



2019 ANNUAL REPORT



TABLE OF CONTENTS

2019 ANNUAL REPORT

01 OVERVIEW & HISTORY

2019 Overview

What Is a Guaranty Association?

History & Background of the Florida Insurance Guaranty Association (FIGA)

04 THE LIQUIDATION PROCESS

Guaranty Funds at Work

The State-Based Guaranty System

National Conference of Insurance Guaranty Funds (NCIGF)

06 NEW INSOLVENCIES & DISCHARGED ESTATES

2019 Liquidations

Northwestern National Insurance Company

Florida Specialty Insurance Company

Windhaven Insurance Company

Discharged Estates

08 FUNDING SOURCES

Assessments

Estate Distributions

Funding Sources 2015-2019

10 CLAIMS ACTIVITY

Open Claims

Claims & Returned Premium Payments

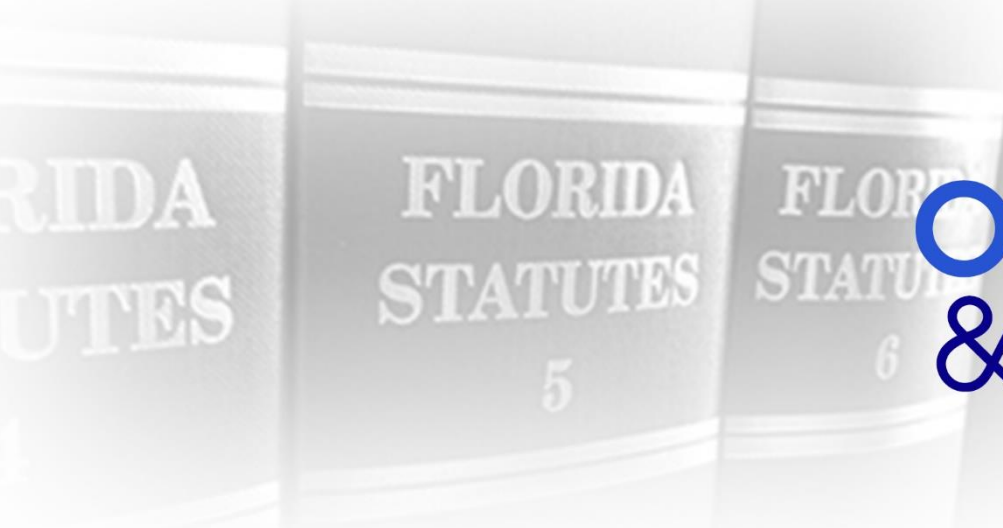
11 FINANCIAL INFORMATION

Statements of Assets & Liabilities

Statements of Operations

14 BOARD OF DIRECTORS





OVERVIEW & HISTORY

2019 OVERVIEW

Guaranty Fund legislation was enacted in Florida in 1970 to ensure that insurance contracts would be honored, even when an insurance company fails. Although the Florida insurance market has changed significantly over the last 50 years, the Florida Insurance Guaranty Association ("FIGA" or "Association") remains the insurance safety net for policyholders and claimants. The Merriam-Webster dictionary defines "safety net" as "something that helps someone who is in a difficult situation." Fifty years later, not only is FIGA still protecting Florida policyholders following an insurance company failure, but we continue to work to strengthen that safety net.

Insurance insolvencies are unpredictable. FIGA is notified when there is a court filing for a liquidation order against an insolvent insurance company impacting Florida policyholders. There is no way of knowing when the next insurance insolvency may occur. Throughout 2019, the Association remained active adjusting open claims from prior insolvencies and preparing for the future. Northwestern National Insurance Company was liquidated in May 2019 and only brought four claims to FIGA. Florida Specialty Insurance Company, which was liquidated in October 2019, resulted in 2,428 claims being transferred to FIGA as of December 31, 2019. Windhaven Insurance Company was liquidated in late December 2019 and more than 18,000 claims were received by FIGA in early January and February 2020.

For assessment purposes, FIGA is divided into two separate accounts: The Auto Account and the All

Other Account (Florida Statute 631.55). A more detailed review of the claims and liabilities by Account is provided below:

Auto Claims Account

FIGA started 2019 with 51 open auto claims. By year end auto claims were reduced to 19, a 63% decrease. Total outstanding liabilities in the Auto Account at year end are **\$5.3 million**.

On December 30, 2019, the Windhaven Insurance Company was ordered to be liquidated January 6, 2020. Windhaven had over 60,000 policies in force and over 15,000 open claims. The ultimate financial impact is uncertain at this time and is currently projected to be approximately **\$100 million**.

All Other Claims Account

The open claims count for all other lines of business (except auto) was 114 on January 1st of 2019. FIGA ended the year with 2,496 open claims as a result of the Florida Specialty liquidation. Total outstanding liabilities in the All Other Claims Account at year end are **\$10 million**.

The FIGA Board and staff continue to work hard to fulfill the statutory purpose of the guaranty association. FIGA provides a mechanism for the payment of covered claims under certain insurance policies, to avoid excessive delay in payment and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer.

WHAT IS A GUARANTY ASSOCIATION?

Insurance guaranty associations provide protection to insurance policyholders and beneficiaries of policies issued by an insurance company that has become insolvent and is no longer able to meet its obligations. All states, the District of Columbia, and Puerto Rico have insurance guaranty associations.

If an insurance company has insufficient funds to cover all of its obligations, state regulators will ask the state court to issue an order of liquidation appointing a receiver to identify creditors, collect and distribute available assets in accordance with statutory priorities and then close the receivership. The state guaranty associations are responsible for paying the policyholder claims and reporting those payments to the Receiver.

Guaranty associations ease the burden on policyholders and claimants of the insolvent insurer by immediately stepping in to assume

responsibility for most policy claims following liquidation. The coverage guaranty associations provide is fixed by the policy or state law; they do not offer a replacement policy. If there were no insurance guaranty associations, policyholders and claimants would have to wait until the receivership closed before obtaining any compensation from their former insurance carrier.

As a safety net, individual policyholders have up to **\$300,000** in coverage for most insurance lines, with an additional **\$200,000** for damages to structure and contents on residential homeowners' claims. Condominium association claims are limited to the lesser of policy limits or **\$100,000 times the number of residential units**. While this may not totally replace the insurance policy issued by the insolvent carrier, it does serve to mitigate the insurance consumer's losses.





The purpose of the Florida Insurance Guaranty Association, Inc. (FIGA), Florida Statute Section 631.51, is to provide a mechanism for the payment of covered claims, to avoid excessive delay in payment and to avoid financial loss to claimants in the event of the insolvency of a member insurer.

HISTORY & BACKGROUND OF FIGA

Florida Insurance Guaranty Association is an insurance guaranty fund created by Florida Statute 631.55 in 1970, to provide a mechanism for the payment of covered claims of insolvent property and casualty insurance companies in Florida. The initial legislation was in response to a number of insolvencies in the automobile insurance market, but the guaranty fund covers multiple lines written by licensed property and casualty carriers in the State of Florida. All property and casualty insurers defined in Florida Statute 631.52 are automatically members of FIGA as a condition of their authority to offer these lines of insurance.

This consumer safety net is governed by **Part II of Chapter 631**, Florida Statutes, as well as a Plan of Operation established by its Board of Directors. The Board of Directors is comprised of not less than five or more than nine members who are elected by the member insurers. Elected board members are approved by the Chief Financial Officer who evaluates whether all areas of insurance are fairly represented and that the individuals have the requisite qualifications for service.

Assessments are levied based upon the premiums written by member companies in the state of Florida. Regular assessments are limited to **2% annually**. Emergency Assessments may only be used when the insolvency results from hurricane losses and are also limited to 2% annually.

In 2004 the American Guaranty Fund Group ("AGFG") was created to function as the management company for FIGA and the Florida Workers' Compensation Insurance Guaranty Association ("FWCIGA"). AGFG's mission is to instill public confidence in the insurance industry by efficiently managing claims for guaranty associations to fulfill their statutory obligation. Both FIGA and FWCIGA were created by the legislature but provide services to different types of insurance policies; FIGA covers automobile insurance, property insurance and other liability lines of business (see Florida Statute 631.52); FWCIGA covers workers' compensation and employer's liability insurance. Initially AGFG was formed to facilitate the consolidation of executive management. In 2008 all employees of both organizations were consolidated in AGFG resulting in cost savings for each of the organizations and consistency in processes for Florida consumers. While the employees were consolidated, each organization retains its individual statutorily authorized Board of Directors. Additional information about American Guaranty Fund Group can be found on its website: www.agfgroup.org.

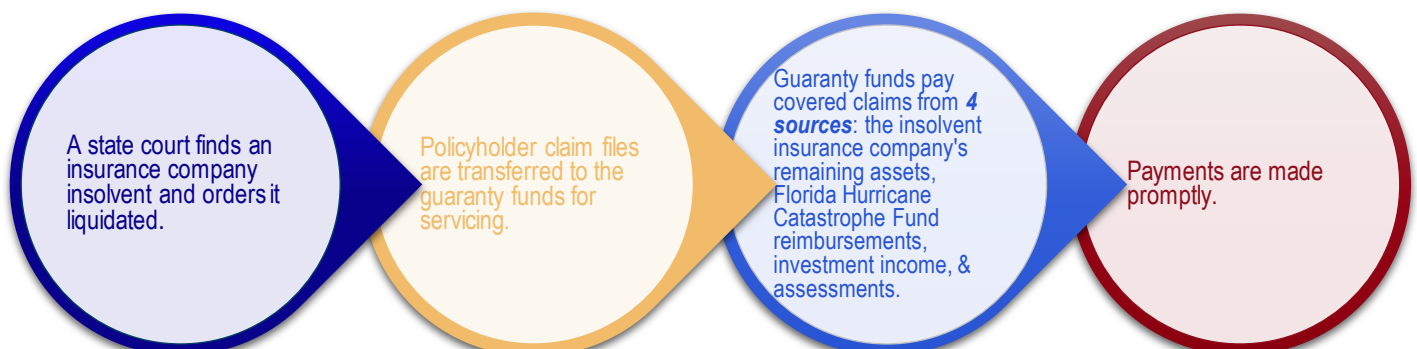


THE LIQUIDATION PROCESS

There is no “typical” insurance insolvency, but in general the liquidation process proceeds as follows:

- The Receiver (in Florida this is the Florida Department of Financial Services, Division of Rehabilitation and Liquidation) gathers claim file data and makes other logistical preparations, including filing a petition in the state court for a determination of insolvency.
- The state court issues an Order of Liquidation and specifically appoints a Receiver and details the actions and authority allowed of the Receiver.
- The Order of Liquidation will provide a date for which all insurance policies will be cancelled.
- The Receiver transfers claim files and/or claim data to the individual state guaranty associations. These claims are typically transferred to the state where the claimant resides, or where the property is located, at the date of the insurance claim.
- The guaranty association staff begins to adjust and pay claims.
- The Receiver identifies creditors and collects the company's assets.
- The Receiver may distribute, on an interim basis, funds to the guaranty associations to assist them in paying the claims. They can make partial distributions to other creditors with the approval of the court and following the state statute for the priority of distributions (FS 631.271).
- After all assets are collected, there is a final distribution to the guaranty associations and other claimants and the estate is closed.

GUARANTY FUNDS AT WORK





THE STATE BASED GUARANTY SYSTEM

Individual state guaranty funds were created to respond quickly to the concerns of policyholders when an insolvency occurs. Each state guaranty association has differences in their state laws. They can explain coverage benefits, the claim submission and payment process, and understand how to adjudicate claims promptly and efficiently for their state. Through membership in the National Conference of Insurance Guaranty Funds ("NCIGF"), the state based insurance guaranty system is able to enjoy the operational efficiencies of a national system while effectively responding to the often-local concerns of insurance consumers experiencing the stresses associated with the failure of their insurance company.

FIGA monitors insurers that are in "run-off" phases under various regulatory controls in several jurisdictions. Participation in the NCIGF has facilitated the oversight process for troubled companies. Collaborating with regulators and receivers is critical in preparing guaranty associations for their responsibilities in the event the companies are placed into liquidation. FIGA has a close working relationship with the Florida Office of Insurance Regulation as well as the Florida Division of Rehabilitation and Liquidation. Maintaining open communication between guaranty associations and the regulatory community is key to the overall success and efficient operation of the guaranty association system nationwide.

NATIONAL CONFERENCE OF INSURANCE GUARANTY FUNDS

NCIGF is a not-for-profit organization whose members are the individual state guaranty fund associations. The NCIGF does not pay claims, but rather coordinates the multi-state claims-paying activities, monitors litigation that may affect multiple guaranty associations, and coordinates on legislative matters. In addition, they provide education and training seminars for guaranty funds and a national forum for discussion on matters impacting guaranty associations. They also serve as a liaison with the National Association of Insurance Commissioners, coordinating resources through the NCIGF to minimize costs and reduce the length of time it takes to respond to a multi-state insolvency.

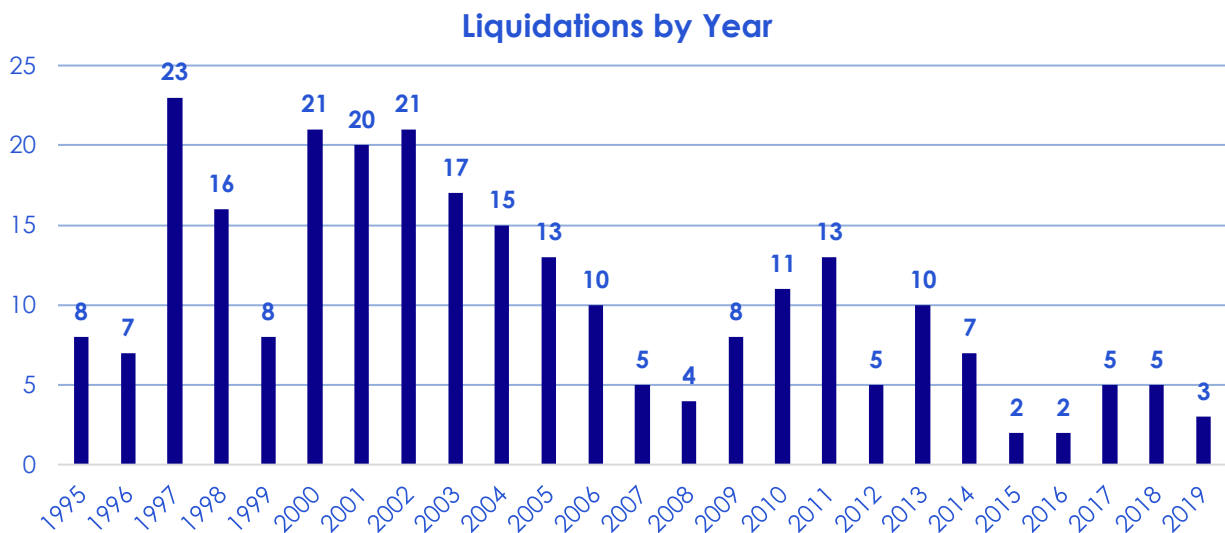
Information about the individual state guaranty associations can be found on the NCIGF website: www.ncigf.org. This information includes links to state liquidation statutes, a composite picture of current assessment actions, statistics on insolvency activity, as well as educational and training materials.

FIGA is an active member of the NCIGF.

NEW INSOLVENCIES & DISCHARGED ESTATES

2019 LIQUIDATIONS

Across the country there were three liquidations during 2019 that impacted property and casualty guaranty funds: Northwestern National Insurance Company (Wisconsin), Florida Specialty Insurance Company (Florida) and Windhaven Insurance Company (Florida). Below is a chart providing the total number of liquidations by year from 1995 through 2019.



Northwestern National Insurance Company ("Northwestern National") was placed into liquidation on May 2, 2019 by the Circuit Court of Dane County, Wisconsin. Northwestern National ceased writing business in the 1980's and had been in voluntary run-off. There were four open claims in Florida with liabilities estimated at just over \$300,000. All but one of the Florida claims have been resolved. The claim filing deadline was set for November 2, 2019 and FIGA filed a timely proof-of-claim on October 7, 2019.

Florida Specialty Insurance Company ("Florida Specialty") was placed into administrative supervision by the Florida Office of Insurance

Regulation ("OIR") in March 2019 and liquidated on October 2, 2019, by the Second Judicial Circuit Court in Leon County, Florida. The liquidation order was amended on October 25, 2019 to remove the finding of insolvency required to trigger FIGA to pay claims. FIGA petitioned and received a declaratory judgment to pay claims beginning November 1, 2019. The finding of insolvency was ultimately granted on December 6, 2019, retroactive to October 2, 2019. Florida Specialty had 2,200 open claims reserved at \$18.5 million as of the date of liquidation. As of February 29, 2020, open claims increased to over 3,200 with total incurred losses in excess of \$45 million. At this time there have been no distributions made from

the estate assets and it is too early to determine what the ultimate cost of this insolvency will be to FIGA. The Court set a deadline of October 2, 2020 for the filing of proof of claim notices. The deadline will provide the Receiver with the information needed to determine the number and amount of outstanding liabilities and assist in determining the amount and timing of future estate distributions.

Windhaven Insurance Company ("Windhaven") was placed into administrative supervision by the Florida Office of Insurance Regulation on November 18, 2019 and liquidated on December 30, 2019 (effective January 6, 2020), by the Second Judicial Circuit Court in Leon County, Florida. As of the date of liquidation, Windhaven had over 15,000 open claims reserves at \$38 million based on information provided by the Florida Receiver. The 15,000 open claims had in excess of 12,000 lawsuits pending at liquidation, many claims with multiple lawsuits. As of February 29, 2020, open claims increased to over 18,000 reserved in excess of \$100 million.

Reviewing and reserving this volume of claims remains in process so it is too early to determine what the ultimate cost of this insolvency will be to FIGA. The Court set a deadline of January 6, 2021 for the filing of proof of claim notices. The deadline will provide the Receiver with the information needed to determine the number and amount of outstanding liabilities and assist in determining the amount and timing of future estate distributions.

DISCHARGED ESTATES

Also during 2019, two estates were discharged and final estate distributions were made to FIGA:

Eagle Insurance Company, was a New Jersey domiciled company that was liquidated August 9, 2007 and discharged December 3, 2019. The Association handled 3 claims, paid \$2,710 in expenses and received no estate distributions.

National Group Insurance Company, was a Florida domiciled company that was liquidated October 10, 2011 and discharged August 31, 2019. A total of 1,307 claims were handled by the Association resulting in a cost of \$25.1 million (there are still 3 open claims). Estate distributions totaled \$6.0 million and the net cost to FIGA will be approximately \$19.1 million.



FUNDING SOURCES

GUARANTY ASSOCIATION FUNDING SOURCES

Funding for FIGA comes primarily from four sources: distributions obtained from estates of insolvent insurers, investment income, reimbursements from the Florida Hurricane Catastrophe Fund ("FHCF"), and assessments levied on member insurers. Estate distributions are an essential funding source for the Association; the greater the level and frequency of distributions from receiverships, the smaller the need to assess member companies.

ASSESSMENTS

Assessments are levied based upon the premiums written by member companies in the state of Florida. Regular Assessments are limited to **2%** annually although an **Emergency Assessment** may be used when the insolvency results from hurricane losses. Emergency Assessments are also limited to **2%** annually.

Prior to 2015, insurance companies paid the assessment to FIGA and added a surcharge to each policy issued until they recouped the payment made to FIGA. However, in 2015 the Florida Legislature amended the assessment statute for FIGA to provide additional flexibility in its assessment process ([FS 631.57](#)). The legislation retained FIGA's ability to obtain funds quickly, but also introduced an option for insurers to remit assessments as they are collected (pass-through) over a 12-month policy term. Additional information about the change to the assessment process can be obtained at: www.figafacts.com by clicking on the link for "2015 Assessment Change".

No assessments were levied in 2019 and FIGA has sufficient funds to meet immediate cash flow needs.

FIGA 2008 - 2019 ASSESSMENTS

YEAR	ASSESSMENT % by Account			COMMENTS
	Auto	Auto PD	All Other	
2019				No Assessment
2018				No Assessment
2017				No Assessment
2016				No Assessment
2015				No Assessment
2014				No Assessment
2013				No Assessment
2012		Merged into Auto Account	0.900%	No Assessment
2011				No Assessment
2010				No Assessment
2009			0.800%	
2008				No Assessment

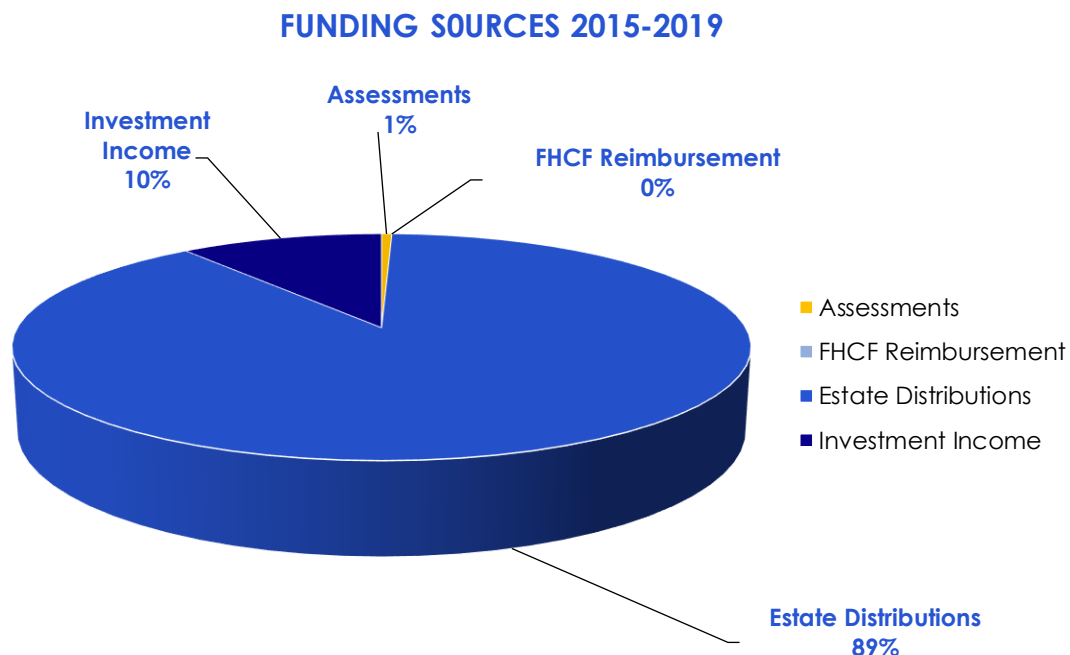
ESTATE DISTRIBUTIONS

Periodically, Receivers review the assets and liabilities of each insolvent entity. If there are available funds to make partial distributions to creditors, the Receiver petitions the state court for approval. During 2019, FIGA received over **\$25.9 million** in estate distributions from **26 insolvencies**.

Since the last assessment was levied in 2012, the majority of funding has come from estate distributions. The table below illustrates the funding sources (estate distributions, assessment, FHCF reimbursements, and investment income) since 2015.

FUNDING TYPE	2019	2018	2017	2016	2015	5-yr Total	5-yr %
Assessments	3,669	311,128	9,893	37,794	607,759	970,243	1%
FHCF Reimbursement	-	-	-	-	-	-	0%
Estate Distributions	25,894,591	30,810,523	33,176,355	43,744,322	28,192,004	161,817,795	89%
Investment Income	6,970,855	5,206,066	3,267,095	2,324,509	1,208,934	18,977,459	10%
TOTALS:	32,869,115	36,327,717	36,453,343	46,106,625	30,008,697	181,765,497	100%

Since 2015, **89%** of the FIGA funding has come from estate distributions, **1%** from assessments, and **10%** from investment income. There have been no FHCF reimbursements since 2011. For 2019, the funding sources were **91%** estate distributions and **9%** investment income.

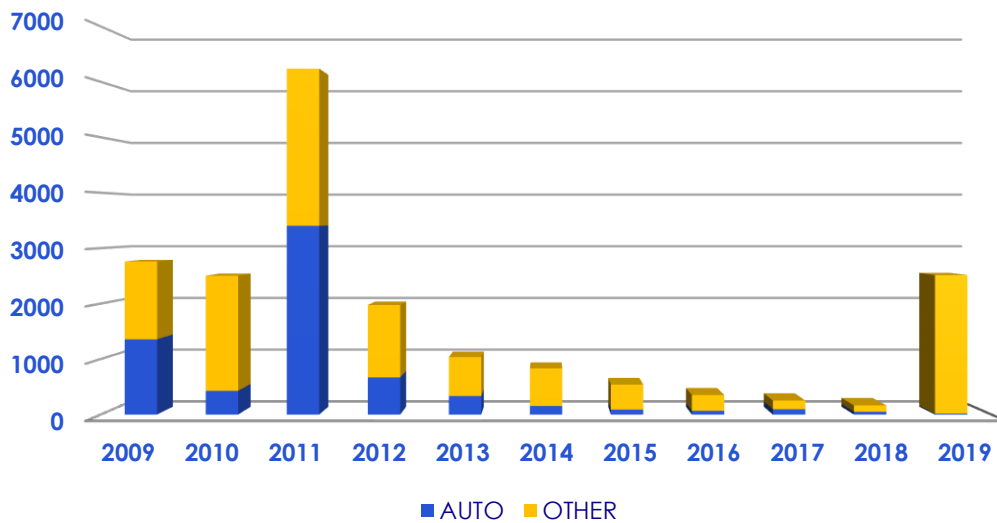


CLAIMS ACTIVITY

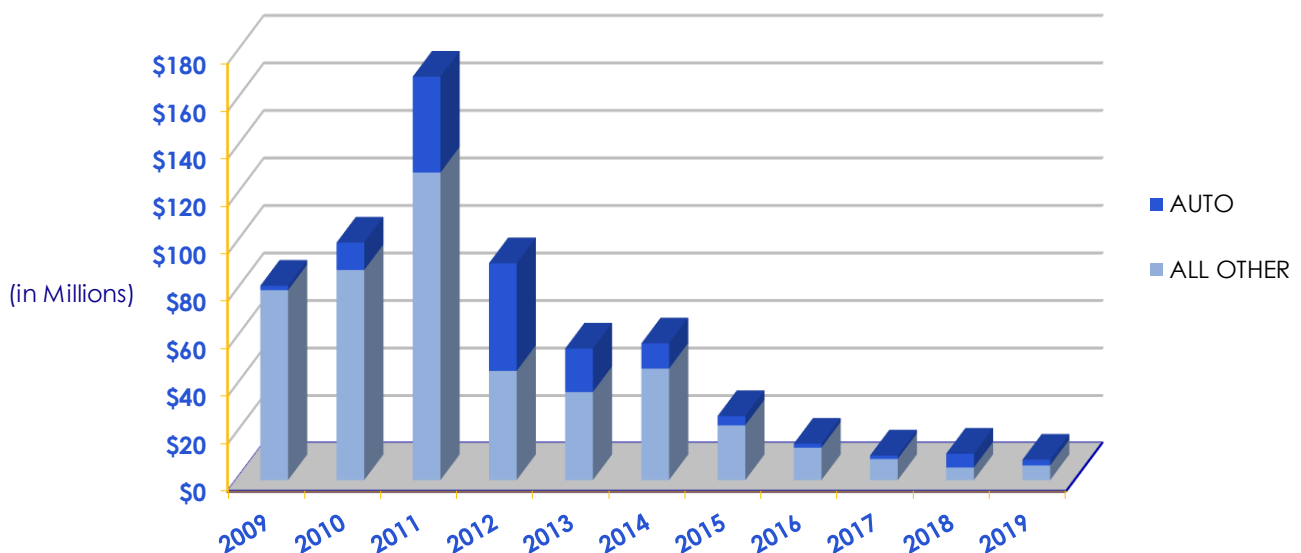
At the beginning of 2019, the Association had **165 open** files. During the year, **3,111** new and reopened claims were transferred to FIGA. A total of **761 claims** were closed during the year resulting in an open claim count of **2,515** at year end. Outstanding reserves for those claims was estimated at **\$59.9 million**.

The total net paid on claims for 2019 was **\$42 million** compared to **\$11.1 million** in 2018. Loss payments totaled \$8.6 million while returned premium payments were **\$33.4 million**. Payments were made on fourteen (**14**) different insolvent estates during the year.

FIGA 2009 - 2019 OPEN CLAIMS



FIGA 2009 - 2019 RETURNED PREMIUM



FINANCIAL INFORMATION

The FIGA Financial Statements are prepared on a modified basis of cash receipts and disbursements which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States ("GAAP"). The basis of presentation differs from GAAP because assessments receivable and accruals for loss and loss adjustment expenses are excluded due to the difficulty in estimating those amounts until a liquidation actually occurs. The modified cash basis financial statements are used by most guaranty associations. To provide a more complete picture of the financial position of FIGA, it should be noted the Audited Financial Statements provide a footnote disclosure of the estimated claim liabilities.

As previously disclosed in this report, the outstanding claim liabilities at the end of 2019 were \$59.9 million. The current cash held by FIGA is sufficient to cover all of the estimated liabilities. The Association reviews its cash and outstanding liabilities at each Board meeting to determine whether an assessment may be needed to cover upcoming claims payments.



FINANCIAL INFORMATION



STATEMENTS OF FINANCIAL POSITION

Modified Cash Basis (UNAUDITED)	As of 12/31/2019	12/31/2018
ASSETS		
Cash On Deposit & Cash Equivalent	21,892,662	18,679,305
Short Term Investments	64,682,493	102,655,882
TOTAL CASH AND SHORT-TERM INVESTMENTS	86,575,155	121,335,187
Long Term Investments	188,744,936	166,365,879
Accrued Interest Income	1,220,469	1,246,743
Fixed Assets, Net	51,265	30,123
Building, Net	635,118	619,205
Land	310,000	310,000
Other Assets	413,557	410,732
TOTAL ASSETS	\$277,950,500	\$290,317,869
LIABILITIES AND NET ASSETS		
Accounts Payable - AGFG	-	81,288
TOTAL LIABILITES	-	81,288
Auto Account Balance	99,223,133	91,328,034
All Other Account Balance	178,727,367	198,908,547
TOTAL NET ASSETS	277,950,500	290,236,581
TOTAL LIABILITIES AND ACCOUNT BALANCE	\$277,950,500	\$290,317,869



STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Modified Cash Basis (UNAUDITED)	For The Years Ended			
	AUTO 12/31/2019	ALL OTHER 12/31/2019	TOTAL YTD 12/31/2019	PREVIOUS YTD 12/31/2018
REVENUE				
Assessments	-	3,669	3,669	311,128
Estate Distributions	8,903,367	16,991,224	25,894,591	30,810,523
Interest Income, (Net)	2,222,657	4,748,198	6,970,855	5,206,066
TOTAL REVENUE	\$11,126,024	\$21,743,091	\$32,869,115	\$36,327,717
EXPENSES				
Claims Paid	2,395,316	6,170,377	8,565,693	11,123,551
Claims Handling Fees	2,613	102,834	105,447	2,154
Returned Premium	-	33,420,991	33,420,991	-
Direct Estate Expenses	2,948	118,031	120,979	28,212
General & Admin Expenses	830,048	2,112,038	2,942,086	2,983,377
TOTAL EXPENSES	\$3,230,925	\$41,924,271	\$45,155,196	\$14,137,294
Change In Net Assets	7,895,099	(20,181,180)	(12,286,081)	22,190,423
NET Assets - Beginning Of Period	91,328,034	198,908,547	290,236,581	268,046,158
NET ASSETS - END OF PERIOD	\$99,223,133	\$178,727,367	\$277,950,500	\$290,236,581

BOARD OF DIRECTORS

The **FIGA Board of Directors** is comprised of **nine (9)** members who meet at least semi-annually to discuss the operations of the Association. Board members are elected to four year terms and may be reappointed. The Florida Chief Financial Officer approves and appoints to the Board individuals recommended by the member insurers following an election process. Florida Statute 631.56 provides additional information about the Board.

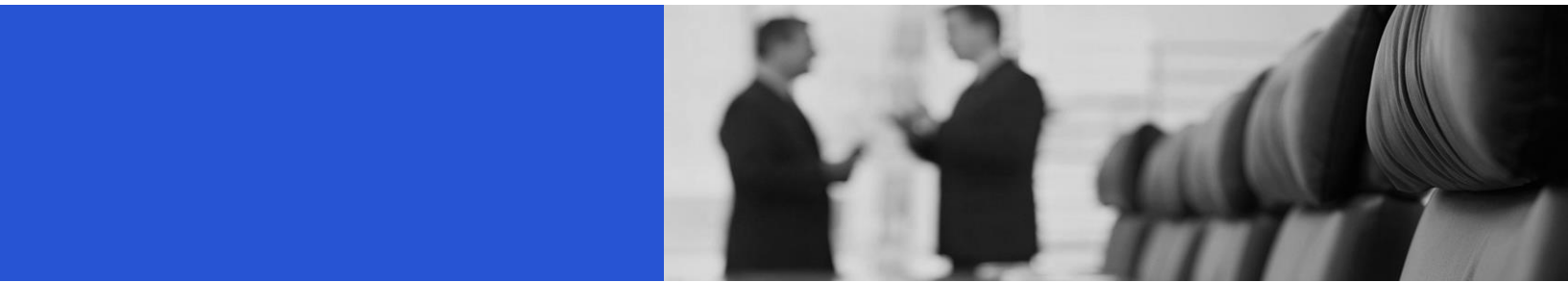
The Board's 2019 meetings, as required by the Plan of Operation (available on FIGA's website), were held on May 14, 2019 and November 15, 2019. In addition, the Board has a Finance & Audit Committee which met May 14, 2019 and November 15, 2019. Participation at the meetings is always welcome. For information about upcoming meetings please call the Association (850) 386-9200 or visit the website.

There were no legislative changes to the FIGA statute during 2019 and no assessment was recommended during 2019.

At the November 15, 2019 Board meeting, the \$3.1 million general and administrative budget for 2020 was approved. This was a 5.0% decrease from the 2019 budget, and reflected staff reductions due to declining claim volume.

The fieldwork for the annual Independent Financial Audit performed by Thomas Howell Ferguson P.A. commenced in November with a target date for completion during the 1st quarter of 2020. The unaudited Financial Statements as of December 31, 2019 are included in this report. Copies of the Audited Financial Statements will be available on the Association's website upon completion.





Below is a listing of the FIGA Board of Directors as of December 31, 2019. At the 2018 Annual Meeting Kimberly Blackburn and Charles Breitstadt were elected to two-year terms as Chair and Vice Chair, respectively. At the 2017 Annual Meeting, Paula Lutes was elected to serve as Secretary-Treasurer. Charlie Breitstadt serves as the Finance & Audit Committee Chair.

FIGA OFFICERS	
Kimberly Blackburn	CHAIRMAN - Florida Farm Bureau Casualty Insurance Company
Charles Breitstadt	VICE CHAIRMAN - Nationwide Insurance Company
Paula Lutes	CORPORATE SECRETARY / TREASURER - State Farm Insurance Company

MEMBERS	
Pamela McQuaid	Liberty Mutual Insurance Company
Don Matz	Tower Hill Insurance
Renè Hernández	Travelers Insurance Company
Jennifer Montero	Citizens Property Insurance Corporation
Shane Robinson	Allstate Insurance Company
Pamela G. Matthews	United Services Automobile Association

FINANCE & AUDIT COMMITTEE	
Charlie Breitstadt	Nationwide Insurance Company
Jennifer Montero	Citizens Property Insurance Corporation
Pamela G. Matthews	United Services Automobile Association

RECAP OF STATUTES & IMPORTANT LINKS

FIGA STATUTES

- **631.51** Purposes
- **631.52** Lines of Business Covered by FIGA
- **631.55** Auto & All Other Insurance Accounts
- **631.56** Board of Directors
- **631.57 (1)** Coverage Limits
- **631.57 (3)** Assessments
- **631.271** Priority of Claims

IMPORTANT LINKS

www.agfgroup.org

www.figafacts.com

<http://www.myfloridacfo.com/division/receiver>

www.ncigf.org

- [1] Provide a mechanism for the payment of covered claims under certain insurance policies to avoid excessive delay in payment and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer;
- [2] Assist in the detection and prevention of insurer insolvencies.
- [3] Create a nonprofit corporation to administer and supervise the operation of such association; and
- [4] Assess the cost of such protection among insurers.

FLORIDA STATUTE 631.51

PURPOSE



FLORIDA INSURANCE GUARANTY ASSOCIATION



P.O. BOX 14249
TALLAHASSEE, FL 32317



(850)386-9200
TOLL FREE: (800) 988-1450



www.figafacts.com