

Financial Statements – Modified Cash Basis
and Other Financial Information



Florida Insurance Guaranty Association, Inc.

*Years ended December 31, 2021 and 2020
with Report of Independent Auditors*



Florida Insurance Guaranty Association, Inc.

Financial Statements – Modified Cash Basis
and Other Financial Information

Years ended December 31, 2021 and 2020

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Report of Independent Auditors

The Board of Directors
Florida Insurance Guaranty Association, Inc.

Opinion

We have audited the financial statements of Florida Insurance Guaranty Association, Inc. (the Association) which comprise the statements of financial position - modified cash basis as of December 31, 2021 and 2020, the related statement 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets and liabilities arising from cash transactions of Florida Insurance Guaranty Association, Inc. as of December 31, 2021 and 2020, 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 for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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Supplementary Information

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 are presented for purposes of additional analysis and are 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 GAAS. 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
July 7, 2022

Florida Insurance Guaranty Association, Inc.

Statements of Financial Position
- Modified Cash Basis

	December 31,	
	2021	2020
Assets		
Cash and short-term investments:		
Cash and cash equivalents	\$ 15,137,868	\$ 12,525,947
Short-term investments	32,303,282	42,616,352
Total cash and short-term investments	<u>47,441,150</u>	<u>55,142,299</u>
Accrued interest income	425,798	835,213
Investments	93,725,603	172,670,196
Property and equipment, net	912,288	966,931
Total assets	<u>\$ 142,504,839</u>	<u>\$ 229,614,639</u>
Liabilities and net assets		
Liabilities	\$ -	\$ -
Net assets:		
Without donor restrictions:		
Statutorily designated for automobile liability and physical damage	35,244,473	53,234,267
Statutorily designated for other covered lines	107,260,366	176,380,372
Total net assets	<u>142,504,839</u>	<u>229,614,639</u>
Total liabilities and net assets	<u>\$ 142,504,839</u>	<u>\$ 229,614,639</u>

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

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

	Years ended December 31,	
	2021	2020
Revenues:		
Investment income, net of related expenses	\$ 3,605,506	\$ 5,153,257
Estate distributions and claim recoveries	65,984,624	25,365,304
Total revenues	<u>69,590,130</u>	<u>30,518,561</u>
Expenses:		
Claims and claims adjustment expenses paid	154,815,431	76,571,513
Direct estate services	418,603	502,514
General and administrative	1,465,896	1,366,831
Total expenses	<u>156,699,930</u>	<u>78,440,858</u>
Change in net assets	(87,109,800)	(47,922,297)
Net assets at beginning of year	229,614,639	277,536,936
Net assets at end of year	<u>\$ 142,504,839</u>	<u>\$ 229,614,639</u>

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Statement of Functional Expenses
- Modified Cash Basis

Year ended December 31, 2021

	Claims and Adjustment Expenses Paid	Direct Estate Services	General and Administrative	Total Expenses
Claims and claims adjustment expense	\$ 153,246,619	-	-	\$ 153,246,619
Salaries and benefits	1,292,640	56,112	769,724	2,118,476
Premises	23,214	2,607	14,107	39,928
Accounting and auditing	-	-	71,068	71,068
Bank fees	-	15,908	19,899	35,807
Board meeting travel	-	-	740	740
Consulting	-	-	36,553	36,553
Dues and publications	5,748	2,433	149,954	158,135
Technology	201,447	128,544	198,093	528,084
Insurance	15,923	-	73,379	89,302
Legal and legislative fees	901	163,523	75,221	239,645
Office supplies	-	1,161	5,598	6,759
Postage and shipping	-	38,103	7,992	46,095
Travel and staff development	2,132	-	9,085	11,217
Taxes and licenses	-	-	16,876	16,876
Communication	26,807	10,212	17,607	54,626
	<u>\$ 154,815,431</u>	<u>\$ 418,603</u>	<u>\$ 1,465,896</u>	<u>\$ 156,699,930</u>

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Statement of Functional Expenses
- Modified Cash Basis

Year ended December 31, 2020

	Claims and Adjustment Expenses Paid	Direct Estate Services	General and Administrative	Total Expenses
Claims and claims adjustment expense	\$ 74,956,294	\$ -	\$ -	\$ 74,956,294
Salaries and benefits	1,332,528	57,843	751,957	2,142,328
Premises	24,092	-	14,641	38,733
Accounting and auditing	-	-	78,153	78,153
Bank fees	-	13,297	18,712	32,009
Board meeting travel	-	-	466	466
Consulting	20,000	5,253	34,479	59,732
Dues and publications	4,358	1,911	116,406	122,675
Technology	191,334	180,151	176,601	548,086
Insurance	7,983	-	59,604	67,587
Legal and legislative fees	4,112	183,540	59,499	247,151
Office supplies	-	3,453	6,962	10,415
Postage and shipping	-	26,971	5,902	32,873
Travel and staff development	2,277	1,457	6,744	10,478
Taxes and licenses	-	-	19,464	19,464
Communication	28,535	28,638	17,241	74,414
	<u>\$ 76,571,513</u>	<u>\$ 502,514</u>	<u>\$ 1,366,831</u>	<u>\$ 78,440,858</u>

See accompanying notes.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

Years ended December 31, 2021 and 2020

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 direct written premiums in the state of Florida in the classes protected by the Act. The Association obtains the amount of the 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 2020, the Florida Legislature granted the Association the authority to levy an emergency assessment up to an additional 4% of direct written premiums for the account specified in Section 631.55(2)(b). 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, 2021, the Association has not issued any tax-exempt bonds.

On August 26, 2021, a regular assessment of 0.7% was levied on the "all other" line of business. Member insurers will collect an equivalent surcharge on new and renewal policies with 2022 effective dates and will remit assessments quarterly on or before July 1, 2022, October 1, 2022, and December 1, 2022. Members will remit their final assessment installment on or before March 31, 2023. No assessments were levied or collected in 2020.

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 \$2,363 and \$5,103 for the years ending December 31, 2021 and 2020, respectively. With few exceptions, the Association is no longer subject to examinations by major tax jurisdictions for years ended December 31, 2017 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 July 7, 2022, the date the financial statements were available to be issued. During the period from December 31, 2021 to July 7, 2022, the Association did not have any material recognizable subsequent events, but did identify one matter for disclosure. See 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, 2021	
	Amortized Cost	Fair Value
U.S. Treasury	\$ 17,867,261	\$ 17,690,210
U.S. Government agency obligations	37,709,099	37,763,547
U.S. Agency mortgage-backed securities	7,525,891	7,632,556
Municipal obligations	13,222,847	13,217,429
Corporate bonds	49,703,787	50,076,894
	126,028,885	126,380,636
Less short-term investments	32,303,282	32,382,126
Investments	\$ 93,725,603	\$ 93,998,510

	December 31, 2020	
	Amortized Cost	Fair Value
U.S. Treasury	\$ 28,339,836	\$ 29,230,186
U.S. Government agency obligations	63,076,146	63,738,037
U.S. Agency mortgage-backed securities	15,376,312	15,857,466
Municipal obligations	15,631,304	15,897,450
Corporate bonds	92,862,950	94,918,568
	215,286,548	219,641,707
Less short-term investments	42,616,352	42,963,245
Investments	\$ 172,670,196	\$ 176,678,462

A summary of the amortized cost and fair value of the Association's bonds and other investments at December 31, 2021, by maturity is as follows:

	Amortized Cost	Fair Value
Due in one year or less	\$ 32,303,282	\$ 32,382,126
Due after one year through five years	93,725,603	93,998,510
Total	\$ 126,028,885	\$ 126,380,636

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 \$184,978 and \$165,714 for the years ended December 31, 2021 and 2020, respectively. Net realized gains (losses) for the years ended December 31, 2021 and 2020 were \$1,627,685 and \$415,738, 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.

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
U.S. Government and government agency bonds	\$ 55,453,757	\$ –	\$ 55,453,757	\$ –
Asset-backed securities	7,632,556	–	7,632,556	–
Corporate bonds	50,076,894	–	50,076,894	–
Municipal obligations	13,217,429	–	13,217,429	–
	\$ 126,380,636	\$ –	\$ 126,380,636	\$ –

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
U.S. Government and government agency bonds	\$ 92,968,223	\$ –	\$ 92,968,223	\$ –
Asset-backed securities	15,857,466	–	15,857,466	–
Corporate bonds	94,918,568	–	94,918,568	–
Municipal obligations	15,897,450	–	15,897,450	–
	\$ 219,641,707	\$ –	\$ 219,641,707	\$ –

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, 2021 and 2020.

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.

	December 31,	
	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 15,137,868	\$ 12,525,947
Investments	126,028,885	215,286,548
Accrued interest income	425,798	835,213
Total financial assets	141,592,551	228,647,708
Less:		
Current liabilities (not recognized in accordance with basis of accounting – See Note 1)	–	–
Financial assets available for statutorily designated use	\$ 141,592,551	\$ 228,647,708

5. Property and Equipment

Property and equipment consists of the following:

	December 31,	
	2021	2020
Land	\$ 310,000	\$ 310,000
Building	883,463	883,463
Office furniture and equipment	26,883	26,883
Computer equipment and software	714,690	776,651
Leasehold improvements	131,077	123,235
	2,066,113	2,120,232
Less accumulated depreciation	1,153,825	1,153,301
	\$ 912,288	\$ 966,931

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

5. Property and Equipment (continued)

During the years ended December 31, 2021 and 2020, the Association recorded depreciation expense of \$66,842 and \$67,582, 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 \$405,544 and \$371,625 at December 31, 2021 and 2020, respectively.

Amounts paid to AGFG under this agreement totaled \$6,040,140 and \$7,462,488 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, are approximately \$352,533,000 and \$63,515,000, 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, 2021 and 2020.

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, 2021 and 2020, were \$161,583 and \$163,554, respectively.

9. Subsequent Events

On February 28, 2022, a regular assessment of 1.3% was levied for the "all other" line of business, subject to the approval of the Florida Office on Insurance Regulation. The assessment is based on member's prior year premium and is due to the Association by April 15, 2022. Members will be able to collect the 1.3% assessment from their policyholders over the assessment year starting July 1, 2022 through June 30, 2023.

On March 8, 2022, the board voted to use a quarterly installment method to collect payments from members instead of all payments being due by April 15, 2022. By providing the quarterly installment method payment option to members, the board also recognized that the Association will need to borrow funds from a financial institution in order to meet the claim obligations for insolvent members during 2022.

Florida Insurance Guaranty Association, Inc.

Notes to Financial Statements – Modified Cash Basis

9. Subsequent Events (continued)

On April 26, 2022, the Association entered into a loan agreement with a financial institution. The loan agreement was for \$250,000,000, with \$130,000,000 of the outstanding principal at a variable rate of the Secured Overnight Financing Rate (SOFR) plus .70% annually, and \$120,000,000 of the outstanding principal at a fixed rate of 3.04% annually. The loan is secured by the assessment collections and any future assessments needed to repay the debt. Interest and principal payments are due quarterly beginning on December 1, 2022, with a final maturity date of December 1, 2023.

Other Financial Information

Florida Insurance Guaranty Association, Inc.

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

Year ended December 31, 2021

	Automobile Liability and Physical Damage	Other Covered Lines	Total
Revenues:			
Assessments	\$ -	\$ -	\$ -
Investment income, net of related expenses	759,883	2,845,623	3,605,506
Estate distributions and claim recoveries	16,069,743	49,914,881	65,984,624
Total revenues	<u>16,829,626</u>	<u>52,760,504</u>	<u>69,590,130</u>
Expenses:			
Claims and claims adjustment expenses paid	34,142,232	120,673,199	154,815,431
Direct estate expenses	204,967	213,636	418,603
General and administrative	472,221	993,675	1,465,896
Total expenses	<u>34,819,420</u>	<u>121,880,510</u>	<u>156,699,930</u>
Change in net assets	(17,989,794)	(69,120,006)	(87,109,800)
Statutorily designated net assets at beginning of year	53,234,267	176,380,372	229,614,639
Statutorily designated net assets at end of year	<u>\$ 35,244,473</u>	<u>\$ 107,260,366</u>	<u>\$ 142,504,839</u>

See report of independent auditors.

Florida Insurance Guaranty Association, Inc.

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

Year ended December 31, 2020

	Automobile Liability and Physical Damage	Other Covered Lines	Total
Revenues:			
Assessments	\$ -	\$ -	\$ -
Investment income, net of related expenses	1,698,192	3,455,065	5,153,257
Estate distributions and claim recoveries	1,764,222	23,601,082	25,365,304
Total revenues	<u>3,462,414</u>	<u>27,056,147</u>	<u>30,518,561</u>
Expenses:			
Claims and claims adjustment expenses paid	48,121,128	28,450,385	76,571,513
Direct estate expenses	285,035	217,479	502,514
General and administrative	990,621	376,210	1,366,831
Total expenses	<u>49,396,784</u>	<u>29,044,074</u>	<u>78,440,858</u>
Change in net assets	(45,934,370)	(1,987,927)	(47,922,297)
Statutorily designated net assets at beginning of year	99,168,637	178,368,299	277,536,936
Statutorily designated net assets at end of year	<u>\$ 53,234,267</u>	<u>\$ 176,380,372</u>	<u>\$ 229,614,639</u>

See report of independent auditors.