

Financial Statements – Modified Cash Basis  
and Other Financial Information



Florida Insurance Guaranty Association, Inc.

*Years ended December 31, 2019 and 2018  
with Report of Independent Auditors*

Florida Insurance Guaranty Association, Inc.

Financial Statements – Modified Cash Basis  
and Other Financial Information

Years ended December 31, 2019 and 2018

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## Report of Independent Auditors

The Board of Directors  
Florida Insurance Guaranty Association, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Florida Insurance Guaranty Association, Inc. (the Association) which comprise the statements of financial position - modified cash basis as of December 31, 2019 and 2018, the related statements of activities and changes in net assets - modified cash basis and statements of functional expenses - modified cash basis for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified basis of cash receipts and disbursements described in Note 1; this includes determining that the modified basis of cash receipts and disbursements is an acceptable basis of accounting for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of Florida Insurance Guaranty Association, Inc. as of December 31, 2019 and 2018, and its revenue collected and expenses paid during the years then ended in accordance with the modified basis of cash receipts and disbursements described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of activities and changes in net assets is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Thomas Howell Ferguson P.A.*

Tallahassee, Florida  
March 25, 2020

Florida Insurance Guaranty Association, Inc.

Statements of Financial Position  
- Modified Cash Basis

	December 31,	
	2019	2018
<b>Assets</b>		
Cash and short-term investments:		
Cash and cash equivalents	\$ 21,892,657	\$ 18,679,307
Short-term investments	64,682,493	102,655,881
Total cash and short-term investments	<u>86,575,150</u>	<u>121,335,188</u>
Accrued interest income	1,220,469	1,246,743
Investments	188,744,936	166,365,879
Property and equipment, net	996,381	959,328
Total assets	<u>\$ 277,536,936</u>	<u>\$ 289,907,138</u>
<b>Liabilities and net assets</b>		
Liabilities	\$ -	\$ -
Net assets:		
Without donor restrictions:		
Statutorily designated for automobile liability and physical damage	99,168,637	91,275,157
Statutorily designated for other covered lines	178,368,299	198,631,981
Total net assets	<u>277,536,936</u>	<u>289,907,138</u>
Total liabilities and net assets	<u>\$ 277,536,936</u>	<u>\$ 289,907,138</u>

*See accompanying notes.*

Florida Insurance Guaranty Association, Inc.

Statement of Activities and Changes in Net Assets  
- Modified Cash Basis

	<b>Years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	<hr/>	<hr/>
Revenues:		
Assessments	\$ 3,669	\$ 311,128
Other revenue	-	67,734
Investment income, net of related expenses	6,970,855	5,138,332
Estate distributions and claim recoveries	25,894,590	30,810,525
Total revenues	<hr/> <b>32,869,114</b>	<hr/> <b>36,327,719</b>
Expenses:		
Claims and claims adjustment expenses paid	43,605,262	12,600,191
Direct estate services	185,486	92,165
General and administrative	1,448,568	1,453,161
Total expenses	<hr/> <b>45,239,316</b>	<hr/> <b>14,145,517</b>
Change in net assets	<b>(12,370,202)</b>	22,182,202
Net assets at beginning of year	<b>289,907,138</b>	267,724,936
Net assets at end of year	<hr/> <b>\$ 277,536,936</b>	<hr/> <b>\$ 289,907,138</b>

*See accompanying notes.*

Florida Insurance Guaranty Association, Inc.

Statement of Functional Expenses  
- Modified Cash Basis

Year ended December 31, 2019

	Claims and Claims Adjustment Expenses Paid	Direct Estate Services	General and Administrative	Total Expenses
Claims and claims adjustment expense	\$ 42,092,131	\$ -	\$ -	\$ 42,092,131
Salaries and benefits	1,243,753	64,506	791,663	2,099,922
Premises	23,600	-	14,650	38,250
Accounting and auditing	-	-	69,916	69,916
Bank fees	-	-	18,844	18,844
Board meeting travel	-	-	18,604	18,604
Consulting	-	-	43,228	43,228
Dues and publications	5,480	-	146,523	152,003
Equipment maintenance and software	197,356	1,299	154,829	353,484
Insurance	13,599	-	46,661	60,260
Legal and legislative fees	-	115,186	77,808	192,994
Office supplies	-	-	7,311	7,311
Postage and shipping	-	1,370	3,028	4,398
Travel and staff development	11,839	3,120	22,419	37,378
Taxes and licenses	-	-	20,861	20,861
Communication	17,504	5	12,223	29,732
	<b>\$ 43,605,262</b>	<b>\$ 185,486</b>	<b>\$ 1,448,568</b>	<b>\$ 45,239,316</b>

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Statement of Functional Expenses  
- Modified Cash Basis

Year ended December 31, 2018

	Claims and Claims Adjustment Expenses Paid	Direct Estate Services	General and Administrative	Total Expenses
Claims and claims adjustment expense	\$ 11,125,705	\$ -	\$ -	\$ 11,125,705
Salaries and benefits	1,233,094	63,953	790,996	2,088,043
Premises	27,180	-	16,872	44,052
Accounting and auditing	-	-	52,293	52,293
Bank fees	-	-	18,336	18,336
Board meeting travel	-	-	17,601	17,601
Consulting	-	-	50,520	50,520
Dues and publications	5,276	-	157,872	163,148
Equipment maintenance and software	165,124	-	124,321	289,445
Insurance	7,780	-	53,517	61,297
Legal and legislative fees	4,843	22,717	110,511	138,071
Office supplies	-	-	5,245	5,245
Postage and shipping	-	110	2,665	2,775
Travel and staff development	14,410	5,385	25,456	45,251
Taxes and licenses	-	-	15,292	15,292
Communication	16,779	-	11,664	28,443
	<u>\$ 12,600,191</u>	<u>\$ 92,165</u>	<u>\$ 1,453,161</u>	<u>\$ 14,145,517</u>

See accompanying notes.



# Florida Insurance Guaranty Association, Inc.

## Notes to Financial Statements – Modified Cash Basis

Years ended December 31, 2019 and 2018

### **1. Organization and Significant Accounting Policies**

The Florida Insurance Guaranty Association, Inc. (the Association), a not-for-profit corporation, was established by the Florida Legislature through the Florida Insurance Guaranty Act of 1970 (the Act). The Association was created to provide a mechanism for the payment of covered claims of insolvent insurers and to assist in the detection and prevention of insurer insolvencies. The Association operates under the supervision and approval of a board of directors, comprised of not less than five and no more than nine persons, recommended by member insurers pursuant to Chapter 631.56, Florida Statutes, and subsequently appointed by the Florida Department of Financial Services.

The Association is managed by the American Guaranty Fund Group (AGFG) through a management and administrative services agreement (see Note 6). AGFG also has an agreement with the Florida Workers' Compensation Insurance Guaranty Association (FWCIGA), a related party through common management, for these services. The Association and FWCIGA are equal members of AGFG, but control is maintained by the members through equal representation on the board of directors.

The members of the Association are all insurers that provide property and casualty coverages in the state of Florida.

The funding of the Association's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of net direct written premiums in the state of Florida in the classes protected by the Act. The Association obtains the amount of the net direct written premiums, by company and by class of protection, which is used as the basis for assessment calculations. The maximum regular assessment rate is 2%. In addition to the regular assessment, during 2006, the Florida Legislature granted the Association the authority to levy an emergency assessment up to an additional 2% of net direct written premiums for the account specified in Section 631.55(2)(b). Also in 2006, the Association was granted the authority to work with an affected municipality, county, or financing conduit organization under Chapter 163, Florida Statutes, to issue tax-exempt bonds should the funding need arise for the account specified in Section 631.55(2)(b). As of December 31, 2019, the Association has not issued any tax-exempt bonds.

No assessments were levied in 2019 or 2018. However, amounts were collected during 2018 and 2019 related to prior years assessments levied.

The accounting policies and methods of their application that significantly affect the assets and liabilities arising from cash transactions and changes in the modified cash basis net assets of the Association are as follows:

# Florida Insurance Guaranty Association, Inc.

## Notes to Financial Statements – Modified Cash Basis

### 1. Organization and Significant Accounting Policies (continued)

#### **Basis of Accounting**

The financial statements of the Association 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 of America (GAAP). This basis of presentation differs from GAAP in that certain revenues are recognized when received rather than earned and certain expenses are recognized when paid rather than when the obligation is incurred. Specifically, the variances from GAAP include omission of assessments receivable and accruals for loss and loss adjustment expense reserves of insolvent insurance companies assumed by the Association. Such variances are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect the capitalized cost of property and equipment and related depreciation, accrued interest income, and amounts held by the Association for others in a fiduciary capacity. The accompanying financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

#### **Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits with financial institutions and deposits in highly liquid money market funds with original maturities of three months or less. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. Bank deposits at times may exceed federally insured limits. The Association has not experienced any losses in such accounts.

#### **Investments**

Investments are reported at amortized cost. Short-term investments include securities with original maturity dates of one year or less.

#### **Concentration of Credit Risk**

The financial instruments exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, and assessment revenue.

All investment transactions have credit exposure to the extent that a counterparty may default on an obligation of the Association. Credit risk is a consequence of carrying investment positions. To manage credit risk, the Association focuses primarily on highly liquid cash equivalent investments, limits its exposure in any one investment, and monitors quality.

#### **Property and Equipment**

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed using the straight-line method over an estimated useful life of three to 39 years. The Association's policy is to capitalize asset acquisitions greater than \$1,000.

# Florida Insurance Guaranty Association, Inc.

## Notes to Financial Statements – Modified Cash Basis

### **1. Organization and Significant Accounting Policies (continued)**

#### **Net Assets**

The Association's modified cash basis net assets represent funds held from assessments, and other sources to pay covered property and casualty claims of insolvent insurers and administrative costs as they come due.

All net assets of the Association are designated by the Florida Insurance Guaranty Act of 1970 for the organizational purposes described above.

#### **Income Taxes**

The Association is exempt from federal income taxes under Section 501 of the Internal Revenue Code as a 501(c)(6) organization. The Association elects to pay the proxy tax on lobbying expenditures instead of reporting a portion of member assessments as non-deductible. Income tax expense was \$6,900 and \$1,417 for the years ending December 31, 2019 and 2018, respectively. With few exceptions, the Association is no longer subject to examinations by major tax jurisdictions for years ended December 31, 2015 and prior.

#### **Assessments**

Assessments are recorded at the time they are received by the Association.

#### **Investment Income**

The Association allocates interest income earned from investments to the individual net asset classification based on the ratio of each classification's average monthly balance to the average monthly balance for all classifications. Interest income is recorded in the period earned.

#### **Estate Distributions and Claim Recoveries**

Amounts received by the Association for estate distributions and claim recoveries are recognized in the period received. Estate distributions and claim recoveries include reinsurance recoveries by the receivers, Florida Hurricane Catastrophe Fund reimbursements, direct claim recoveries, and any other distributions of estate assets.

#### **Claims and Claims Adjustment Expenses Paid**

Claims and claims adjustment expenses paid consist of the amounts paid on claims of insolvent insurers.

#### **Direct Estate Services**

Direct estate expenses are expenses paid by the Association related directly to the protection of the Association's interest in the administration of specific insolvent insurers' estates.

# Florida Insurance Guaranty Association, Inc.

## Notes to Financial Statements – Modified Cash Basis

### **1. Organization and Significant Accounting Policies (continued)**

#### **General and Administrative Expenses**

The Association records general and administrative expenses when paid. General and administrative expenses are allocated monthly based on a formula that incorporates the amounts paid for claims and claims handling as well as the changes in outstanding reserves for each estate by line of business in their proportion to the total activity for that month.

#### **Use of Estimates**

The preparation of financial statements in conformity with the modified basis of cash receipts and disbursements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Functional Allocation of Expenses**

The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The statement of functional expenses contains certain categories of expenses that are attributable to one or more program or supporting functions of the Association. These expenses include depreciation, which is allocated on a direct method for assets directly related to the program and allocated based on estimates of time and effort for assets acquired for all departments. The Association's executive office expenses, including salaries of senior management, are all allocated based on estimates of time and effort.

#### **Subsequent Events**

The Association has evaluated subsequent events through March 25, 2020, the date the financial statements were available to be issued. During the period from December 31, 2019 to March 25, 2020, the Association did not have any material recognizable subsequent events other than the event described in Note 9.

### **2. Investments**

The Association invests in government and corporate bonds, commercial paper, and other fixed maturity obligations. The fair values of investments are estimated based on their quoted market values for the specific investments. The amortized cost and fair value of these investments are as follows:

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

**2. Investments (continued)**

**December 31, 2019**

	<b>Amortized Cost</b>	<b>Fair Value</b>
U.S. Treasury	\$ 46,433,422	\$ 46,901,380
U.S. Government agency obligations	53,633,562	54,051,401
U.S. Agency mortgage-backed securities	18,878,671	18,928,698
Municipal obligations	17,799,526	17,867,681
Corporate bonds	116,682,248	117,604,166
	253,427,429	255,353,326
Less short-term investments	64,682,493	64,843,829
Investments	\$ 188,744,936	\$ 190,509,497

**December 31, 2018**

	<b>Amortized Cost</b>	<b>Fair Value</b>
U.S. Treasury	\$ 55,598,736	\$ 55,304,462
U.S. Government agency obligations	65,455,376	65,341,540
U.S. Agency mortgage-backed securities	3,165,460	3,156,420
Municipal obligations	16,103,158	15,993,733
Corporate bonds	127,210,515	126,562,047
Money Market	1,488,515	1,488,637
	269,021,760	267,846,839
Less short-term investments	102,655,881	102,185,312
Investments	\$ 166,365,879	\$ 165,661,527

A summary of the amortized cost and fair value of the Association's bonds and other investments at December 31, 2019, by maturity is as follows:

	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$ 64,682,493	\$ 64,843,829
Due after one year through five years	188,744,936	190,509,497
Total	\$ 253,427,429	\$ 255,353,326

The foregoing data is based on the expected maturities for bonds. These expected maturities might differ from the contractual maturities because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

Investment income consists of interest income and net realized gains (losses) and is reported net of investment management expenses of \$233,513 and \$169,331 for the years ended December 31, 2019 and 2018, respectively. Net realized gains (losses) for the years ended December 31, 2019 and 2018 were \$402,926 and \$(32,859), respectively.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

**3. Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis.

	<b>December 31, 2019</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Government and government agency bonds	\$ 100,952,781	\$ –	\$ 100,952,781	\$ –
Asset-backed securities	18,928,698	–	18,928,698	–
Corporate bonds	117,604,166	–	117,604,166	–
Municipal obligations	17,867,681	–	17,867,681	–
	<b>\$ 255,353,326</b>	<b>\$ –</b>	<b>\$ 255,353,326</b>	<b>\$ –</b>

	<b>December 31, 2018</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Government and government agency bonds	\$ 120,646,001	\$ –	\$ 120,646,001	\$ –
Asset-backed securities	3,156,420	–	3,156,420	–
Corporate bonds	126,562,047	–	126,562,047	–
Money Market	1,488,638	–	1,488,638	–
Municipal obligations	15,993,733	–	15,993,733	–
	<b>\$ 267,846,839</b>	<b>\$ –</b>	<b>\$ 267,846,839</b>	<b>\$ –</b>

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

**3. Fair Value Measurements (continued)**

Fair values of the Association’s debt securities (bonds) reported in Level 2 are based on average bid prices of identical or similar issues with the same life and expected yields. There have been no changes in the methodologies used at December 31, 2019 and 2018.

**4. Available Resources and Liquidity**

The Association's modified cash basis net assets represent funds held from assessments and other sources to pay covered property and casualty claims of insolvent insurers, monitor the administrations of insolvent insurers estates and protect the Association’s interest, and administrative costs as they come due. As such, net assets are segregated into two designations specified under the Act: automobile and other covered lines.

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Financial assets at year end:		
Cash and cash equivalents	\$ 21,892,657	\$ 18,679,307
Investments	253,427,429	269,021,760
Accrued interest income	1,220,469	1,246,743
Total financial assets	276,540,555	288,947,810
Less:		
Current liabilities (not recognized in accordance with basis of accounting – See Note 1)	–	81,288
Financial assets available for statutorily designated use	276,540,555	288,866,522

**5. Property and Equipment**

Property and equipment consists of the following:

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Land	\$ 310,000	\$ 310,000
Building	883,463	883,463
Office furniture and equipment	26,883	28,184
Computer equipment and software	789,753	729,537
Leasehold improvements	123,235	86,569
	2,133,334	2,037,753
Less accumulated depreciation	1,136,953	1,078,425
	\$ 996,381	\$ 959,328

# Florida Insurance Guaranty Association, Inc.

## Notes to Financial Statements – Modified Cash Basis

### **5. Property and Equipment (continued)**

During the years ended December 31, 2019 and 2018, the Association recorded depreciation expense of \$59,827 and \$41,803, respectively.

The Association and FWCIGA are the owners of real property together with certain tangible property. The Association owns an undivided 50% interest in the property which is reported above as land and building.

### **6. Management Services Agreement**

The Association and FWCIGA have entered into agreements with AGFG to provide management and administrative services. Under the terms of the Association's agreement, AGFG provides management and administrative services, including but not limited to general management responsibility, finance and accounting, overseeing and managing the Association's claims division, managing and supervising the day-to-day activities of the Association, and other management or administrative services. The Association and FWCIGA reimburse AGFG for all amounts paid by AGFG. Costs incurred by AGFG that are directly attributable to a specific entity are charged to the applicable entity. All other costs incurred by AGFG are distributed equitably to the Association and FWCIGA based on various allocation methods. The Association's contract may be terminated with 30 days written notice by either party, with or without cause. The Association and FWCIGA each pay AGFG in advance of each calendar year an amount equal to the two month average budget for that entity projected for the upcoming calendar year. The operating advance paid to AGFG was \$410,046 and \$409,316 at December 31, 2019 and 2018, respectively.

Amounts paid to AGFG under this agreement totaled \$3,840,757 and \$3,677,925 for the years ended December 31, 2019 and 2018, respectively, and are reported in general and administrative expenses, claims and claims adjustment expenses, and direct estate expenses.

### **7. Commitments and Contingencies**

As more fully described in Note 1, the Association has assumed the outstanding claims and claims adjustment expense liabilities of insolvent property and casualty insurers in the state of Florida. The case-basis claims and claim adjustment expense reserves for known insolvent insurers at December 31, 2019 and 2018, are approximately \$59,580,000 and \$15,382,000, respectively. An actuarial determination of the ultimate value of the outstanding claim liabilities has not been made. In addition to the Association's obligation to pay the outstanding claims and claims adjustment expenses of insolvent insurers, the Association is also obligated to pay the unearned premium liabilities of insolvent insurers. There is no known outstanding unearned premium obligation of insolvent insurers at December 31, 2019 and 2018.



# Florida Insurance Guaranty Association, Inc.

## Notes to Financial Statements – Modified Cash Basis

### **7. Commitments and Contingencies (continued)**

The Association receives early access distributions from the receivers of insolvent insurers. Some of these distributions have been received pursuant to agreements that provide that in the event the distributions exceed the Association's final pro rata distribution from the insolvencies, the Association will return any excess to the receiver.

The Association is involved in various legal actions in its capacity as the provider of funds for the settlement of covered claims and return of unearned premiums under certain insurance policies of insolvent companies. The costs of such legal actions to the Association are recorded as claims and claims handling expenses when paid.

The Association has filed contingent proofs of claims with the Florida Department of Financial Services, Division of Rehabilitation and Liquidation and with out-of-state receivers to protect its right of recovery from the various insolvent companies for claims and expenses paid. General and administrative expenses are a priority claim with the receivers in most states.

During the ordinary course of business, the Association is involved in various litigation. The ultimate outcome of such litigation is uncertain. However, management and legal counsel are of the opinion that any resulting unfavorable outcomes would have minimal adverse economic impact on the Association.

### **8. Retirement Plan**

The Association employees have the option of participating in the AGFG 401(k) Profit Sharing Plan (the Plan). The Plan is available to employees meeting certain entry requirements. The Association makes discretionary employer contributions to the Plan on a matching basis. Employer contributions paid for the years ended December 31, 2019 and 2018, were \$154,986 and \$156,836, respectively.

### **9. Subsequent Event**

Windhaven Insurance Company ("Windhaven"), a Florida domiciled non-standard automobile insurance company, was placed into administrative supervision by the Florida Office of Insurance Regulation ("OIR") on November 18, 2019 and ordered into liquidation on December 30, 2019 (effective January 6, 2020), by the Second Judicial Circuit Court in Leon County, Florida. The Florida Department of Financial Services is the court appointed receiver of Windhaven. With the entry of the liquidation order, the Association has been activated to help pay outstanding Florida claims for property and casualty policies. As of the date of liquidation, Windhaven had approximately 15,000 open claims with reserves for unpaid claims and claims adjustment expenses of approximately \$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 approximately 18,000 with estimated reserves for unpaid claims and claims adjustment expenses of approximately \$90 million.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

**9. Subsequent Event (continued)**

Windhaven National (“WNIC”) is a Texas domiciled sister company to Windhaven that also wrote non-standard automobile insurance. WNIC was licensed in several states but operated primarily in Texas and Florida. The Texas Department of Insurance filed a petition for liquidation on February 21, 2020, WNIC was ordered in liquidation on March 5, 2020. WNIC has approximately 3,800 open claims – the majority approximately (3,400) in Florida. The number of open policies and financial impact to FIGA has not yet been determined.

## Other Financial Information

Florida Insurance Guaranty Association, Inc.

Schedule of Activities and Changes in Net Assets  
- Modified Cash Basis

Year ended December 31, 2019

	Automobile Liability and Physical Damage	Other Covered Lines	Total
Revenues:			
Assessments	\$ -	\$ 3,669	\$ 3,669
Other revenue	-	-	-
Investment income, net of related expenses	2,222,657	4,748,198	6,970,855
Estate distributions and claim recoveries	8,903,367	16,991,223	25,894,590
Total revenues	<u>11,126,024</u>	<u>21,743,090</u>	<u>32,869,114</u>
Expenses:			
Claims and claims adjustment expenses paid	2,830,280	40,774,982	43,605,262
Direct estate expenses	21,059	164,427	185,486
General and administrative	381,205	1,067,363	1,448,568
Total expenses	<u>3,232,544</u>	<u>42,006,772</u>	<u>45,239,316</u>
Change in net assets	7,893,480	(20,263,682)	(12,370,202)
Statutorily designated net assets at beginning of year	91,275,157	198,631,981	289,907,138
Statutorily designated net assets at end of year	<u>\$ 99,168,637</u>	<u>\$ 178,368,299</u>	<u>\$ 277,536,936</u>

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Schedule of Activities and Changes in Net Assets  
- Modified Cash Basis

Year ended December 31, 2018

	<b>Automobile Liability and Physical Damage</b>	<b>Other Covered Lines</b>	<b>Total</b>
Revenues:			
Assessments	\$ -	\$ 311,128	\$ 311,128
Other revenue	-	67,734	67,734
Investment income, net of related expenses	1,626,057	3,512,275	5,138,332
Estate distributions and claim recoveries	12,552,923	18,257,602	30,810,525
Total revenues	14,178,980	22,148,739	36,327,719
Expenses:			
Claims and claims adjustment expenses paid	6,516,793	6,083,398	12,600,191
Direct estate expenses	41,923	50,242	92,165
General and administrative	681,383	771,778	1,453,161
Total expenses	7,240,099	6,905,418	14,145,517
Change in net assets	6,938,881	15,243,321	22,182,202
Statutorily designated net assets at beginning of year	84,336,276	183,388,660	267,724,936
Statutorily designated net assets at end of year	\$ 91,275,157	\$ 198,631,981	\$ 289,907,138

See accompanying notes.