

Division of
**& Rehabilitation
& Liquidation**

2017
Annual Report



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, 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. Integrity is measured in terms of what is right and just, standards to which the Division is committed.

Innovation

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

Jimmy Patronis

Message from the Chief Financial Officer

On behalf of the Florida Department of Financial Services, I am pleased to present the Division of Rehabilitation and Liquidation's Fiscal Year 2016-2017 Annual Report.

During the fiscal year, the Division continued its commitment to advocate on behalf of policyholders, creditors and consumers negatively impacted when their insurance company is ordered into receivership. The Division's mission is to manage receiverships in a way that maximizes value to claimants and the public. The Division accomplishes its mission by using available resources to recover and liquidate assets while working to reduce receivership costs by streamlining and shortening the receivership lifecycle. During Fiscal Year 2016-2017, the Division paid over \$40.6 million in distributions to claimants and guaranty associations. The Division also made great strides in effectively managing active receiverships, as demonstrated by successfully closing ten (10) receiverships. The Division's Annual Report provides additional information regarding Division activities and accomplishments during Fiscal Year 2016-2017. Consumers are encouraged to visit the Division's website at www.myfloridacfo.com/division/receiver to learn more about the receivership process and the companies in receivership.



The Division is responsible for administering receiverships on behalf of the Department. When the Office of Insurance Regulation ("Office") determines that grounds exist for a receivership, they make a referral to the Department for initiation of delinquency proceedings against the Florida licensed insurance company. Once the company is ordered into receivership by the Second Judicial Circuit in Leon County, Florida, the Department is the court-appointed receiver.

Thank you for your interest in the work of the Division of Rehabilitation and Liquidation. I hope you find the information contained in this Report and on the referenced website beneficial.

A handwritten signature in black ink that reads "Jimmy Patronis". The signature is written in a cursive, flowing style.

Jimmy Patronis
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 2016-2017. The Annual Report details the steps taken by the Division in administering the various insurance company receiverships on behalf of the Department of Financial Services, as Receiver. Our mission is to safeguard consumers' interests by proactively managing receiverships 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.

Due to the Division's efforts to improve receivership processes, ten (10) receivership estates were closed, leaving a total of nineteen (19) 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 \$34.5 million for the benefit of the receivership estates. Additionally, the Division distributed more than \$40.6 million to claimants and guaranty associations. No Florida insurance companies were placed in receivership during Fiscal Year 2016-2017.

The Division will continue to focus on areas that lead to improvements and efficiencies in the receivership processes. We continuously refine our project management processes used for guiding the various receiverships from start to finish and look forward to sharing our accomplishments.

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.



A handwritten signature in black ink that reads "Toma Wilkerson". The signature is fluid and cursive.

Toma Wilkerson
Director
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 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 2016-2017 Division Annual Report provides a brief look at the role of the Division of Rehabilitation and Liquidation and the overall receivership process. A summary of rehabilitation and liquidation legal proceedings may be useful at this point.

In rehabilitation, the Department implements a plan that ultimately allows the company to return 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 remove the causes and conditions necessitating the rehabilitation. The rehabilitation is successful when the insurance company meets the solvency criteria set forth in the Florida Insurance Code, and 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 entered, 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.

Organizational Structure

The Division of Rehabilitation and Liquidation is one of thirteen (13) divisions within the Department. The Division performs its duties under the supervision of the Department's General Counsel. The current Division Director is Toma L. Wilkerson. Figure 1 illustrates the relevant portion of the structure of the Department.

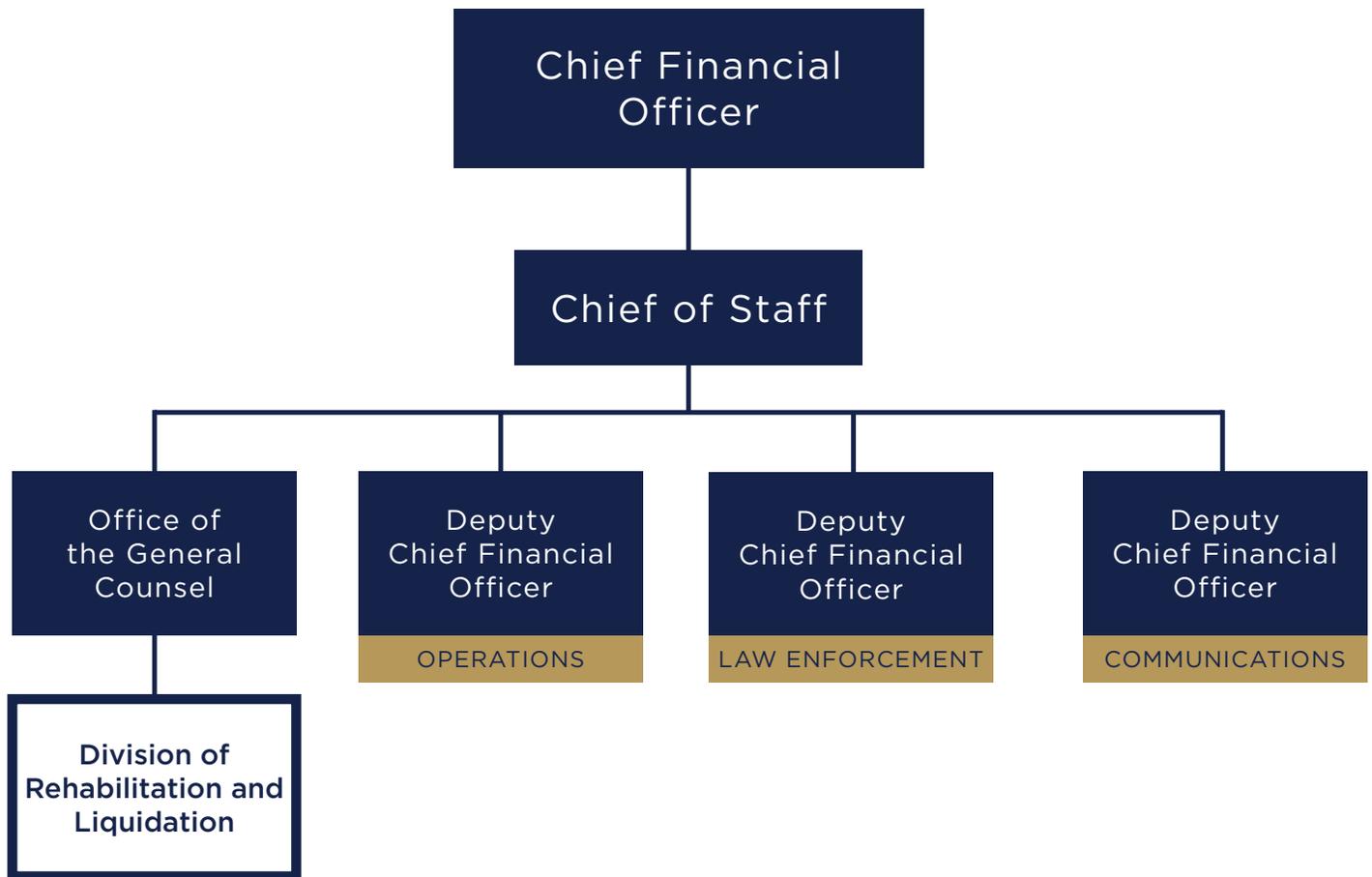


Figure 1 *Partial View of Department Organizational Chart including the Division of Rehabilitation and Liquidation*

The Division is divided into seven (7) functional areas (see Figure 2), each headed by a manager who reports to the Division Director or Assistant Division Director. Division staff includes one hundred and twenty-one (121) assigned positions made up of managerial, professional, and clerical personnel. As of June 30, 2017, the Division has eighty-two (82) filled positions; of these, seventy-one (71) are located in Tallahassee and eleven (11) are located in Miami.

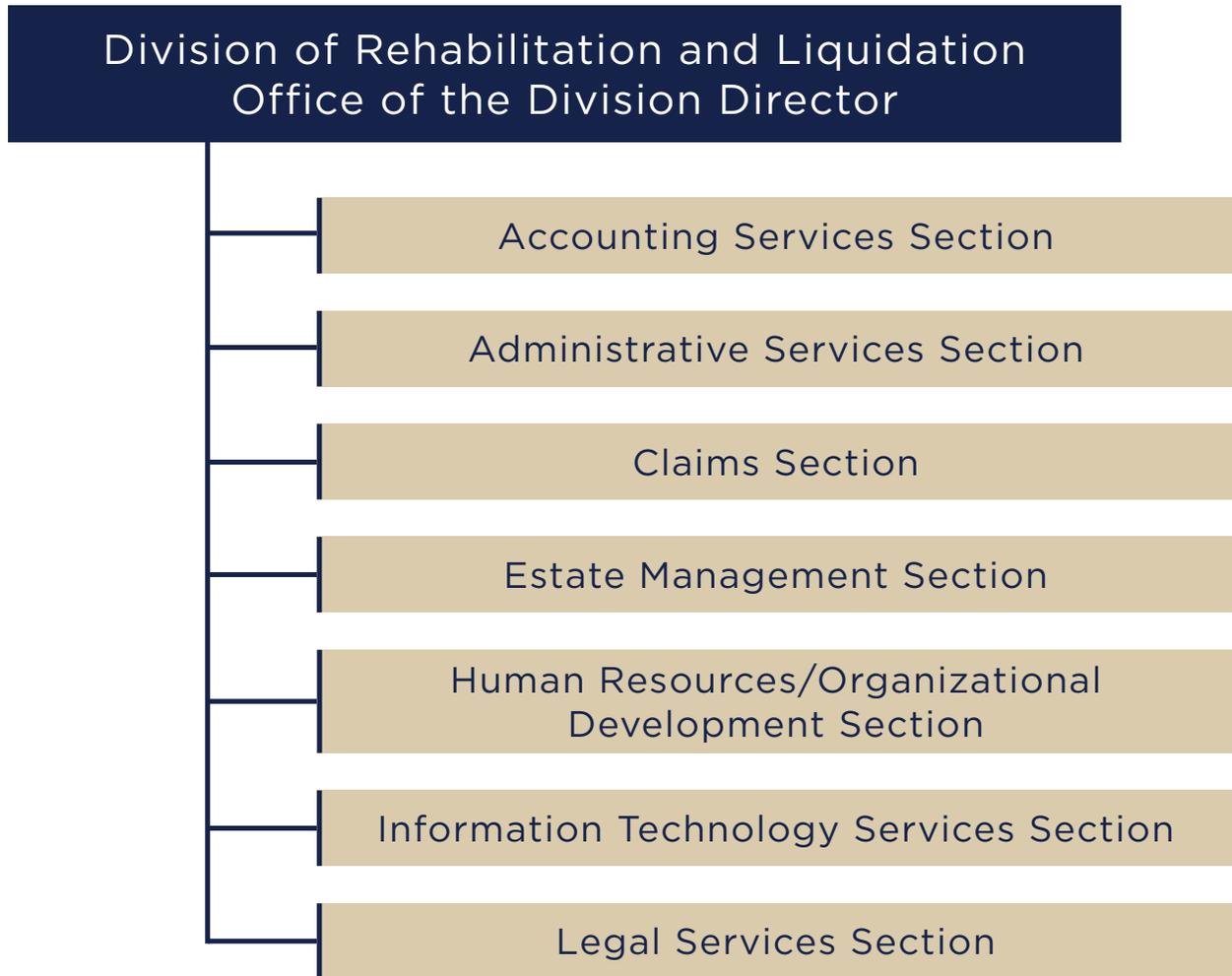


Figure 2 *Division of Rehabilitation and Liquidation Organizational Structure as of June 30, 2017*

Core Processes

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 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 execute all of the business functions of the company in receivership and will recover company assets. Often, the Division 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 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” 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	<ul style="list-style-type: none"> • Identify and secure company assets • Control and execute business functions • Deliver company assets to receivership
Company Asset Recovery/Asset Management	<ul style="list-style-type: none"> • Collect all company assets • Pursue litigation as necessary to collect assets • Maximize assets returned to receivership
Claims Processing	<ul style="list-style-type: none"> • Acquire claimant information • Proof-of-claim processing (<i>liquidation only</i>) • Guaranty association claim processing (<i>liquidation only</i>) • Claims evaluation • Interim distributions/ payment of available funds on allowed claims (<i>liquidation only</i>) • Early Access distributions (<i>liquidation only</i>)
Company Discharge	<ul style="list-style-type: none"> • Determination of existing company assets • In rehabilitation, either return the company to sound financial condition or convert the receivership to liquidation • Final Distribution/payment of available funds on allowed claims (<i>liquidation only</i>) • Unclaimed property reporting • Company financial reporting • Destruction of non-permanent company records (<i>liquidation only</i>)

Figure 3 Division's Core Processes

Focus on Policyholders and Company Employees

When a company is placed into receivership, many different groups of people are adversely affected. The Division is 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 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.

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, 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 (“HMOCAP”) 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”). This guaranty fund ensures that claims continue to be paid to workers’ compensation claimants. The Division also works very closely with 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. The employees of a company entering receivership often have no idea of its financial condition until Division personnel arrive 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 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 many 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.

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 40 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
- Inappropriate transactions with affiliates or subsidiaries
- Inadequate pricing
- Natural disasters or catastrophic losses
- Reinsurance market issues
- Change in business conditions

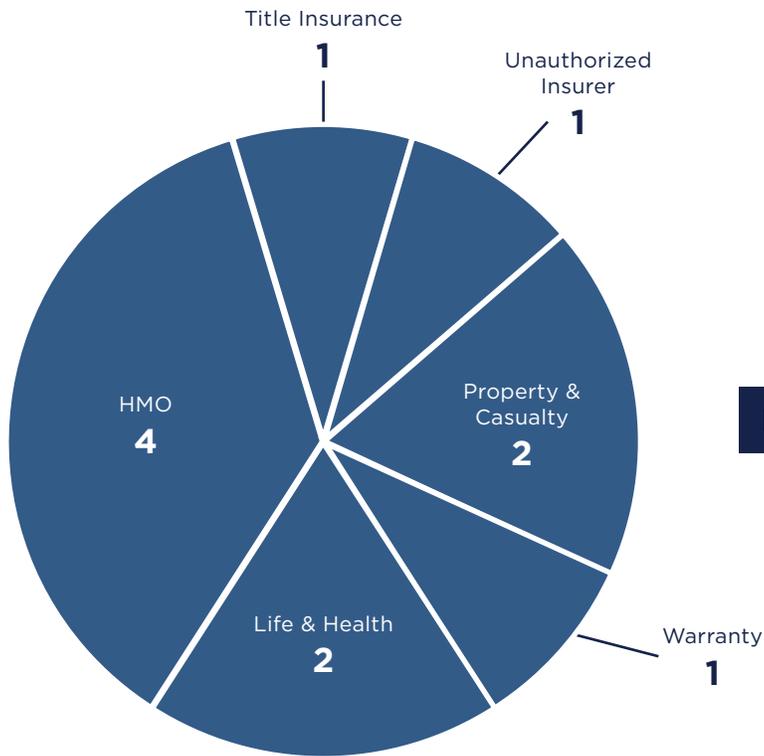


Figure 4

Type of Companies Entering Receivership in Last Five Years

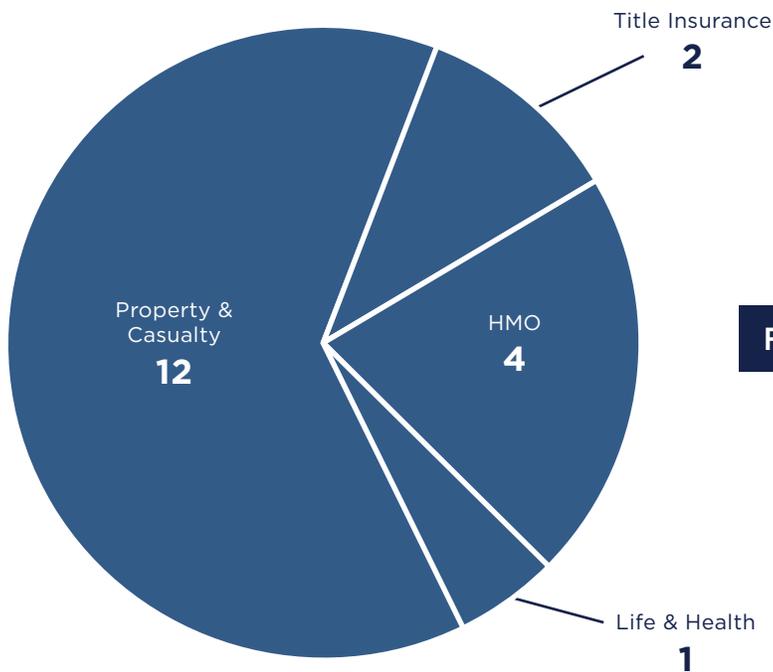


Figure 5

Companies in Receivership by Lines of Business - Fiscal Year 2016-2017

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. 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, penalties, fines and restitutions collected by the Department. These funds are deposited into the Insurance Regulatory Trust Fund. The budget supports one state position, certain projects and technological improvements that benefit future receivership estates. For FY 2016-2017, the Division's operating state budget was \$858,559. The state budget funds many duties that are not directly related to administering specific receivership estates (and, therefore, cannot be funded by estates), but are required by statute or by the regulatory aspects of the Division's mission. Figure 7 displays the Division's Receivership Budget for the 2016-2017 fiscal year, and Figure 8 gives an overview of the Division's 2016-2017 state budget.

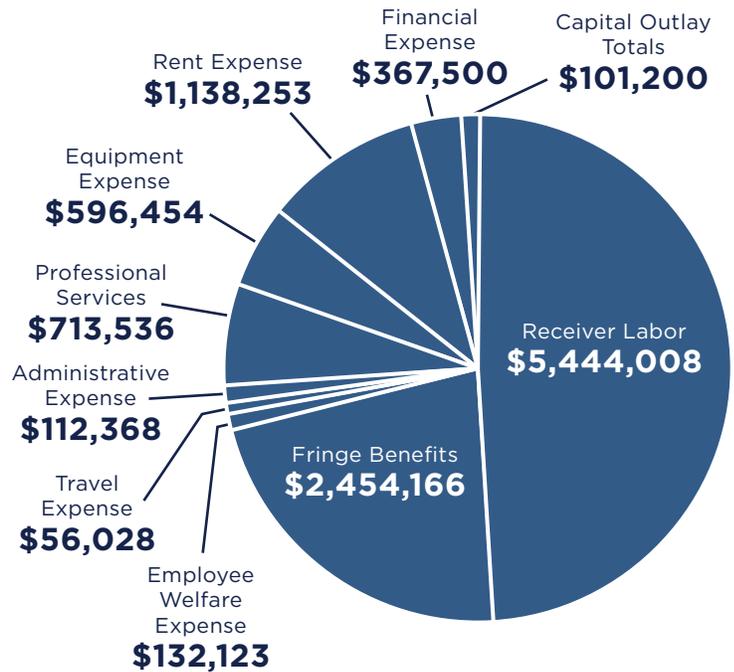


Figure 7 *Division's Receivership Budget for FY 2016-17*

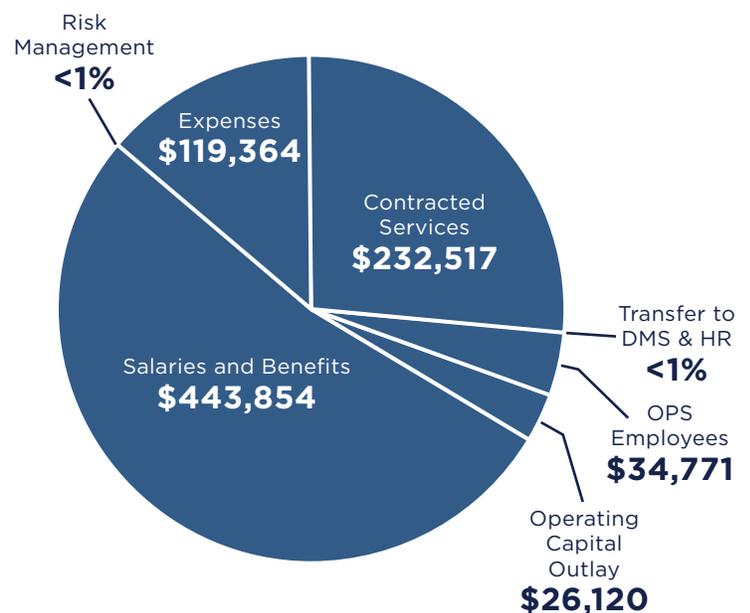


Figure 8 *State Budget FY 2016-17*

Accomplishments

Division Highlights

During Fiscal Year 2016-2017:

- The Division administered twenty-seven (27) companies in liquidation and two (2) companies in rehabilitation.
- Ten (10) companies were closed in the 2016-2017 fiscal year. This high number of estate closures 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 \$14 million in early access distributions to guaranty associations from five (5) different estates during the fiscal year.
- In addition to the early access distributions, the Division distributed \$26.6 million to claimants in eight (8) estates during the fiscal year.
- The Division recovered assets totaling \$26.4 million, excluding litigation recoveries.
- The Division recovered assets totaling approximately \$8.2 million through litigation.
- During the 2017 legislative session, the Department successfully sponsored legislation that made critical revisions to Florida's receivership statute. The revisions resolved uncertainties in the application of the law, increased efficiencies of administration of receivership estates and eliminated inequities in the receivership priority scheme.

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

Other Division Accomplishments

The table below shows some of the successful outcomes associated with other initiatives and accomplishments during Fiscal Year 2016-2017.

Division Accomplishments 2016-17	
Activity	Outcome
The Division managed four (4) distribution accountings, ten (10) discharge accountings and processed and filed unclaimed property reports in as many as 49 states and 1 US Territory for unclaimed amounts totaling \$12,072,984 from seven (7) discharged receiverships.	These efforts facilitated the timeliness of receivership distributions and the closure of certain receiverships.
Improvements were made to the payment process for invoices. Invoices were processed within the statutorily-required forty (40) days 100% of the time. Invoices were paid within the Division goal of thirty (30) days 98.7% of the time.	Improved efficiencies in receivership accounting processes and timely payment to vendors.
Total asset recoveries of \$26,354,773 for reinsurance, subrogation, Special Disability Trust Fund and all other collections, excluding litigation. The majority of the amount collected was reinsurance recovery. In recent years, to reduce the costs of collection, the Division 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 of the receivership estates. Reducing the internal and external costs of collections helps the Division successfully accomplish its mission.
Implementation of electronic mailing of Notice of Determinations (NOD), resulting in 40% of the number of notice mailings in this FY being mailed electronically.	Enhanced information flow to potential and known claimants. Reduced receivership costs in processing mail returned from the post office.
Processed 192,908 Proofs of Claim (POC); evaluated 5,457 claims, processed 495 filed objections, resolved 235 objections, and processed 885 requests for an assignment of claim.	These efforts facilitated the filing of 9 Interim Claims Reports, 9 Final Claims Reports, and 8 Distribution Reports, which will impact the timeliness of distributions and estate closures.
Through successful litigation efforts, the Division recovered \$8,193,367 in eight (8) receiverships.	The recoveries in the eight (8) receiverships significantly increased the net value of these receivership estates.

Implementation of new project management methodology, tool for enhanced task and milestone tracking impacting receivership life cycles.	Improved visibility and coordination of receivership activities with the Division's internal and external stakeholders.
Completed the requirements definition process for a new accounting information system and published a related ITN for the system and implementation services.	The ITN response revealed that a replacement system was not within the Division's budget. The Division will instead pursue an upgrade of our current system to leverage new features that will better address our financial management needs.
Completed the detailed requirements, process flows and phased implementation plan for a Claims E-Portal application to be available on the Division's Internet site.	Improved customer service and Division staff efficiencies due to the reduction in manual processing associated with the Proof of Claim and Objection processes.

Focus on FY 2017-2018

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, we 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

To reduce paper records storage, the Division will continue to image permanent records using its recently implemented scanning process.

Upgraded Accounting Information System

To better facilitate the Division's Accounting business processes, the Division plans to upgrade the existing system to leverage new features including improved work flow and management reporting.

Improved Electronic Document Management Framework

The Division will continue to 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 improve customer service and reduce internal processing costs by implementing an E-Portal application on the Division's website to enable claimants to file claims and objections online.

Significant Events

Receiverships Opened

There were no new receiverships opened during Fiscal Year 2016-2017.

Receiverships Closed

Atlantic Preferred Insurance Company

Atlantic Preferred Insurance Company ("Atlantic Preferred") was a Florida domestic property and casualty insurance company that wrote homeowners multi-peril, allied lines, and fire insurance coverage. In March 2006, Atlantic Preferred reported an impaired financial condition on its annual financial statement as of December 31, 2005. As a result of its financial condition, the company ceased writing new insurance policies and ceased offering renewal policies on or about March 5, 2006. Atlantic Preferred was initially placed in receivership for purposes of rehabilitation on May 1, 2006. Effective June 1, 2006, Atlantic Preferred was ordered liquidated. At that time, Atlantic Preferred had approximately 137,000 policies in force. This company was a member of the Poe Financial Group.

On January 9, 2017, the Division mailed 1,035 checks totaling \$4,892,021 to claimants in the Atlantic Preferred estate. This amount represented payment of 100% of all the Class 1 (Administrative) and 57.2054% of Class 2 (Loss) claims against the estate. The Department was discharged of its duties as Receiver and the receivership was closed as of 11:59 P.M. on June 30, 2017.

Caduceus Self Insurance Fund, Inc.

Caduceus Self Insurance Fund, Inc. ("Caduceus") was a Florida domestic property and casualty insurance company that operated as a medical malpractice self-insurance fund. Caduceus was placed into receivership for purposes of liquidation on January 3, 2000.

On December 24, 2007, the Department mailed out 1,193 checks to former members of Caduceus. The checks totaled \$11,000,000.20 and represented a 73.3424% refund of amounts previously paid by members resulting from two assessments: the first in 1999 by the management of Caduceus and the second in 2003 by the Department. Total amounts collected from the two assessments, including assessment principal and collected interest, amounted to \$14,998,140. The partial refund of previously collected assessments were the direct result of the Department's asset recovery efforts and related to a successfully prosecuted breach of contract action against The Doctors Company, a large California insurance company. On December 23, 2009, the Department mailed out 1,193 checks to former members of Caduceus. The checks totaled \$3,998,139.80 and represented the remaining 26.6576% refund of amounts previously paid by members resulting from two previous assessments. A final distribution, on behalf of the former policyholders of Caduceus, was made in December 2016. This was the final disbursement of funds from the estate. The Department was discharged from all duties, obligations and liabilities in the administration of the Caduceus estate as of 12:01 A.M. on December 31, 2016.

Florida Workers' Comp Fund

Florida Workers' Comp Fund ("Florida Workers' Comp") was a Florida domestic property and casualty insurance company that operated as a group self-insurance fund. On July 17, 1998, Florida Workers' Comp was placed into receivership for the purpose of rehabilitation by order of the Court. Florida Workers' Comp consented to be placed into rehabilitation in order for the Department to better assist the company in meeting its statutory and other obligations. On May 13, 1999, Florida Workers' Comp was ordered liquidated.

In June 2017, a distribution of \$2,007,617.70 was made to FWCIGA, the sole claimant in Class 1 and 2. Together with the \$36,400,000 distributed to FWCIGA over the life of the estate as early access, the \$38,407,716.70 represented 100% of FWCIGA's Class 1 claims and 54.26% of the guaranty association's Class 2 claims. The Department was discharged of its duties as Receiver and the receivership was closed as of 11:59 P.M. on June 30, 2017.

Homewise Insurance Company

Homewise Insurance Company ("Homewise") was a Florida domestic property and casualty insurance company licensed to write fire, allied lines, homeowners multi-peril, inland marine and other liability insurance. On November 18, 2011, Homewise was placed into receivership for the purpose of liquidation by order of the Court.

In June 2017, a distribution of \$1,304,065.31 was made to FIGA, representing 12.1568% of the guaranty association's Class 1 claim. The Department was discharged of all responsibilities as Receiver for the Homewise estate and the estate was closed at 11:59 PM on June 30, 2017.

Homewise Preferred Insurance Company

Homewise Preferred Insurance Company ("Homewise Preferred") was a Florida domestic property and casualty insurance company licensed to write fire, allied lines, homeowners multi-peril,

inland marine and other liability insurance. On November 4, 2011, Homewise Preferred was placed into receivership for the purpose of liquidation by order of the Court.

In June 2017, a distribution of \$3,997,232.89 was made to FIGA. This amount, coupled with the \$3,500,000 distributed to FIGA over the life of the estate as early access, represented 36.1520% of the guaranty association's Class 1 claims. The Department was discharged of all responsibilities as Receiver and the receivership was closed at 11:59 PM on June 30, 2017.

Insurance Company of Florida

Insurance Company of Florida ("ICF") was a Florida domestic property and casualty insurance company that wrote homeowners multi-peril insurance. On December 29, 1992, ICF was placed into receivership for the purpose of liquidation by order of the Court.

On November 25, 2015, a distribution, totaling \$10,596,395 and representing payment of 100% of the Class 1-3 claims, was made. The distribution consisted of 1,609 checks. On June 8, 2016, a distribution, totaling \$1,221,882 and representing payment of 100% of the Class 4, 5, 6, & 8 claims, was made. The distribution consisted of 470 checks. The Department was discharged of all its responsibilities in administering the ICF estate and the estate was closed at 12:01 AM on October 31, 2016.

MD Medicare Choice, Inc.

MD Medicare Choice, Inc. ("MDMC") was a Florida corporation previously authorized to transact business of a health maintenance organization in the state of Florida. On September 30, 2008, MDMC was placed in liquidation. The Medicare only HMO provided health care coverage to approximately 16,000 Medicare beneficiaries in 23 counties.

On May 20, 2016, a final distribution was made to the claimants in the MDMC estate. There were 1,312 checks mailed in the distribution. A total of

\$14,026,923.11 was distributed by the Receiver. The Department, as Receiver, was discharged of its duties in the administration of the receivership and the MDMC receivership was closed as of 11:59 p.m. on November 30, 2016.

Senior Citizens Mutual Insurance Company

Senior Citizens was a Florida domestic insurer licensed to write business in 20 states. The company specialized in other liability and commercial multi-peril coverage for senior citizens housing communities and had approximately 15 policies in force as of May 2005. The company also reinsured approximately 600 policies written directly by two other companies. Senior Citizens' home office was in Miami, Florida.

On December 31, 2012, the Department mailed distribution checks totaling \$97,666.76 to Class 1-3 claimants. That amount represented 100% of the recommended amount for those claims. On October 3, 2013, the Department mailed distribution checks totaling \$1,059,284.90 to Class 4, 6, & 7 claimants. That amount represented 100% of the recommended amount for those claims.

On September 30, 2016, the Department mailed distribution checks totaling \$1,994,488.70 to Class 10 claimants. That amount represented 100% of the recommended amount for those claims. On December 20, 2016, the Second Judicial Circuit Court in Leon County, Florida entered an Order discharging the Department from all duties, obligations and liabilities in the administration of the Senior Citizens estate as of 11:59 P.M. on December 31, 2016.

Southern Eagle Insurance Company

Southern Eagle Insurance Company, (SEIC), a Florida corporation, licensed in 2005, was headquartered in Bradenton, Florida. SEIC wrote workers' compensation insurance policies in Florida. SEIC had approximately 29 policies in force. The company's existing policies were cancelled by the liquidation order effective 12:01

a.m. on January 15, 2012. The company was previously ordered by the Office of Insurance Regulation (OIR) on November 22, 2011, to cease writing and/or renewing policies.

On March 7, 2017, the Department made a distribution of \$2,410,648.67 to the Florida Workers Compensation Insurance Guaranty Association, the sole Class 1 and 2 claimant in the estate. This amount represented 100% of the Class 1 and 0.4192% of the Class 2 claims. In the Court Order of February 23, 2017 approving the distribution, the Second Judicial Circuit Court in Leon County, Florida also discharged the Department from all duties, obligations and liabilities in the administration of the SEIC estate as of 11:59 P.M. on March 31, 2017.

Vanguard Fire & Casualty Company

Vanguard was a domestic stock insurance company incorporated under the laws of Florida on September 22, 1997. The company was licensed and commenced business in Florida on December 27, 1998. Vanguard entered the homeowners market in 1999 with the take-out of approximately 12,000 policies from the Florida Residential Property and Casualty Joint Underwriting Association (FRPCJUA). By December 31, 2002, the company had 87,000 in-force policies.

On September 28, 2016, 44,164 Vanguard distribution checks were mailed to claimants. This represented a pro-rata distribution of 100% to Class 1 & 2 (loss) claimants and 35.2060% to Class 3 (return premium) claimants. On March 2, 2017, the Second Judicial Circuit Court in Leon County, Florida entered an Order discharging the Department from all duties, obligations and liabilities in the administration of the Vanguard estate as of 11:59 P.M. on March 31, 2017.

Distributions

The following list provides additional information about the Court ordered distributions to claimants and policyholders during the Fiscal Year 2016-2017:

Company	Month of Distribution	Court Ordered Distribution Amount
Vanguard Fire & Casualty	September 2016	\$3,269,479
Senior Citizens Mutual	September 2016	\$2,000,000
Caduceus	December 2016	\$6,530,915
Atlantic Preferred	January 2017	\$4,892,021
Southern Eagle	March 2017	\$2,410,644
Caduceus (wrap-up)	March 2017	\$49,852
Florida Workers' Compensation Fund	June 2017	\$2,107,614
Homewise Insurance Company	June 2017	\$1,348,065
Homewise Preferred	June 2017	\$3,997,233
Early Access Distributions		2016-2017
Paid to Florida Insurance Guaranty Association	November 2016	\$8,500,000
Paid to Florida Workers' Compensation Insurance Guaranty Association	November 2016	\$500,000
Paid to Other Guaranty Associations	November 2016	\$5,000,000
TOTAL ALL DISTRIBUTIONS		\$40,605,823

Distributions to claimants and policyholders in nine (9) receiverships and early access distributions to guaranty associations totaled more than \$40 million during FY 2016-2017.

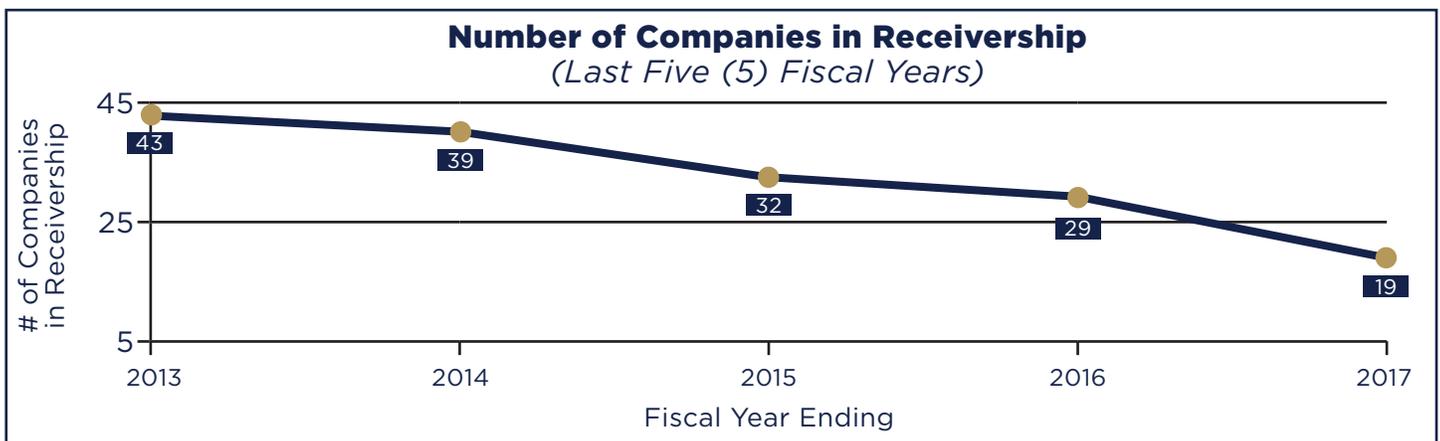


Figure 9 Number of Companies in Receivership – Last Five Fiscal Years

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 in order to maximize the amount distributed while taking care to reserve enough of each 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, 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 by levying assessments as necessary against its member insurers. Pursuant to this law, the assessments levied against each insurer are limited to 2% of annual written premiums with an option for an additional emergency assessment also limited to 2% annually. When assessments are made, insurers 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 ("HMOCAP"); 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 2016-2017, the Division paid \$14 million in early access distributions to guaranty associations.

Appendix A

Glossary

Admitted Company – An insurance company licensed and authorized to do business in a 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.

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.

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.

HMOCAP – The abbreviation for 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 whereby 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. 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 an 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 East Jefferson 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.

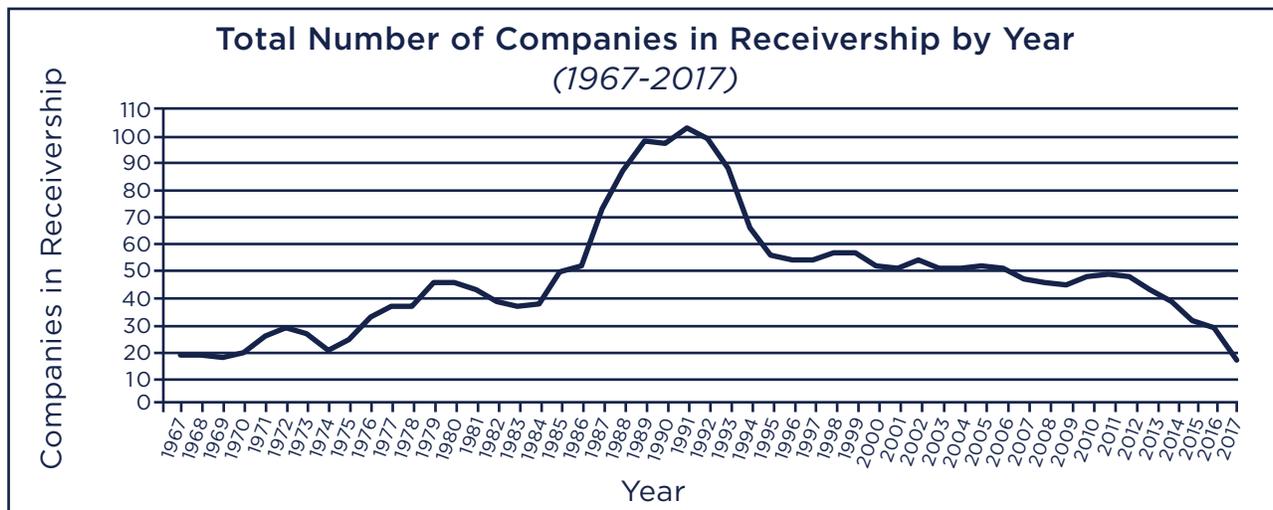


Figure 10 Total Number of Companies in Receivership by Year - 1967-2017

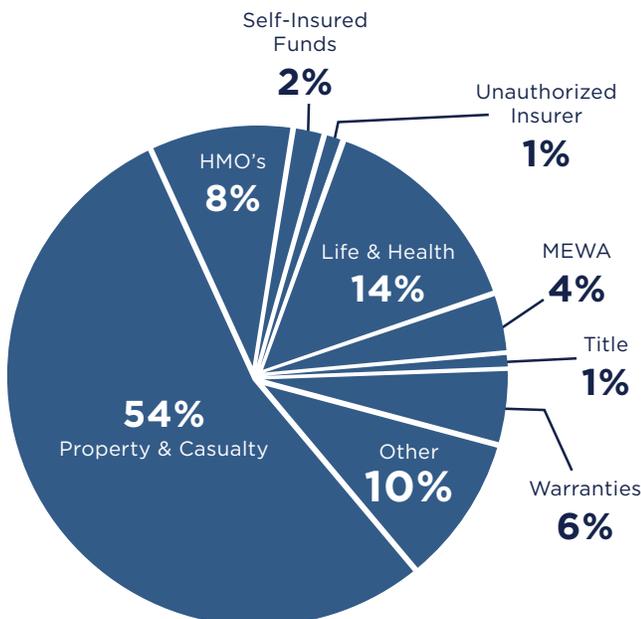


Figure 11 Types of Companies Historically Entering Receivership

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. Coverage limits for claims filed to FIGA are shown below:

- Auto/Liability/Commercial Property Claims: \$300,000
- Homeowners Property Damage claims: \$500,000
- Condo Association claims: \$100,000 x the number of residential units

A board of directors for the association is mandated under section 631.56, Florida Statutes, and consists of five (5) to nine (9) persons recommended by 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.

Coverage limits for workers' compensation claims filed to FWCIGA are shown below:

- Employer Injury claims: no limit
- Employer Liability claims: \$300,000

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. FWCIGA 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. Annuity contracts, subject to certain limitations, from the financial impairment or insolvency of such an insurer. Coverage limits for claims filed to FLAHIGA are shown below:

- Life Insurance Death Benefit: \$300,000 per insured life
- Life Insurance Cash Surrender: \$100,000 per insured life
- Health Insurance Claims: \$300,000 per insured life
- Annuity Cash Surrender: \$250,000 for deferred annuity contracts per contract owner
- Annuity in Benefit: \$300,000 per contract owner

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) nor 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 (“HMOCAP”)

The Florida Health Maintenance Organization Consumer Assistance Plan (HMOCAP) 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 HMOCAP 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 HMOCAP 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 five (5) to nine (9) persons fairly representing all members' HMOs. Each member serves a four-year term and may be reappointed.

For more information on the HMOCAP visit <http://www.flhmocap.com/>.

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

Summary of Rehabilitation v. Liquidation

REHABILITATION

LIQUIDATION

Board of Directors is 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 Statutes. 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

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-claim forms are not issued in a rehabilitation effort 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 and concludes the rehabilitation phase.

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-claim forms and other information, claims adjusters for the Department evaluate the claims.

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).

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 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.

FLORIDA DEPARTMENT OF FINANCIAL SERVICES



Division of
**& Rehabilitation
& Liquidation**

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