>Lorrie Arterburn</b>	2022- Present
<b>Doug Shropshire</b>	1989 - 1991		

**Table A** *Directors of the Division of Rehabilitation and Liquidation, 1967-Present*



**Figure 8** *Historical Data: Total Number of Companies in Receivership by Year, 1967-2022*

**Figure 9** *Historical Data: Types of Companies Entering Receivership, 1957-2022*





## Appendix B

# Summary of Rehabilitation v. Liquidation

### REHABILITATION

Board of Directors are suspended temporarily. The Department assumes their authority but can redelegate certain authority at the Department's discretion.

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.

Company continues to be responsible for paying claims.

Payments are based on a court order which provides authority as to what the Department may pay.

Marshaling of assets by Department (finding and collecting property or debts due, selling them to convert to cash).

### LIQUIDATION

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.

Financial activity is ultimately carried out through the Department's Division of Rehabilitation and Liquidation after the company's offices are closed.

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 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 Department (finding and collecting property or debts due, selling them to convert to cash).

## REHABILITATION

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.

Proof of claims forms are not issued in a rehabilitation since claims normally continue to be paid.

Not applicable.

Not applicable.

Not applicable.

Not applicable.

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.

## LIQUIDATION

Litigation against the company is permanently stayed by statute and court order. Insureds are defended by the appropriate Guaranty Association.

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.

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).

If objections are unresolved, the Department's attorneys will set the objection for a court hearing.

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.

Undistributed funds are turned over to the Department's Division of Unclaimed Property.

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 x the number of residential units. For more information on FIGA, visit [www.figafacts.com](http://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](http://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](http://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 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](http://www.flhmocap.com).

## Appendix D

# Glossary

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**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

325 John Knox Rd  
Atrium Bldg., Suite 101  
Tallahassee, FL 32303