Division of Rehabilitation & Liquidation

2016

Annual Report

CHIEF FINANCIAL OFFICER
JEFF ATWATER
FLORIDA DEPARTMENT OF FINANCIAL SERVICES

Division of
Rehabilitation
& Liquidation

Mission Statement

Manage receiverships so as 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, 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 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. The Division 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 Division is committed.

Innovation
The implementation of ideas into new or improved processes, services and systems is fundamental to the Division's continued success.

Jeff Atwater

Message from the Chief Financial Officer

On behalf of the Florida Department of Financial Services, I am pleased to present the FY2015-2016 Division of Rehabilitation and Liquidation Annual Report.

The Department is appointed as the Receiver of all Florida licensed insurance companies that are ordered into receivership by the Office of Insurance Regulation. The mission of the Division, which administers the receiverships on behalf of the Department, is to manage the receiverships in a way that maximizes value to claimants and the public. The Division accomplishes its mission in part by providing assistance to the policyholders, creditors, and consumers that are negatively impacted by the failure and subsequent receivership of these insurance entities.

The Division's Annual Report provides an overview of Division activities and accomplishments during FY2015-2016. Distributions to claimants are maximized, and the overall lifecycle of the receiverships are shortened, as the Division continues its efforts to streamline receivership processes. During the fiscal year, we are pleased to report that the Division paid over $81 million in distributions to claimants and guaranty associations, which is an increase of approximately 125% over the distributions that were made during the prior fiscal year. The Division also successfully completed its responsibilities as Receiver in four (4) receiverships, resulting in the closure of those receivership proceedings. The average number of closed receiverships has increased from four (4) receiverships per year to an average of seven (7) receiverships per year over the course of the most recent six (6) fiscal years.

Consumers are encouraged to visit the Department's website at www.myfloridacfo.com/division/receiver to learn more about the receivership processes, the companies in receivership, and other information. This report and previous annual reports are also available on the Department's website.

Thank you for your interest in the Florida Department of Financial Services and the work of the Division of Rehabilitation and Liquidation. We hope that you find the information contained in this report and the referenced website of assistance in better understanding the receivership processes.

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 2015-2016. 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.

No Florida insurance companies were placed in receivership during FY2015-2016 – an indication that the Florida insurance market is healthy and stable. Due to the Division's efforts to improve receivership processes, four (4) receivership estates were closed, leaving a total of 29 companies in receivership by the end of the fiscal year. In addition, we are particularly pleased to report that our asset collection efforts garnered more than $92 million, including litigation recoveries, for the benefit of the receivership estates and that we paid in excess of $81 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 2016-2017, some of the measures which the Division will emphasize include the following:

- Improved processes and efforts ultimately leading to the completion of receivership obligations and closure of the remaining estates in the next several years.

- Continued improvements to the project management processes used for guiding the various receiverships from start to finish.

- Increased imaging of documents in continued efforts to decrease the Division's paper footprint.

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 Florida Department of Financial Services (Department) is the court appointed Receiver of any insurer placed into receivership in Florida to protect consumer interests. The role of the Division of Rehabilitation and Liquidation (Division) is to administer the receiverships on behalf of the Department, as Receiver. The Division plans, coordinates, and directs 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. Generally, 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 2015-2016 Division Annual Report provides a brief look at the role of the Division of Rehabilitation and Liquidation (interchangeably referred to as the "Department") 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 Department 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 the Department. 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 the Department.

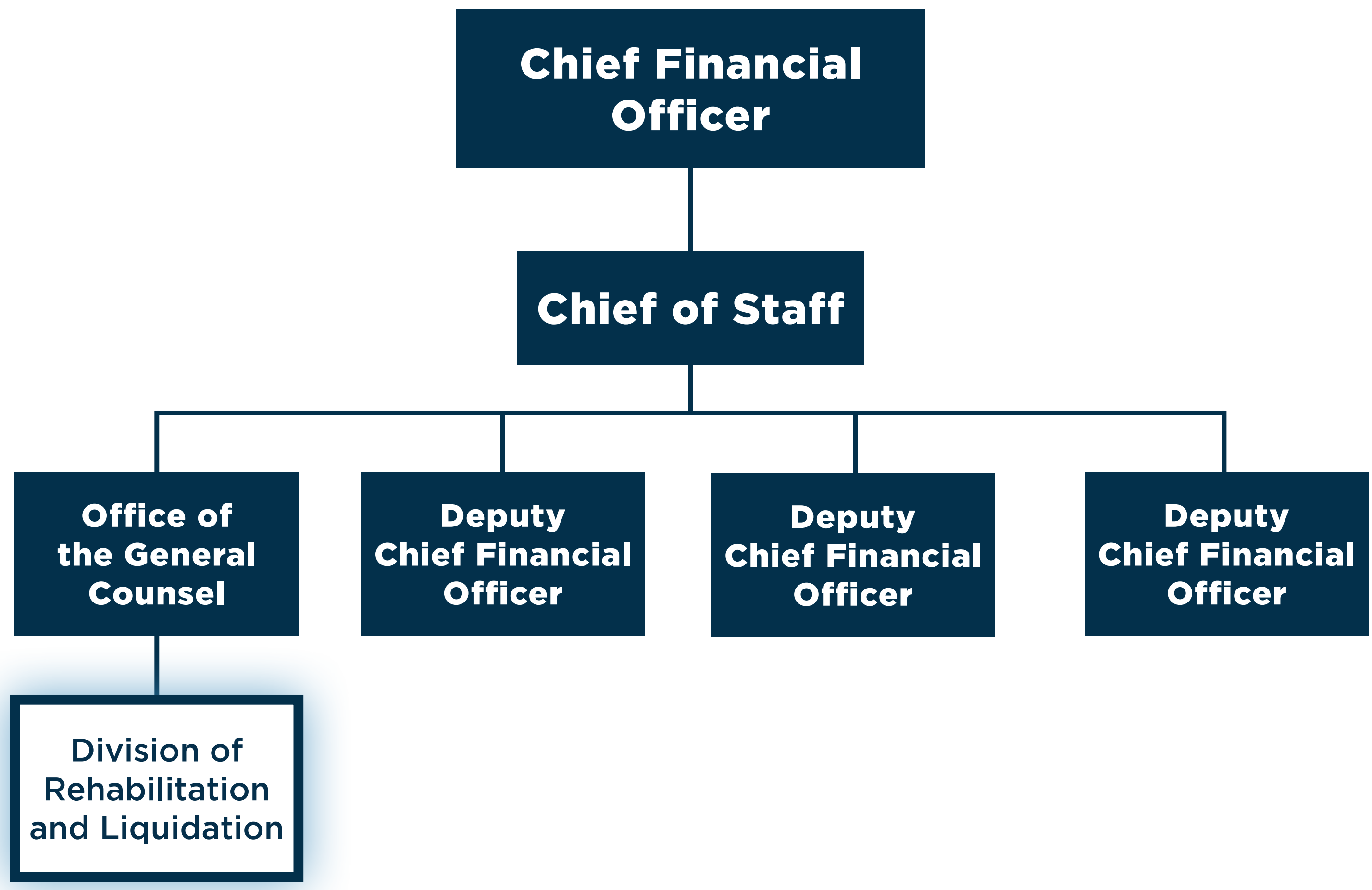


Figure 1 *Partial View of Department Organizational Chart including the Division of Rehabilitation and Liquidation*

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. Of the 121 positions, only 95 positions were filled as of June 30, 2016.

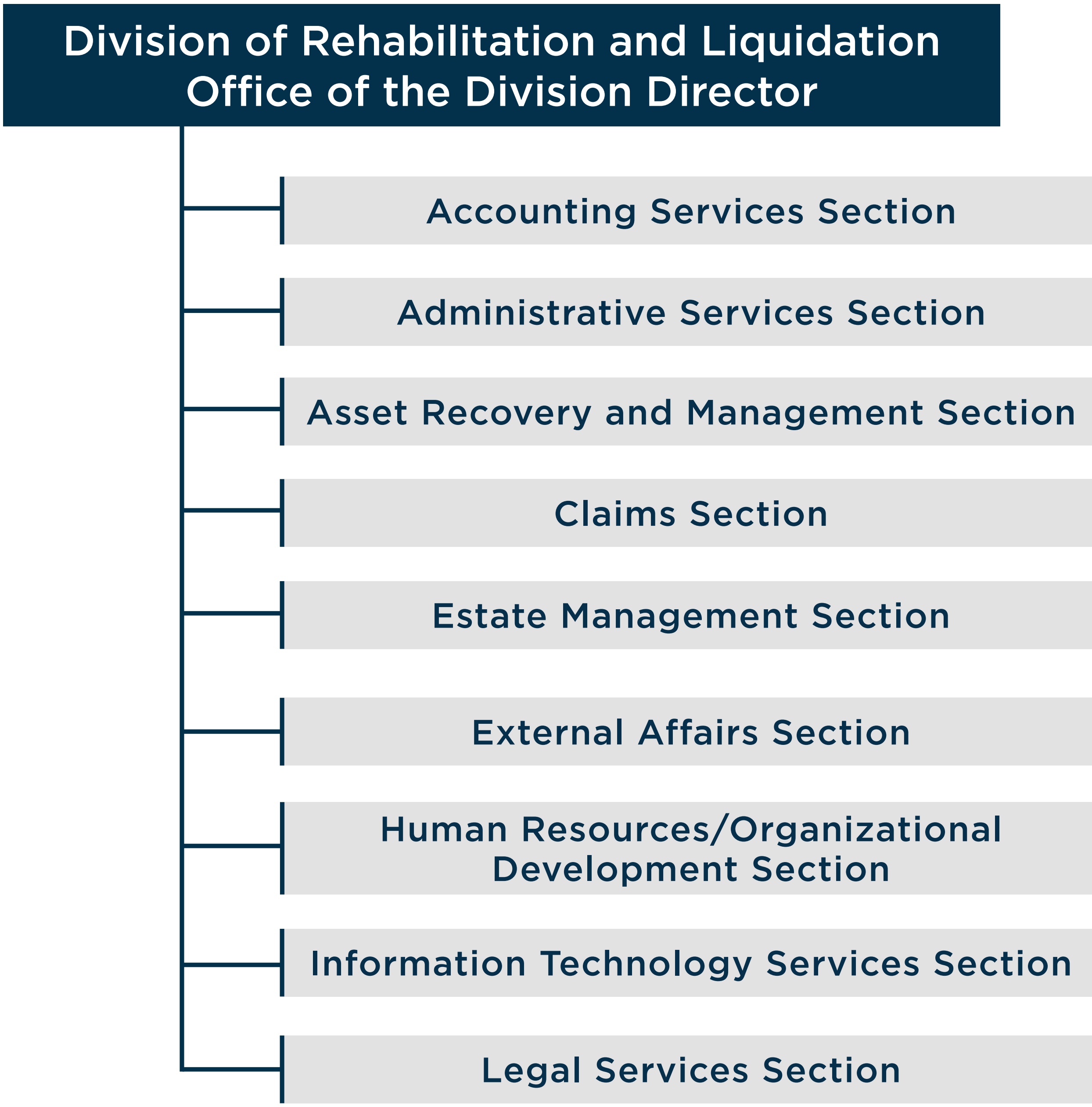


Figure 2 *Division of Rehabilitation and Liquidation Organizational Structure in 2015-2016*

Tasks

The core processes of the Department 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 Division will petition the Receivership Court for an order of liquidation. At that time, the Division starts the "company asset recovery and asset management" 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 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 and third-party claims of the failed insurance company. A great deal of communication and cooperation is required between the Division 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 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 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/payment of available funds on allowed claims *(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 fulfilling its duties for the Department 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 Division maintains staff that is paid from receivership funds. Division 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 Department. These funds are deposited into the Insurance Regulatory Trust Fund. The budget supports a small number of state positions, certain projects and technological improvements that benefit future receivership estates, and receivership expenses incurred when the Division is appointed Receiver. For FY 2015-2016, the Division's operating state budget was $858,419. 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. Figure 4 displays the Division's Receivership Budget for the 2015-2016 Fiscal Year, and Figure 5 gives an overview of the Division's 2015-2016 state budget.

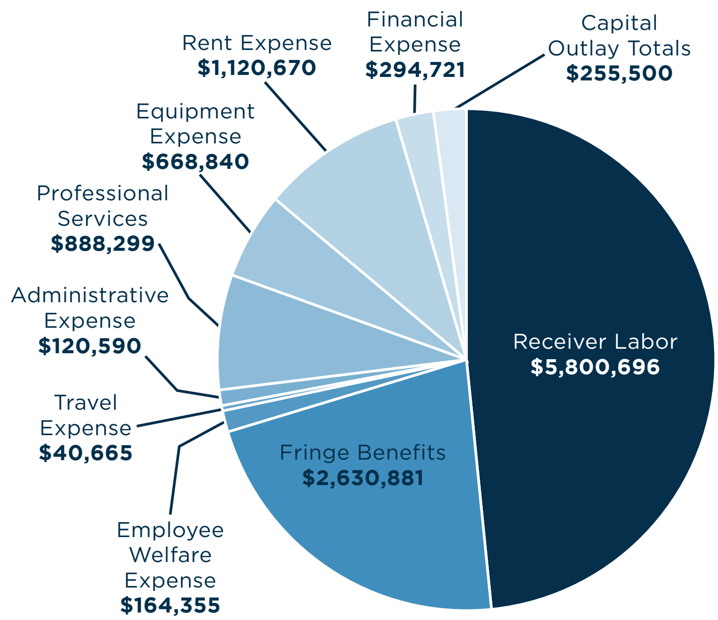


Figure 4 *Division's Receivership Budget for FY 2015-2016*

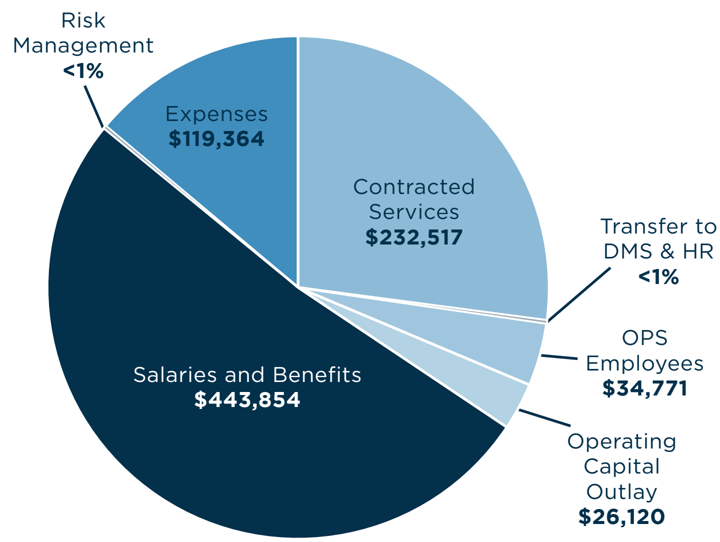


Figure 5 *State Budget FY 2015-2016*

Accomplishments

Division Highlights

During Fiscal Year 2015-2016:

- The Division maintained twenty-seven (27) companies in liquidation and two (2) companies in rehabilitation.
- One (1) company was placed into ancillary receivership – National Insurance Company.
- Four (4) companies were closed. Over the last six (6) 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 $48.8 million in early access distributions to guaranty associations from nine (9) different estates during the fiscal year.
- In addition to the early access distributions, the Division distributed in excess of $32.3 million to numerous claimants in five (5) estates during the fiscal year.
- The Division recovered assets totaling over $76.6 million (this amount does not include recoveries where litigation was required).
- The Division recovered assets totaling approximately $16.6 million as a result of litigation.

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.

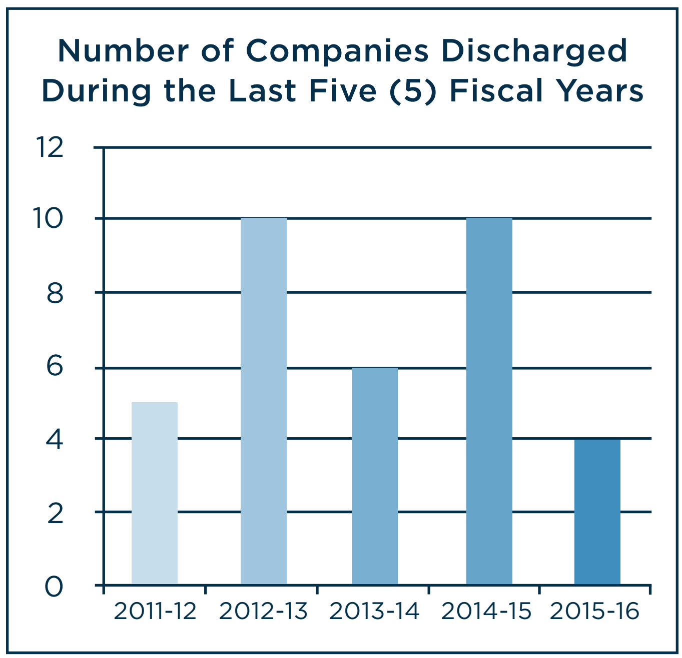


Figure 6 *Number of Companies Discharged during the last five (5) years*

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.

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, to secure funds necessary for the payment of covered property and casualty claims and to pay the reasonable costs of claims administration, 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 2015-2016, the Division paid $48.8 million in early access distributions to guaranty associations.

Key Performance Indicators

The Division's Key Performance Indicators (KPIs) are performance measures designed to evaluate the Division'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 detailed information on the Division's KPIs.

Appraised Value of Real Property

In Fiscal Year 2015-2016, the Asset Recovery and Management Section sold two (2) parcels of real estate for a total of $875,000, which was 98.76% 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) years.

The two (2) parcels sold involved real property assets of AequiCap Insurance Company. One property sold involved recreational common areas located inside a condominium development that included a 1,378 square foot recreation building, a standard recreational use swimming pool and a shuffleboard court. The other parcel sold was actually a combination of two vacant five acre lots and two vacant ten acre lots which had been zoned and used for agricultural purposes and were sold as part of a single sale transaction. The two parcels had a combined appraisal value of $886,000. 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 within 1.5% of their appraised value. The revenue generated by these sales provided additional resources for the administration and payment of liabilities for the AequiCap Insurance Company estate.

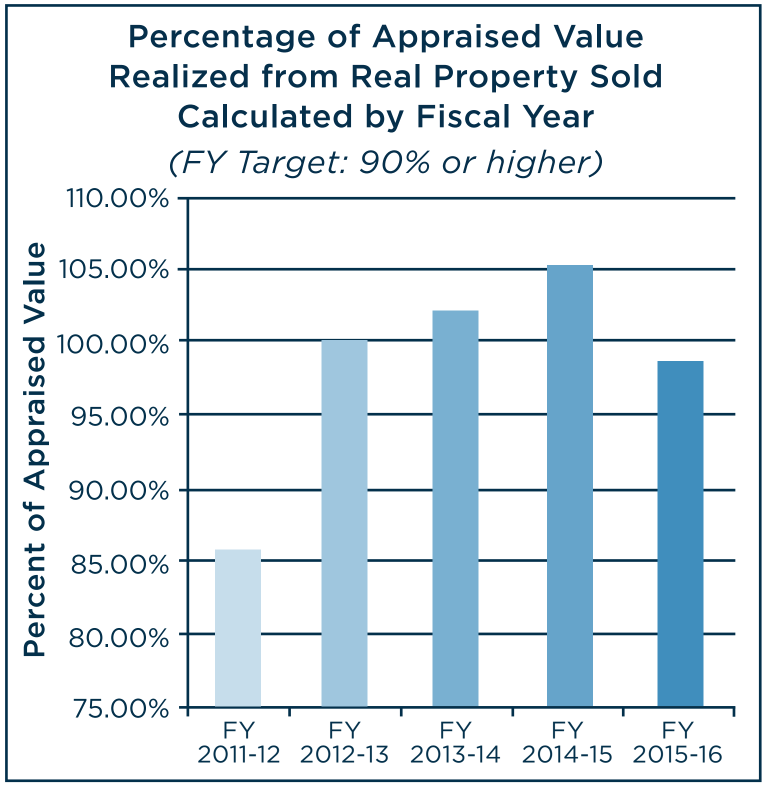


Figure 7 *Percentage of Appraised Value Realized from Real Property Sold – Calculated by Fiscal Year*

Consumer Services

In Fiscal Year 2015-2016, the External Affairs Section facilitated the processing of over 1,711 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 90% of the requests within thirty (30) days. Since Fiscal Year 2013-2014, the Division has consistently processed and closed over 95% of the service requests within thirty (30) days. In Fiscal Year 2015-2016, the Division successfully closed 97.02% 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.

Distributions

Each year, the Division sets a goal of distributing more than 25% of the cash and cash equivalents that it manages. In Fiscal Year 2015-2016, the Division's efforts resulted in distributions to claimants and early access distributions to guaranty associations totaling over $81.1 million, or approximately 31.10% of the cash and cash equivalents managed by the Division during the year. As more fully explained elsewhere in this report, funds distributed directly to claimants help to ease the financial losses that may have been suffered by the claimants as a result of the receivership of the insurance companies. Funds paid as early access distributions to guaranty associations ultimately lessen the amount that the guaranty associations would need to assess their members.

Administrative Costs for Collection of Assets

In Fiscal Year 2015-2016, the Asset Recovery and Management Section made total recoveries for reinsurance, subrogation, Special Disability Trust Fund, and all other collections in the amount of $76,629,300. The target for this KPI is for the cost of all collections to be at or below 15% of the total amount recovered. This KPI does not include recoveries from litigated matters. Administrative costs for asset collection for 2015-2016 ($1,684,868) were 2.20% of the total collected for the 2015-2016 period. Most of the assets collected this year result from recoveries from the federal Centers for Medicare and Medicaid Services ("CMS") in the total amount of approximately $56.5 million. These funds were recovered following a lengthy reconciliation process with CMS involving its contracts with Universal Health Care, Inc. and Universal Health Care Insurance Company, Inc., for the insurers to offer Medicare coverage. Usually, however, the majority of assets collected relate to reinsurance recoveries. The process for collection of reinsurance involves a combination of in-house staff and contract providers who specialize in this arena. In recent years, the Section has assumed a greater role in reinsurance collections based on the size and complexity of the liquidated company. This has resulted in significant cost savings, making more resources available to pay liabilities of associated estates. Reducing the internal and external costs of collections helps the Division successfully accomplish its mission.

Other Division Accomplishments

The table below shows some of the successful outcomes associated with other initiatives and accomplishments during Fiscal Year 2015-2016.

Division Accomplishments 2015-2016

Activity	Outcome
Estate Accounting unit managed five (5) distribution accountings, four (4) discharge accountings and processed and filed unclaimed property reports in twenty-six (26) states and 1 US Territory for unclaimed amounts totaling $1,250,919 from four (4) discharged and two (2) open receiverships impacting 2,067claimants.	These efforts facilitated the timeliness of receivership distributions and the closure of certain receiverships.
Accounts Payable unit maintained an Efficient Payment Process for invoices with 97.02% processed within the statutorily-required forty (40) days and 92.4% processed within the Division goal of thirty (30) days.	Improved efficiencies in receivership accounting processes and timely payment to vendors.
The Asset Recovery and Management Section ("Asset Recovery") made total recoveries of $76,629,300 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.
Proof of Claim (POC) and Notices of Determination (NOD) Delivery Success: The percentage of POCs and NODs successfully delivered increased by 6.6% to 95.3%. The POC and NOD delivery rate for the previous fiscal year was 88.7%.	Enhanced information flow to potential and known claimants. Reduced receivership costs in processing mail returned from the post office.
Implemented enhanced controls in the Division's claims and document management systems and processes regarding health and other sensitive data.	Enhanced protection of health and other sensitive claimant data.

Designed and implemented a process to ensure compliance with newly effective provisions of the Affordable Care Act regarding the reporting of employee health insurance information.	Compliance with newly effective provisions of the Affordable Care Act.
Through its successful litigation efforts, the Division recovered $16,591,667 in nine (9) receiverships. The largest legal recovery was $9.7 million which was received in the receivership of AequiCap Insurance Company as a result of litigation involving directors and officers liability insurance.	The recoveries in the nine (9) receiverships significantly increased the net value of these receivership estates.
Implementation of mailroom scanning for automated routing and filing of images into the Division's document management system.	Improved access to information and reduced physical file storage needs.
The development of new tools to more efficiently manage the annual Division Receivership budgeting process.	Greatly reduced work effort for each section's budget preparers and Accounting staff members.
The initiation of an analysis of the Division's accounting information system to determine the need for improved financial management capabilities.	An established framework for an ITN procurement of a new accounting information system in FY2017.
The implementation of new technologies and procedures to enhance the Division's cyber security posture.	Better visibility into potential threats allowing for swift resolution.

Focus on FY 2016-2017

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 continue the implementation of project management software to aid in the overall management of the various receiverships, with particular attention on milestones and tasks impacting the receivership lifecycles. 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.

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.

New Enterprise Resource Planning (ERP) System

To better facilitate the Division's Accounting business processes and improve integration with other internal systems, the Division plans to evaluate implementation of a new Enterprise Resource Planning (ERP) system.

Improved Electronic Document Management Framework The Division will build on its current FileNet document management and SharePoint Intranet systems to improve access to information and enhance business process workflow.

Improved Outreach The Division will focus efforts on improved outreach to claimants, including the use of an enhanced, interactive website, to enable claimants to better monitor and communicate with the Division regarding the receivership estates.

Significant Events

Receiverships Opened – and Closed – During the Fiscal Year

National Insurance Company – Ancillary Receivership

National Insurance Company (NIC) was a foreign insurer domiciled in the Commonwealth of Puerto Rico and authorized to transact the business of insurance in both Puerto Rico and Florida. On May 17, 2011, NIC was ordered into rehabilitation by the Commissioner of Insurance of Puerto Rico. It was subsequently ordered liquidated on October 25, 2011.

The Department obtained an Ancillary Receivership (Liquidation) order on NIC on July 20, 2015. The primary purpose of opening the Florida Ancillary Receivership was to assist in the collection of reinsurance and certain other assets due NIC as a result of the company's statutory deposits, Florida policies and/or paid claims. During the course of the year, the Department, as Ancillary Receiver, collected statutory deposits and other assets totaling approximately $590,000. With the agreement of the Puerto Rico Receiver and on its behalf, $525,000 was paid to FIGA as a partial payment on FIGA's claim filed in the NIC liquidation in Puerto Rico. The remaining funds, less appropriate administrative expenses, were disbursed to the Puerto Rico Receiver. The Department, as Ancillary Receiver, was discharged of its duties and the Ancillary Receivership was closed as of 11:59 p.m. on June 16, 2016.

Additional Receivership Closures

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 was no guaranty association coverage for warranty companies in Florida.

In April 2016, 196 Sensible Home Warranty distribution checks were mailed to claimants. Total payments represented a pro-rata distribution of 15.339% to Class 2 (loss) claimants. The Department, as Ancillary Receiver, was discharged from any and all duties, obligations, and liabilities in the administration of the Sensible Home Warranty receivership and the receivership was closed as of 11:59 PM on June 30, 2016.

UltraMedix Health Care Systems, Inc.

UltraMedix Health Care Systems, Inc. ("UltraMedix") was a Florida corporation previously authorized to transact the business of a health maintenance organization in the state of

Florida. On March 3, 1998, UltraMedix was placed in liquidation. A total of 1,752 claims were filed in the UltraMedix estate within Classes 1 – 6, 8 and 10 under the priority scheme established by section 631.271, Florida Statutes. Claims in all classes were evaluated. As a result of the Department's extremely successful asset recovery efforts, sufficient funds were available in the estate to pay the majority of the classes 100% of the adjudicated amounts on their claims. With the exception of the single claim filed in Class 10 (shareholder claims), all claims were paid at 100% of the adjudicated claim amount.

The Department mailed checks to Class 1 through 3 claimants totaling $370,505.53 and subsequently mailed checks to 606 Class 6 and Class 8 claimants totaling $3,475,317.47. In June 2016, $3,351,145 was distributed to the sole Class 10 claimant on behalf of the shareholders of the Ultramedix estate. This was the final distribution from the receivership. The Class 10 claimant, who filed his claim on behalf of all UltraMedix shareholders, separately disbursed the approximately $3.3 million (less a Court approved fee) to the shareholders and provided the Department and Court with proof of the payments. The Department, as Receiver, was discharged of its duties in the administration of the receivership and the UltraMedix receivership was closed as of 11:59 p.m. on June 30, 2016.

Union American Insurance Company

Union American Insurance Company ("Union American") was a Florida domestic property and casualty insurance company. On February 9, 2005, Union American was placed into receivership for the purpose of rehabilitation by order of the Court. Union American consented to be placed into rehabilitation in order for the Department to better assist the company in meeting its statutory and other obligations. On March 11, 2014, Union American was ordered liquidated. There were no active polices at the time of liquidation.

On September 16, 2015, the Department made a distribution of $510,459.44 to the Florida Workers' Compensation Insurance Guaranty Association ("FWCIGA"), the sole Class 1 & 2 claimant under the claims priority scheme established in section 631.271, Florida Statutes. The distribution to FWCIGA represented 100% of the adjudicated amount recommended for its Class 1 claims and 48.0403% of the amount recommended for its Class 2 claims. This was the only distribution made during the life of the estate. The Department was discharged of its duties as Receiver and the receivership was closed as of 11:59 P.M. on September 30, 2015.

Continued 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, a company placed in receivership in 2014, the Division worked with the Federal Emergency Management Agency (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 Insurance Company 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 health maintenance organizations (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.

Continued 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. A similar quasi-guaranty association, the Florida Health Maintenance Organization Consumer Assistance Plan ("FHMOCAP") provides continued health care coverage to members of liquidated health maintenance organizations. Finally, the insolvency of a workers' compensation carrier triggers the Florida Workers' Compensation Insurance Guaranty Association ("FWCIGA"). The guaranty 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 impact 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"), a company which was ordered into rehabilitation in late 2014 and subsequently ordered liquidated in January 2015. 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.

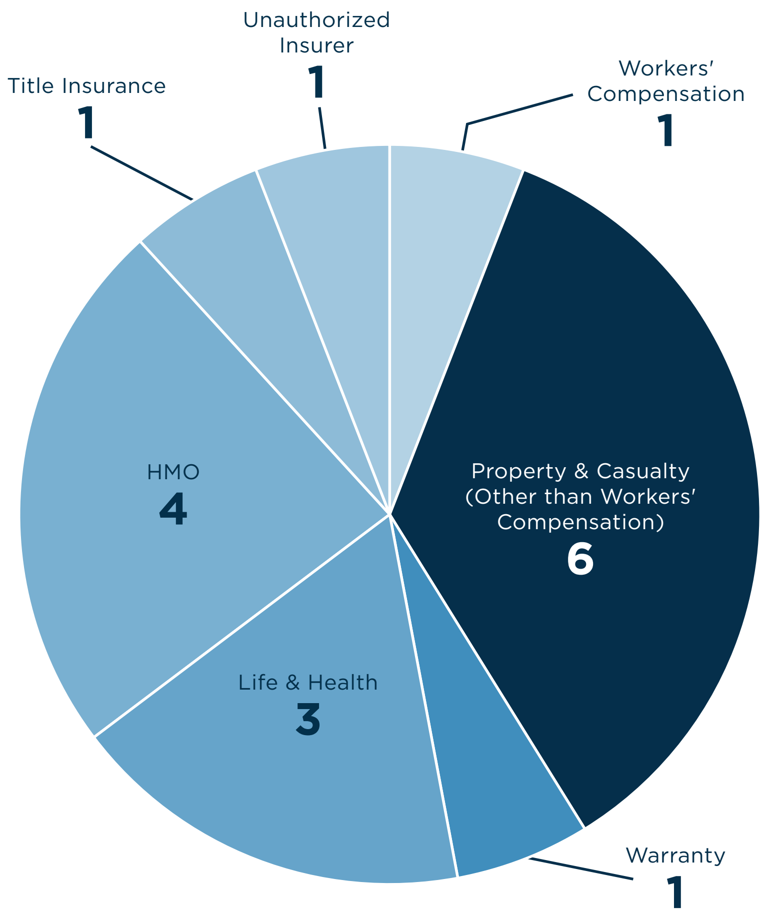


Figure 8 *Type of Companies Entering Receivership in Last Five Years*

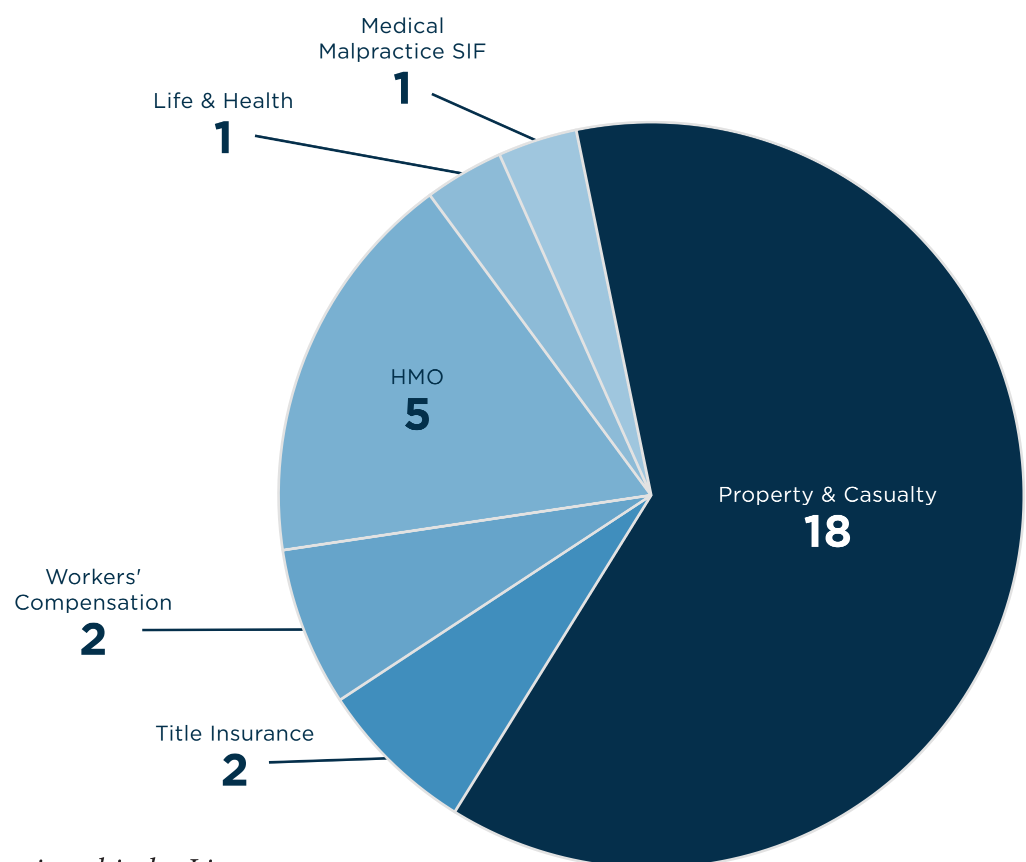


Figure 9 *Companies in Receivership by Lines of Business – Fiscal Year 2015-2016*

Distributions

The following list provides additional information about the Court ordered distributions to claimants and policyholders during the fiscal year 2015 - 2016:

Company	Month of Distribution	Court Ordered Distribution Amount
Union American Insurance Company	August 2015	$510,459
Insurance Company of Florida	October 2015	$10,596,395
MD Medicare Choice	March 2016	$5,588,346
MD Medicare Choice	May 2016	$14,026,923
Sensible Home Warranty	April 2016	$14,904
American Keystone	June 2015	$1,594,121
Early Access Distributions	**2015-2016**	
Paid to Florida Insurance Guaranty Association	September 2015 & May 2016	$46,125,000
Paid to Florida Workers' Compensation Insurance Guaranty Association	May 2016	$2,500,000
Paid to Other Guaranty Associations	September 2015 & May 2016	$175,000
TOTAL ALL DISTRIBUTIONS		**$81,131,148**

Distributions to claimants and policyholders in five (5) receiverships and early access distributions to guaranty associations totaled more than $81 million during FY 2015-2016.

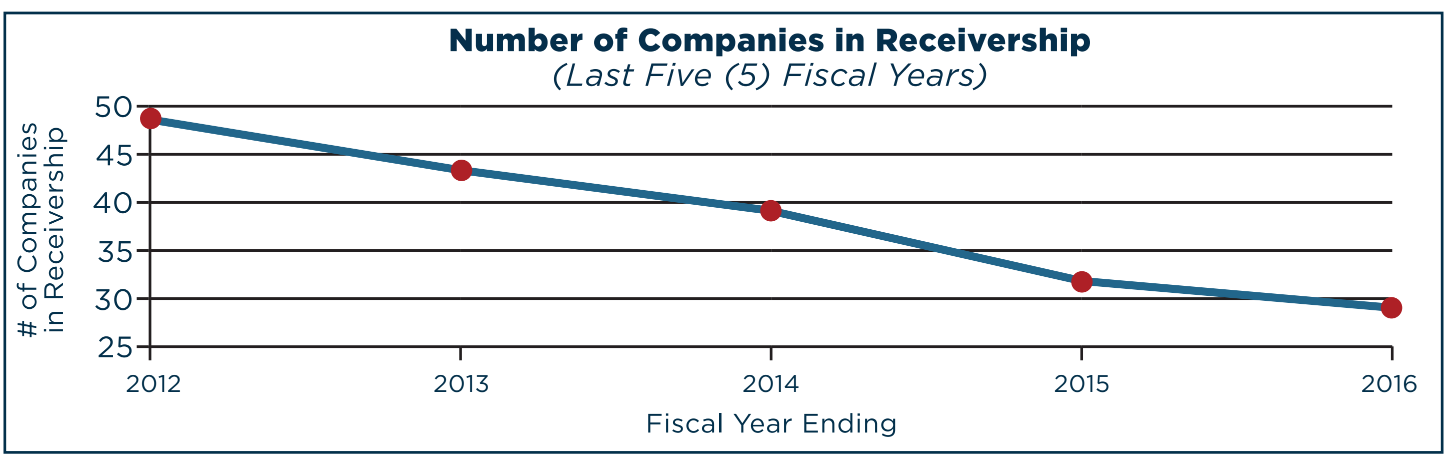


Figure 10 *Number of Companies in Receivership – Last Five Fiscal Years*

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 35 estates. In order of relevance to these 35 estates, factors contributing to the insolvencies of these estates include the following:

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

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 than ninety (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.

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.

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 multiple insolvencies in that region.

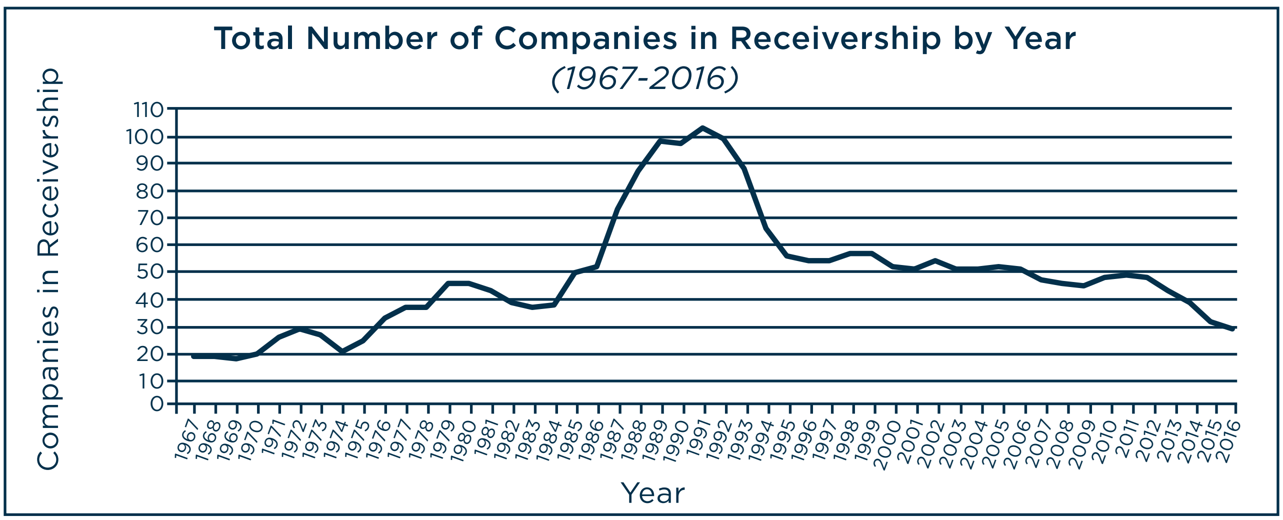
A receivership employment system was developed in the early years of the Division to provide managers with greater flexibility in staffing according to workload. Administrative costs to maintain a receivership staff were funded, as today, from the assets of the insolvent estates.

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

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

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 Division and the guaranty associations work closely to protect the insurance consumers of Florida.

The total number of companies in receivership has fluctuated between sixteen (16) and slightly more than 100 since 1967, but as of June 30, 2016 there were twenty-nine (29) companies in receivership which is significantly lower than the average of fifty (50).



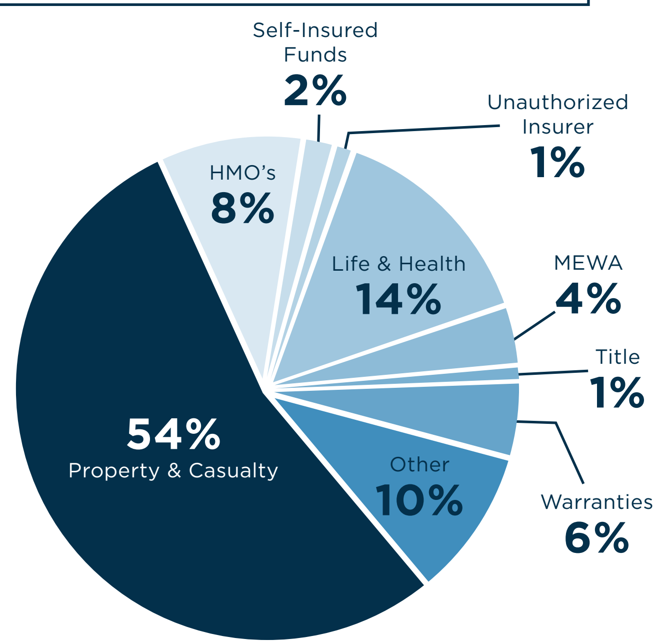


Figure 11 *Types of Companies Historically Entering Receivership*

Appendix C

Florida Insurance Guaranty Association ("FIGA")

The Florida Insurance Guaranty Association (FIGA) was created by statute in 1970, 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 is comprised of all Florida licensed direct writers of property or casualty insurance.

In general, the maximum amount paid 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 the covered claims that it pays.

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.

Governing statutes: Chapter 631, Part II, Florida Statutes.

Appendix D

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

The Florida Workers' Compensation Insurance Guaranty Association (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.

FWCIGA was created to provide a mechanism for the payment of covered workers' compensation claims, to avoid excessive delay in payment and 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 Department regarding the 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 Department 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.

Governing statutes: Chapter 631, Part V, Florida Statutes.

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

The Florida Life and Health Insurance Guaranty Association (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.

The purpose of FLAHIGA is 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 life and health insurance companies which are members of FLAHIGA.

FLAHIGA is also entitled to file claims in the relevant receiverships for its administrative expenses and the covered claims that it pays.

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.

Governing statutes: Chapter 631, Part III, Florida Statutes.

Appendix F

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

The Florida Health Maintenance Organization Consumer Assistance Plan (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 six (6) months. Extended coverage may be provided in limited circumstances pursuant to statute. Persons who are enrolled with an HMO for Medicaid or Medicare coverage are not covered by the HMOCAP. Rather, these persons must contact the Florida Agency for Health Care Administration (for Medicaid) or the federal Center for Medicare and Medicaid Services (for Medicare), for their coverage questions.

Each HMO must remain a member of the FHMOCAP as a condition of its authority to transact business as an HMO in Florida. 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/.

Governing statutes: Chapter 631, Part IV, Florida Statutes.

Summary of Rehabilitation v. Liquidation

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

REHABILITATION	LIQUIDATION
Litigation against the company is stayed by statute and court order. Litigation against the insureds is not stayed by statute, but may be stayed by court order. The company will continue to defend its insureds. There is no activity by a guaranty association during rehabilitation.	Litigation against the company is permanently stayed by statute and court order. Insureds are defended by the appropriate Guaranty Association.
Proof-of-claim forms are not issued in a rehabilitation effort since claims normally continue to be paid.	Potential claimants are provided instruction on how they can file a claim in the liquidation proceeding. Upon return of required proof-of-claim forms and other information, claims adjusters for the Department evaluate 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 Department's attorneys will set the objection for a court hearing.
Not applicable.	When all objections and appeals are concluded, the Department calculates the distribution that may be made to claimants. The priority of claims is set out by statute. Upon obtaining court approval of the distribution, the Department sends payments to the claimants' last known addresses.
Not applicable.	Undistributed funds are turned over to the Department's Division of Unclaimed Property.
The Department returns the company to a sound financial condition and ends the rehabilitation or, when it is not possible to return the company to the marketplace, the Department converts the receivership to a liquidation proceeding and concludes the rehabilitation phase.	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.

Florida Department of Financial Services

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