



2021 ANNUAL REPORT

01 OVERVIEW & HISTORY

2021 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

2021 Liquidations
American Capital Assurance Corporation
Gulfstream Property & Casualty Company
Discharged Estates

08 FUNDING SOURCES

Assessments
Estate Distributions
Funding Sources 2016-2020

10 CLAIMS ACTIVITY

Open Claims
Claims & Returned Premium Payments

11 FINANCIAL INFORMATION

Statements of Assets & Liabilities
Statements of Operations

14 BOARD OF DIRECTORS

2021 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 52 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-two 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. We started the year with 8,404 open claims, received 9,006 new and reopened claims, closed 14,876 claims, ending the year with 2,534 open claims. In 2021 there were six insurance companies liquidated across the United States, however only two companies had any significant impact on FIGA.

American Capital Assurance Corporation (AmCap) was domiciled in Florida and liquidated on April 14, 2021. This insolvency was made up of primarily large commercial residential claims. By year end, open claims were 206 with losses paid in 2021 of \$35.9 million and reserves remaining of \$314.3 million. FIGA paid return of premium on 1,337 policies totaling \$27.8 million.

Gulfstream Property and Casualty Insurance (Gulfstream) was domiciled in Florida and liquidated on July 28, 2021. FIGA paid return of premium on approximately 30,400 policy totaling \$36.4 million. The insolvency resulted in 1,250 claims with paid losses of \$5.2 million in 2021 and \$23.8 million in reserves at the end of the year.

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 2021 with 7,687 open auto claims, received 5,775, closed 12,658, ending the year with 804. Total outstanding liabilities in the Auto Account at year end are **\$5.0 million**.

All Other Claims Account

The open claims count for all other lines of business (except auto) started the year at 717, 3,231 new claims were received and 2,218 were closed, resulting in a year-end inventory of 1,730 open claims. Total outstanding liabilities in the All Other Claims Account at year end are **\$348.7 million**. Over the next several pages, we have provided a summary of the information needed to understand why the guaranty fund was created, how it operates, and its financial status. Additional information can be found on our website: www.figafacts.com and on the Florida Division of Rehabilitation and Liquidation's website: www.myfloridacfo.com/division/receiver/ as well as in the Florida Statutes beginning at 631.50.

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 Florida 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 **\$200,000 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.



PURPOSE

“ To implement Florida Statute section 631.51 and 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%** for the year when the assessment was levied. Emergency Assessments may only be used when the insolvency results from hurricane losses and were increased from **2%** to **4% annually** during the 2020 legislative session.

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.

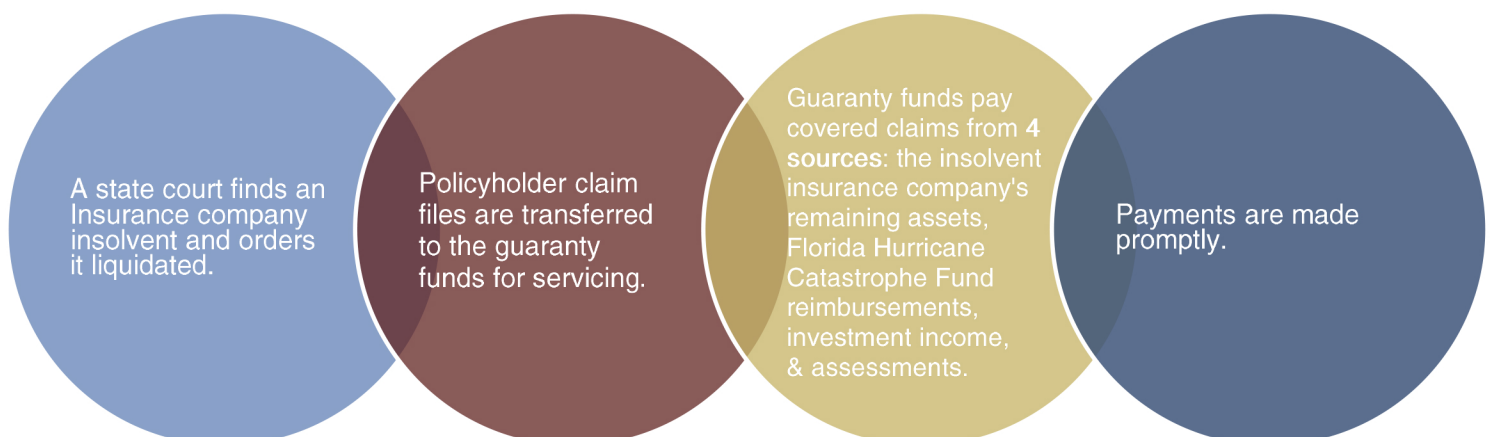


THE LIQUIDATION PROCESS

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, a final distribution is made to the guaranty associations and other claimants, before 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 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.

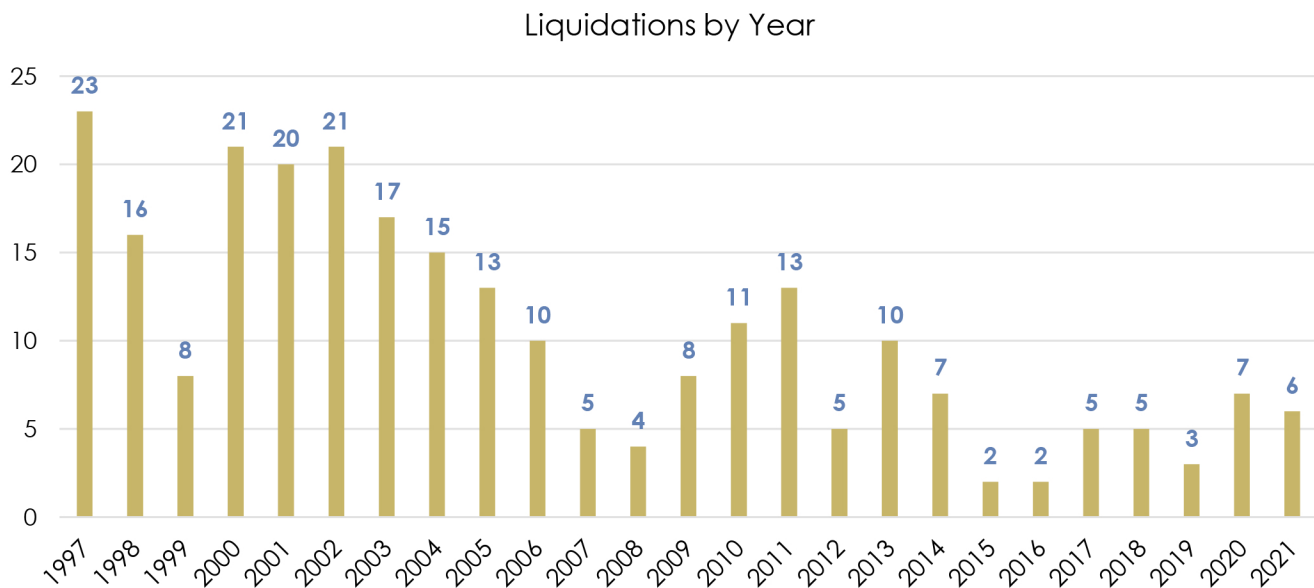
Information about the individual state guaranty associations can be found on the NCIGF website: www.ncigf.org. This information includes links to state liquidation statutes, a composite picture of current assessment actions, statistics on insolvency activity, as well as educational and training materials.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



NEW INSOLVENCIES + DISCHARGED ESTATES

2021 LIQUIDATIONS

Across the country there were six liquidations during 2021 that impacted property and casualty guaranty funds, American Capital Assurance Corporation [Florida], Bedivere Insurance Company [Pennsylvania], Global Liberty Insurance Company of New York [New York], Gulfstream Property and Casualty Insurance Company [Florida], Highlands Insurance Group [Texas], and Western General Insurance Company [California]. Of the six liquidations, only the American Capital Assurance Corporation and Gulfstream Property and Casualty insolvencies had any significant impact on FIGA. Below is a chart providing the total number of liquidations by year from 1997 through 2021.



AMERICAN CAPITAL ASSURANCE CORPORATION

American Capital Assurance Corporation ["AmCap"] was liquidated on April 14, 2021, by the Circuit Court in Leon County, Florida. As of the date of liquidation, AmCap had 324 open claims, primarily commercial residential claims. As of December 31st, that number fell to 206 claims with \$350 million in total incurred losses. The Florida Court extended the deadline for the filing of proof-of-claim notices from October 14, 2021 to April 14, 2022. FIGA timely filed its proof-of-claim on August 18, 2021.

GULFSTREAM PROPERTY AND CASUALTY INSURANCE COMPANY

Gulfstream Property and Casualty Insurance Company ["Gulfstream"] was liquidated on July 28, 2021, by the Circuit Court in Leon County, Florida. As of the date of liquidation, Gulfstream had approximately

1,823 open claims. As of December 31st, open claims fell to 1,250 with \$29.4 million total incurred losses. The Florida Court set the deadline for the filing of proof-of-claim notices to July 28, 2022.

DISCHARGED ESTATES

There were no estates discharged in 2021.



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 were increased from **2%** to **4% annually** during the 2020 legislative session. 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 is available at www.figafacts.com.

2021 .70% Assessment

The FIGA Board of Directors certified the need for an assessment on its member at its August 26, 2021 meeting. OIR approved FIGA's certification through an Order dated October 11, 2021. The pass-through assessment levied was necessary to secure funds for the payment of covered claims related to new insolvencies impacting FIGA's **ALL Other account** and will provide in excess of **\$168 million** in additional funding. Insurance companies were required to collect and remit to FIGA an equivalent surcharge on new and renewal policies with effective dates beginning **January 1, 2022** through **December 31, 2022**.

Year[s]	Assessment Rate by Account	
	AUTO	ALL OTHER
2021	None	.70%
2013 - 2020	No Assessments levied	
2012	None	.90%
2011 - 2010	No Assessments levied	
2009	None	.80%

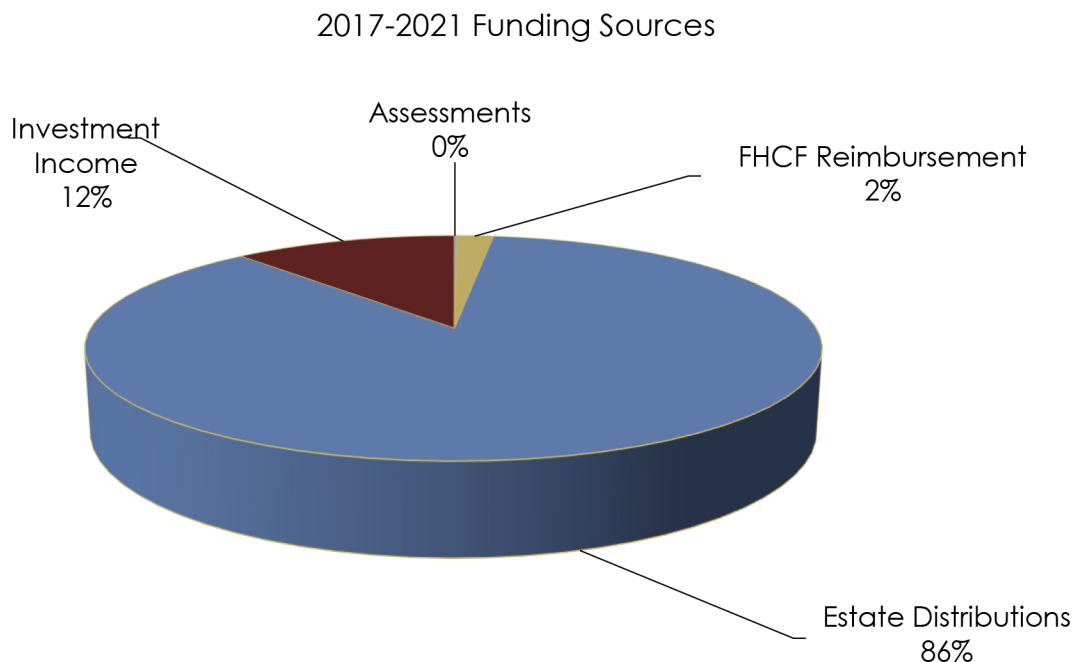
ESTATE DISTRIBUTIONS

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 2021, FIGA received over **\$66 million** in estate distributions from **18 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).

Funding Type	2021	2020	2019	2018	2017	5-yr Total	5-yr %
Assessments	-	-	3,669	311,128	9,893	324,690	0%
FHCF Reimbursement	3,911,164	-	-	-	-	3,911,164	2%
Estate Distributions	65,984,622	25,365,306	25,894,591	30,810,523	33,176,355	181,231,397	86%
Investment Income	3,605,503	5,153,255	6,970,855	5,206,066	3,267,095	24,202,774	12%
TOTALS:	\$73,501,289	\$30,518,561	\$32,869,115	\$36,327,717	\$36,453,343	\$209,670,025	100%

Since 2017, **86%** of the FIGA funding has come from estate distributions, **0%** from assessments, **2%** from FHCF Reimbursement, and **12%** from investment income. For 2021, the funding sources were **90%** estate distributions and **5%** investment income.

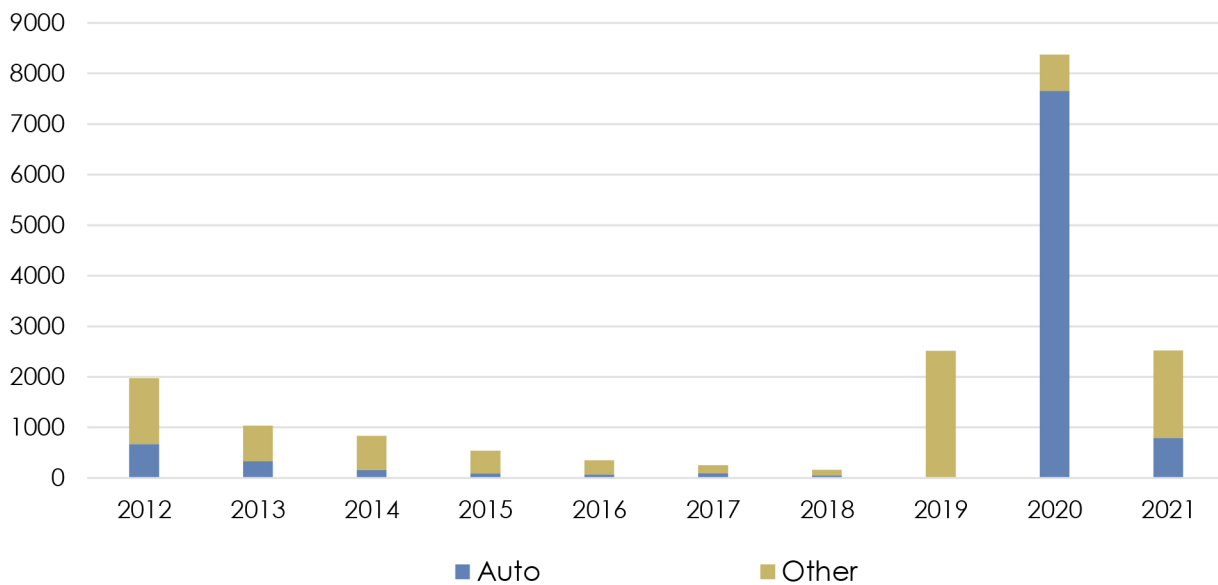


CLAIMS ACTIVITY

At the beginning of 2021, the Association had **8,404 open** files. During the year, **9,006** new claims were transferred to FIGA. A total of **14,876 claims** were closed during the year resulting in an open claim count of **2,534** at year end. Outstanding reserves for those claims was estimated at **\$353.7 million**.

The total net paid on claims for 2021 was **\$153.3 million** compared to **\$66.8 million** in 2020. Loss payments totaled **\$88.9 million** while returned premium payments were **\$64.3 million**. Payments were made on twenty-two (**22**) different insolvent estates during the year.

FIGA 2012 - 2021 Open Claims



FIGA 2012 - 2021 Returned Premium Payments



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 2021 were **\$353.7 million**. With additional funding expected from the 2021 .70% Assessment including distributions planned for newer estates, the current cash held by FIGA is sufficient to cover the Association's current obligations. 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	
	12/31/2021	12/31/2020
ASSETS		
Cash On Deposit & Cash Equivalent	15,137,868	12,525,946
Short Term Investments	32,303,282	42,616,351
TOTAL CASH AND SHORT-TERM INVESTMENTS	47,441,150	55,142,297
Long Term Investments	93,725,603	172,670,196
Accrued Interest Income	425,798	835,214
Fixed Assets, Net	20,382	53,008
Building, Net	581,907	603,923
Land	310,000	310,000
Other Assets	411,898	371,625
TOTAL ASSETS	\$142,916,738	\$229,986,263
LIABILITIES AND NET ASSETS		
Accounts Payable - AGFG	-	-
TOTAL LIABILITIES	-	-
Auto Account Balance	35,280,234	53,234,709
All Other Account Balance	107,636,504	176,751,554
TOTAL NET ASSETS	142,916,738	229,986,263
TOTAL LIABILITIES AND ACCOUNT BALANCE	\$142,916,738	\$229,986,263



STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Modified Cash Basis (UNAUDITED)	For The Years Ended			PREVIOUS YTD 12/31/2020
	AUTO 12/31/2021	ALL OTHER 12/31/2021	TOTAL YTD 12/31/2021	
REVENUE				
Estate Distributions	16,069,743	49,914,879	65,984,622	25,365,305
Interest Income, (Net)	759,882	2,845,621	3,605,503	5,153,255
TOTAL REVENUE	\$16,829,625	\$52,760,500	\$ 69,590,125	\$30,518,560
EXPENSES				
Claims Paid	29,107,805	54,672,120	83,779,925	64,506,397
Claims Handling Fees	4,307,805	789,030	5,096,835	8,176,417
Returned Premium	201,198	64,168,656	64,369,854	2,273,479
Direct Estate Expenses	190,872	171,620	362,492	444,671
General & Admin Expenses	976,420	2,074,124	3,050,544	3,081,828
TOTAL EXPENSES	\$34,784,100	\$121,875,550	\$156,659,650	\$78,482,792
Change In Net Assets	(17,954,475)	(69,115,050)	(87,069,525)	(47,964,232)
NET Assets - Beginning Of Period	53,234,709	176,751,554	229,986,263	277,950,495
NET ASSETS - END OF PERIOD	\$35,280,234	\$107,636,504	\$142,916,738	\$229,986,263

BOARD OF DIRECTORS

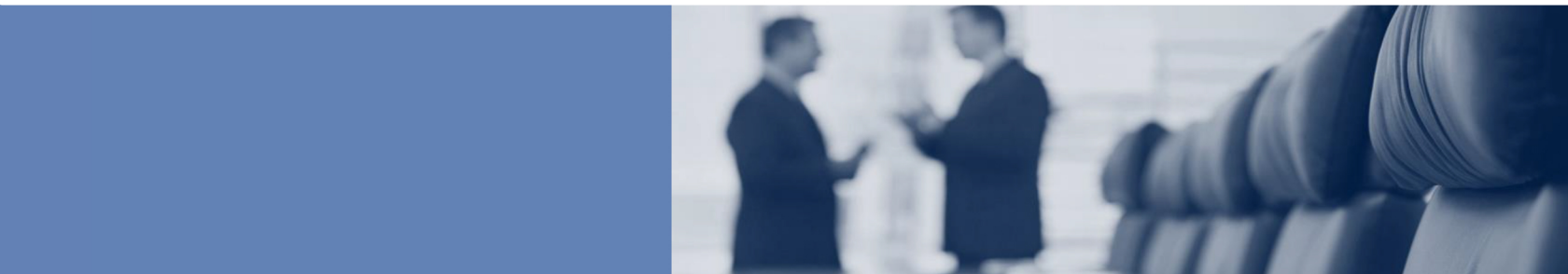
The **FIGA Board of Directors** is comprised of **nine (9)** members who meet at least semi-annually to discuss the operations of the Association. Board members are elected to four year terms and may be reappointed. The Florida Chief Financial Officer approves and appoints to the Board individuals recommended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

The Board's 2021 meetings, as required by the Plan of Operation (available on FIGA's website), were held on April 9, 2021, August 26, 2021, October 25, 2021, and November 16, 2021. In addition, the Board has a Finance & Audit Committee which met March 29, 2021, August 20, 2021, and November 16, 2021. Participation at the meetings is always welcome. For information about upcoming meetings please call the Association (850) 386-9200 or visit the website.

At the November 16, 2021 Board meeting, the \$3.5 million general and administrative budget for was approved. This was a 8.6% increase from the 2021 budget, and reflected additional staff due to increased claim volume and increased technology expenses.

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 2022. The unaudited Financial Statements as of December 31, 2021 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, 2021. At the 2020 Annual Meeting Kimberly Blackburn, Don Matz and Paula Lutes were elected to two-year terms as Chair, Vice Chair and Secretary-Treasurer, respectively. Don Matz serves as the Finance & Audit Committee Chair.

FIGA OFFICERS	AFFILIATION
Kimberly Blackburn	Chairman - Florida Farm Bureau Casualty Insurance Company
Don Matz	Vice Chairman – Tower Hill Insurance
Paula Lutes	Corporate Secretary / Treasurer - State Farm

MEMBERS	AFFILIATION
James Byron	Liberty Mutual Insurance Company
Ray Waugh	Nationwide Insurance Company
Renè Hernández	Travelers Insurance Company
Marc Dunbar	Citizens Property Insurance Corporation
Carly A. Hermanson	Allstate Insurance Company
Pamela G. Matthews	United Services Automobile Association

FINANCE & AUDIT COMMITTEE	AFFILIATION
Don Matz	Tower Hill Insurance
Marc Dunbar	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



P.O. BOX 14249
TALLAHASSEE, FL 32317



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



www.figafacts.com