

**AFFIDAVIT OF VIRGINIA A. CHRISTY**

STATE OF FLORIDA

COUNTY OF Monroe

**BEFORE ME**, the undersigned authority, personally appeared Virginia A. Christy, who after being duly sworn, deposes and says:

1. I, Virginia A. Christy, am over the age of eighteen (18), sui juris, and I am competent to testify to and have personal knowledge of the facts contained herein.

2. I have been employed by the Florida Office of Insurance Regulation (hereinafter referred to as "OFFICE") since July 2012. From July 2012 to August 2014, I served as Assistant General Counsel. From September 2014 to August 2017, I served as Chief Assistant General Counsel for the OFFICE. In that position, I supervised the Legal Division's Regulatory Section, which provided legal representation to several business units in the OFFICE, including Property & Casualty Financial Oversight.

3. Since September 2017, I have held the position of Director of the Property & Casualty Financial Oversight business unit. In this position, I supervise a team of over fifty employees, including twenty persons specifically assigned to financial analysis of insurance companies licensed to do business in Florida.

4. I have a Bachelor of Science degree in Business Administration with a major in Accounting from Missouri Southern State College and a Juris Doctor from Florida Coastal School of Law. I am a member of the Florida Bar.

5. Florida Specialty Insurance Company (hereinafter referred to as "FSIC") holds a license as a Florida domestic Property and Casualty insurer and is authorized to write in the lines

of (010) Fire, (020) Allied Lines, (9040) Homeowners Multi-Peril, (090) Inland Marine, (170) Other Liability, (540) Mobile Home Multi-Peril, and (550) Mobile Home Physical Damage, pursuant to Part III of Chapter 624, Florida Statutes.

6. As a licensed insurer, FSIC is subject to the regulation of the OFFICE pursuant to the Florida Insurance Code.

7. On March 20, 2019, FSIC and the OFFICE executed Consent Order 242640-19-CO ("Supervision Consent Order"). Pursuant to the Supervision Consent Order, FSIC was placed in Administrative Supervision for the purposes of protecting its assets and the interests of its insureds. A true and correct copy of the Supervision Consent Order is attached hereto as Exhibit 1.

8. On July 18, 2019, FSIC and the OFFICE executed Consent Order 244368-19-CO ("Extension Consent Order"), which extended the Administrative Supervision of FSIC through and including November 15, 2019. The Extension Consent Order did not amend or supplement the Supervision Consent Order in any other manner. A true and correct copy of the Extension Consent Order is attached hereto as Exhibit 2.

9. The OFFICE has worked with FSIC during the period of Administrative Supervision to review and evaluate multiple proposals, acquisition offers, renewal rights agreements, and other agreements that would facilitate a transfer of its policyholders to reliable insurers. No proposal submitted has proved to be viable.

10. The OFFICE has now determined that grounds exist for the Department of Financial Services ("DEPARTMENT") to petition for an order, under Section 631.051 or 631.061, Florida Statutes, directing the DEPARTMENT to initiate delinquency proceedings against FSIC. The four bases for this determination are summarized as follows:

**BASIS ONE: FSIC IS IMPAIRED AND INSOLVENT  
OR ABOUT TO BE INSOLVENT**

**Authority: §§ 631.051(1) & 631.061(1), Fla. Stat.**

11. On August 15, 2019, the OFFICE received FSIC's June 30, 2019, second quarter 2019 financial statement ("Statement"). A true and correct copy of the Statement is attached hereto as Exhibit 3.

12. In the Statement, FSIC reported surplus as regards policyholders totaling \$10,034,909 United States Dollars ("USD") (see line 37, page Q03, Exhibit 3).

13. FSIC is required by the Florida Insurance Code to maintain at all times a minimum surplus of \$10,000,000 USD.

14. FSIC included in its reported surplus a deferred tax asset in the amount of \$1,470,000 USD (see line 18.2, page Q02, Exhibit 3).

15. Statement of Statutory Accounting Procedures ("SSAP") No. 101 provides that a reporting entity that projects a tax loss in the applicable realization period cannot admit a deferred tax asset related to the loss, even if the loss could offset taxable income of other members in the consolidated group and the reporting entity could expect to be paid for the tax benefit pursuant to its allocation agreement. Only adjusted gross deferred tax assets that are "more likely than not to be realized" shall be considered admitted.

16. The notes to the Statement include a "going concern" opinion stating that "[h]istorical operating results indicate substantial doubt exists related to the [FSIC]'s ability to continue as a going concern given the current market environment in the state of Florida." (see Note 1 D, page Q06, Exhibit 3).

17. As reflected in the Statement, FSIC has not realized positive income through the second quarter of Fiscal Year 2019.

18. It is more likely than not that the FSIC will not have positive income during taxable period 2019. Pursuant to SSAP No. 101, the \$1,470,000 USD must be non-admitted.

19. Non-admitting the deferred tax asset reduces the surplus as policyholders to \$8,564,909 USD, at June 30, 2019.

20. FSIC failed to maintain the minimum required surplus and is impaired at June 30, 2019.

21. FSIC also reported in the Statement as part of its surplus amounts recoverable from reinsurers in the amount of \$34,143,004 USD (see line 16.1, page Q02, Exhibit 3). Included with this amount is a receivable of \$8,543,816 USD from National Union Fire Insurance Company of Pittsburgh, PA, ("Lexington/AIG Group").

22. On September 4, 2019, Lexington/AIG Group represented in writing to the OFFICE that

FSIC has been fully paid for the RI allowance on policies ceded to AIG. AIG paid 23.45% against the UEP at inception and 23.45% of written premium during the 12-month term, which would cover the earned premium during the 6/1-6/1 period plus the earned premium during the runoff period on the covered policies that ran off post 6/1/19.

23. The \$8,543,816 USD receivable is not available because it is disputed by, and not likely recoverable from, Lexington/AIG, and must be non-admitted.

24. Non-admitting this recoverable reduces surplus as to policyholders further from \$8,564,909 USD, as adjusted above, to \$21,093 USD, at June 30, 2019.

25. For this additional reason, FSIC is impaired at June 30, 2019.

26. On August 13, 2019, two days before the Statement was due to be submitted, FSIC requested OFFICE approval to amend its "MGA Waiver of Commission Agreement." This waiver was to allow the Managing General Agency, Florida Specialty Managing General Agency, LLC

("MGA"), to waive \$1,500,000 USD in fees already paid to MGA by FSIC as of June 30, 2019, which would result in the return of \$1,500,000 USD to FSIC after June 30, 2019.

27. The OFFICE approved this request on August 14, 2019, as a Type I subsequent event in accordance with SSAP No. 9 and allowed the \$1,500,000 USD to be recorded on the Statement pursuant to SSAP No. 72.<sup>1</sup>

28. For this additional reason, FSIC was impaired on June 30, 2019 by a negative \$1,478,907 USD (\$21,093 USD, as adjusted above, - \$1,500,000 USD = -1,478,907 USD).

29. In the Statement, FSIC lists total assets of \$55,532,676 USD.

30. The adjustments noted above substantially reduce FSIC assets as set forth below:

Total Assets: \$55,532,676 USD

Less: \$1,470,000 USD (deferred tax asset)

\$8,543,816 USD (non-admitted receivable)

\$1,500,000 USD (MGA refund)

Net Assets: \$44,018,860 USD

31. In the Statement FSIC lists recorded liabilities of \$45,386,031 USD (see line 28, page Q03, Exhibit 3).

32. An insurer is insolvent if all its assets, if made immediately available, would not be sufficient to discharge all its liabilities. § 631.011(14), Fla. Stat.

33. FSIC is insolvent at June 30, 2019.

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<sup>1</sup> Insurers are required to file financial statements prepared in accordance with the National Association of Insurance Commissioners Accounting Practices and Procedures Manual (SSAP). SSAP No. 9 outlines when certain events or transactions that occur subsequent to a filing period, but before the filing of a financial statement, may be recognized and recorded on a financial statement for the prior filing period. Subsequent events and transactions that may be recognized and recorded on a financial statement are called "Type I" subsequent events. SSAP No. 72 outlines when a certain event will be considered a Type I subsequent event.

**BASIS TWO: FURTHER TRANSACTION OF INSURANCE IS HAZARDOUS  
TO POLICYHOLDERS, CREDITORS, STOCKHOLDERS, OR THE PUBLIC**

**Authority: §631.051(3), Fla. Stat.**

34. As documented in the Statement, FSIC has experienced a sudden and significant decrease in surplus and profitability. FSIC policyholder surplus declined by \$14,520,024 USD in one year. This is a 59.1% decrease as compared to second quarter 2018 financial results. A true and correct copy of the 2018 financial results is attached hereto as Exhibit 4.

35. FSIC reported on its 2018 annual financial statement FIVE-YEAR HISTORICAL DATA page, attached hereto as Exhibit 5, loss reserve development for the past two (2) years as follows:

One-Year Loss Reserve Development:	2017: \$1,056,000 USD 2018: \$4,451,000 USD (line 74, page 18, Exhibit 5).
Two-Year Loss Reserve Development:	2017: \$462,000 USD 2018: \$1,213,000 USD (line 76, page 18, Exhibit 5).

36. This adverse loss reserve development pattern reflects that FSIC has been consistently underestimating its actual losses and failing to establish adequate reserves for those losses.

37. On August 16, 2019, Demotech, Inc., announced the downgrade of FSIC's Financial Stability Rating ® from an A designation, which is Exceptional, to an M designation, which is Moderate.

38. On or about January 30, 2019, FSIC entered into a Reimbursement Contract with the State Board of Administration of the State of Florida ("SBA"). This contract is hereinafter referred to as the "FHCF Reimbursement" and is attached hereto as Exhibit 6.

39. Article X (2)(b) of the FHCF Reimbursement (see page 11, Exhibit 6) states that if FSIC is under administrative supervision, the full annual provisional reimbursement premium as billed and any outstanding balances will be due and payable on August 1 of the contract year.

40. FSIC reported in its Statement (see line 5, page Q02, Exhibit 3), cash in the amount of \$6,912,669 USD. FSIC's initial estimated premium was calculated and reported as payable for the FHCF Reimbursement in the amount of \$10,769,112 USD. FSIC did not have cash on hand to pay the full premium amount on June 30, 2019.

41. On July 29, 2019, FSIC paid a first installment in the amount of \$3,589,704 USD, leaving a balance of \$7,179,408 USD due on August 1, 2019, as required by the FHCF Reimbursement. FSIC did not pay the remaining balance on August 1, 2019.

42. Pursuant to the FHCF Reimbursement (see Article X (2)(b), page 11, Exhibit 6), failure by FSIC to pay the full annual provisional reimbursement premium as specified in the agreement could result in FSIC's coverage level election for the contract year to be reduced from 90% coverage to 45% coverage, which will further strain FSIC's resources if a catastrophic event occurs.

43. On September 3, 2019, FSIC received notice from the SBA that "[b]ased on the Data Call file submitted by the company last week, the preliminary premium calculation for Contract Year 2019 is \$12,904,890.16, less the first installment of \$3,589,704 paid on July 29, 2019, which leaves a balance due on the full premium of \$9,315,186.16." After discussions with FSIC and FSIC's reinsurance broker, Guy Carpenter, the SBA has agreed that the correct cost for the full Contract Year 2019 is \$11,692,724 USD. This amount, less the \$3,589,704 USD already paid, is \$923,612 USD more than the \$7,179,408 USD that was reported as payable by FSIC. The

SBA has issued an invoice for the full remaining premium due (\$8,103,020 USD) payable “in 15 days,” which would be on or about September 27, 2019.

44. Based on the above, the OFFICE has determined that FSIC is operating in an unsound condition that is hazardous to policyholders, creditors, stockholders, and the public.

**BASIS THREE: FSIC HAS WILLFULLY VIOLATED FLORIDA LAW**

**Authority: § 631.051(8), Fla. Stat.**

45. FSIC agreed in the Supervision Consent Order to obtain prior written consent from the OFFICE before conducting any of the activities enumerated in Section 624.83, Florida Statutes (see paragraph 5, page 2, Exhibit 1). Section 624.83(9), Florida Statutes, prohibits the termination, surrender, forfeiture, conversion or lapse of any insurance policy, certificate, or contract of insurance while under administrative supervision without the prior written approval of the OFFICE.

46. On April 9, 2019, FSIC, through an affiliate, entered into an agreement that would non-renew a portion of the Company’s HO3 portfolio without the prior approval of the OFFICE. A true and correct copy of this agreement is attached hereto as Exhibit 7.

47. Section 624.424(1)(a), Florida Statutes, requires financial statements filed with the OFFICE to be sworn to by at least two executive officers of the insurer. Because the financial statement is provided through the National Association of Insurance Commissioners and uploaded into the OFFICE’s filing system using electronic signatures, a separate jurat page is required to be uploaded into the OFFICE’s filing system that reflects the “sworn to” requirement.

48. The jurat page FSIC filed with the Statement is signed by only one executive officer. A true and correct copy of this jurat page is attached hereto as Exhibit 8.



49. Section 626.9541(1)(w)1., Florida Statutes, provides that no director or officer of an insurer who knows or reasonably should know that the insurer is insolvent or impaired shall authorize or permit the insurer to solicit or accept new or renewal insurance risks in this state. "Impaired" for purposes of this provision includes impairment of capital or surplus, as defined in Section 631.011(12) and (13), Florida Statutes.

50. On or about August 12, 2019, when FSIC requested the SSAP 72 accounting treatment of the \$1,500,000 USD funds from its MGA, FSIC knew or reasonably should have known that it was impaired and continued to accept and renew insurance risk in this state, in violation of Section 626.9541(1)(w)1., Florida Statutes.

**BASIS FOUR: CONSENT TO REHABILITATION OR LIQUIDATION**

**Authority: §631.051(11), Fla. Stat.**

51. On September 12, 2019, FSIC, through a majority of its directors, executed a Consent to Order of Receivership for the appointment of the Department of Financial Services, Division of Rehabilitation and Liquidation as Receiver. A true and correct copy of the Consent is attached hereto as Exhibit 9.

52. The consent states: "Pursuant to Sections 631.051(11) and 631.061 (on grounds of consent), Florida Statutes, Respondent consents, through a majority of its directors by written consent below, to the entry of an Order of Rehabilitation or Liquidation, appointing the Department of Financial Services (herein, the "DFS") as Receiver for the purposes of Rehabilitation or Liquidation." Further the consent states, "Respondent agrees not to contest the initiation of delinquency proceedings by the DFS in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida. Respondent agrees further that no hearing need be held on the DFS' petition for an order appointing the DFS as Receiver."

### **CONCLUSION**

Based on the above, FSIC is impaired and insolvent or about to become insolvent; is in such condition or is using or has been subject to such methods or practices in the conduct of its business, as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, creditors, stockholders, or the public; has willfully violated Florida law; and has consented to rehabilitation or liquidation. Thus, grounds for issuing an Order for entry into receivership exist under Sections 631.051(1), 631.051(3), 631.051(8), 631.051(11), and 631.061(1), Florida Statutes.

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**FURTHER AFFIANT SAYETH NOT.**

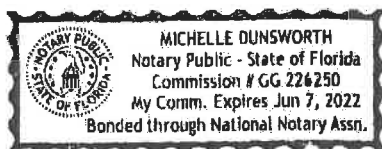
Virginia A. Christy

Virginia A. Christy, Director  
Property & Casualty Financial Oversight  
Office of Insurance Regulation

STATE OF FL

COUNTY OF Monroe

The foregoing affidavit was sworn to and subscribed before me this 16<sup>th</sup> day of Sep  
2019, by Virginia Christy.



Michelle Dunsworth  
(Signature of the Notary)

Michelle Dunsworth  
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known \_\_\_\_\_ OR Produced Identification X

Type of Identification Produced FL DL

My Commission Expires 6-7-22

# EXHIBIT 1

*In the Matter of: Florida Specialty Insurance Company  
Consent Order No. 242640-19-CO*

**FILED**

MAR 20 2019

OFFICE OF  
INSURANCE REGULATION  
Decided by: **OFFICE OF INSURANCE REGULATION****DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 242640-19-CO

FLORIDA SPECIALTY INSURANCE COMPANY  
\_\_\_\_\_ /**CONFIDENTIAL**  
Pursuant to Section  
624.82, Florida Statutes**CONSENT ORDER FOR ADMINISTRATIVE SUPERVISION**

THIS CAUSE came on for consideration upon review by the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") of the financial condition of FLORIDA SPECIALTY INSURANCE COMPANY ("FLORIDA SPECIALTY"). After a complete review of the entire record, and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and of the parties herein.
2. FLORIDA SPECIALTY is a domestic property and casualty insurer authorized to do business in Florida and subject to regulation by the OFFICE, pursuant to the Florida Insurance Code.
3. The OFFICE has determined, pursuant to Section 624.81, Florida Statutes, that grounds exist for FLORIDA SPECIALTY to be placed in administrative supervision for the purpose of protecting the assets of FLORIDA SPECIALTY and protecting the interests of its insureds. FLORIDA SPECIALTY has been fully cooperative with the OFFICE and agrees to be placed under administrative supervision for a period of 120 days from the date of execution of this Consent Order. Such administrative supervision may be extended in increments of not more than

120 days at the OFFICE's sole discretion for as long as is necessary for the company to implement and complete its appropriate corrective action plan ("Plan").

4. FLORIDA SPECIALTY shall file its Plan with the OFFICE by the close of business March 31, 2019. The Plan must include, but is not limited to the following:

a. A definitive business solution for the ongoing operation of the company, which may include a sale of the company, a merger, a change to its business plan, the nonrenewal of blocks of policies, or other measures designed to address its hazardous financial condition;

b. Information regarding its proposed 2019 reinsurance program which demonstrates it has or will have sufficient catastrophe reinsurance in place as of June 1 to provide adequate reinsurance for the upcoming hurricane season;

c. A demonstration of FLORIDA SPECIALTY's ability to fund its operations in amounts sufficient to pay all policyholder claims and provide for the payment of other liabilities as they become due;

d. A schedule of the distribution of renewals by month, state, and policy type. Additionally, for the state of Florida, a schedule of renewals by month, county and policy type;

e. A schedule of all outstanding claims to include date of loss, initial reserve amount, and current reserve amount as of March 31, 2019; and

f. Such other information as the OFFICE may reasonably require.

5. FLORIDA SPECIALTY shall obtain prior written consent from the OFFICE before conducting any of the activities enumerated in Section 624.83, Florida Statutes.

6. FLORIDA SPECIALTY shall not enter into any new, or amend any existing, agreements with any affiliates, as defined in Section 631.011(1), Florida Statutes, without prior written consent of the OFFICE.

7. **FLORIDA SPECIALTY shall not waste assets or expend funds in excess of \$10,000 U.S. Dollars ("USD"), other than in the ordinary course of business, without the prior written consent of the OFFICE. If, after approval of a transaction over \$10,000 USD has been granted by the OFFICE, the OFFICE becomes aware of additional facts or circumstances that materially affect such approval, the OFFICE reserves the right to require such corrective action as it may deem necessary or advisable. Transactions in the ordinary course of business shall include, but not be limited to, payment of claims. FLORIDA SPECIALTY need not obtain prior written approval for payment of claims over the amount of \$10,000 USD; however, the OFFICE may retrospectively review such payments.**

8. **Within 5 business days of execution of this Consent Order, FLORIDA SPECIALTY shall provide a list of any known pending litigation in which FLORIDA SPECIALTY is named as a party. FLORIDA SPECIALTY agrees to immediately notify the OFFICE of any litigation initiated naming FLORIDA SPECIALTY as a party after execution of this Consent Order.**

9. **The OFFICE may appoint a Deputy Supervisor pursuant to Section 624.87, Florida Statutes. Such Deputy Supervisor shall represent the OFFICE and shall be under the control of the OFFICE.**

10. **FLORIDA SPECIALTY shall be responsible for administrative supervision expenses pursuant to Section 624.87, Florida Statutes. FLORIDA SPECIALTY shall reimburse the OFFICE for any reasonable expenses of supervision and will pay directly all contractors, including any Deputy Supervisor retained by the OFFICE, for assistance with the administrative supervision. Such reimbursement shall be made biweekly or as otherwise directed by the OFFICE.**

11. **FLORIDA SPECIALTY agrees that the OFFICE and the Department of Financial Services ("Department") may have examiners or other designees present at the offices of**

FLORIDA SPECIALTY to supervise activities, obtain independent information, verify transactions, verify the conditions and status of FLORIDA SPECIALTY and its progress in developing and complying with its Plan, and perform any other duty as designated by the OFFICE. FLORIDA SPECIALTY shall cooperate with and facilitate the presence and work of such examiners or designees.

12. Administrative supervision is confidential as provided in Section 624.82, Florida Statutes, unless otherwise specified within that Section. The OFFICE reserves the right to make this Administrative Supervision, including this Consent Order, public pursuant to Section 624.82(4), Florida Statutes.

13. FLORIDA SPECIALTY agrees and affirms that all information, submissions, explanations, representations, and documents provided to the OFFICE in connection with this matter, including all attachments and supplements thereto, are true and correct and material to the issuance of this Consent Order.

14. Should FLORIDA SPECIALTY fail to comply with any provision of this consent order, FLORIDA SPECIALTY consents to the entry of an Order appointing the Department as Receiver and acknowledges that the Department may apply to the Court for an Order of Rehabilitation or Liquidation, at the sole discretion of the Department, on the basis that FLORIDA SPECIALTY has consented to the entry of such an Order. FLORIDA SPECIALTY further agrees that the Department shall have the sole discretion to determine whether FLORIDA SPECIALTY shall be placed into rehabilitation or liquidation. In the event that the Department initially obtains an Order appointing it as Receiver of FLORIDA SPECIALTY for purposes of Rehabilitation, FLORIDA SPECIALTY further consents to the Department obtaining a subsequent Order appointing the Department as Receiver for the purposes of Liquidation, should the Department, at



any time and in its sole discretion, determine that Rehabilitation of FLORIDA SPECIALTY is not feasible.

15. FLORIDA SPECIALTY expressly waives its rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings herein to which it may be entitled by law or rules of the OFFICE. FLORIDA SPECIALTY hereby knowingly and voluntarily waives all rights to challenge or contest this Consent Order in any forum now or in the future available to it, including the rights to any administrative proceeding, state or federal court action, or any appeal.

16. FLORIDA SPECIALTY acknowledges that the execution of this Consent Order does not prohibit other administrative action upon the Certificate of Authority of FLORIDA SPECIALTY deemed appropriate by the OFFICE in accordance the Florida Insurance Code or with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

17. FLORIDA SPECIALTY agrees that if the OFFICE expends staff time or funds because further proceedings are required to enforce the terms of this Consent Order, or if administrative proceedings are initiated by FLORIDA SPECIALTY regarding this administrative supervision and the OFFICE prevails in such proceedings, FLORIDA SPECIALTY shall reimburse the OFFICE for reasonable attorney fees and costs. Otherwise, each party to this Consent Order shall bear its own costs and attorney fees.

18. Any prior orders, consent orders, or corrective action plans that FLORIDA SPECIALTY has entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for FLORIDA SPECIALTY, except where provisions of such orders, consent orders, or corrective action plans have expired; have been superseded by

subsequent orders, consent orders, or corrective action plans; or are inconsistent with this Consent Order.

19. Any deadlines, reporting requirements, other provisions, or requirements set forth in this Consent Order may be altered or terminated by written approval of the OFFICE. Such written approval by the OFFICE is subject to statutory or administrative regulation limitations.

20. FLORIDA SPECIALTY affirms that all requirements set forth herein are material to the issuance of this Consent Order.

21. FLORIDA SPECIALTY agrees that it has entered into this Consent Order voluntarily, without coercion from the OFFICE, or any agent, employee, or designee of the OFFICE, and that FLORIDA SPECIALTY has obtained legal counsel prior to entering into this Consent Order.

22. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of FLORIDA SPECIALTY or its authorized representative, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, FLORIDA SPECIALTY agrees that its signature, as affixed to this Consent Order, shall be under the seal of a Notary Public.

WHEREFORE, the agreement between FLORIDA SPECIALTY INSURANCE COMPANY and the FLORIDA OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED. FURTHER, all terms and conditions contained herein to place FLORIDA SPECIALTY INSURANCE COMPANY in administrative supervision are hereby ORDERED.

DONE and ORDERED this 20 day of March, 2019.



David Altmaier  
David Altmaier, Commissioner  
Office of Insurance Regulation

By execution hereof, FLORIDA SPECIALTY INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind FLORIDA SPECIALTY INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he or she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for FLORIDA SPECIALTY INSURANCE COMPANY.

FLORIDA SPECIALTY INSURANCE COMPANY

By: Susan Patschak

[Corporate Seal]

Name: SUSAN J. PATSCHAK  
(Please type or print)

Title: CEO

Date: 3/19/19

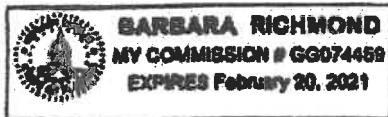
STATE OF FLORIDA

COUNTY OF SARASOTA

The foregoing affidavit was sworn to and subscribed before me this 19<sup>th</sup> day of March, 2019.

by Susan Patschak as OFFICER  
(Name of person) (Type of authority...e.g. officer, trustee attorney in fact)

for FLORIDA SPECIALTY INSURANCE COMPANY  
(Company name)



Barbara Richmond  
(Signature of notary)  
Barbara Richmond  
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known ☒ OR Produced Identification \_\_\_\_\_

Type of identification produced \_\_\_\_\_

My Commission Expires February 20, 2021

**COPIES FURNISHED TO:**

**WILLIAM LODEN, PRESIDENT**  
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# EXHIBIT 2

*In the Matter of: Florida Specialty Insurance Company  
Consent Order No. 244368-19-CO*



**FILED**

**JUL 18 2019**

**OFFICE OF  
INSURANCE REGULATION**  
Docketed by:                     

**OFFICE OF INSURANCE REGULATION**

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 244368-19-CO

**FLORIDA SPECIALTY INSURANCE COMPANY**  
\_\_\_\_\_

**CONFIDENTIAL**  
Pursuant to Section  
624.82, Florida Statutes

**CONSENT ORDER EXTENDING PERIOD OF ADMINISTRATIVE SUPERVISION**

THIS CAUSE came on for consideration upon review by the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") of the financial condition of FLORIDA SPECIALTY INSURANCE COMPANY ("FLORIDA SPECIALTY"). After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and subject matter of this action.
2. The OFFICE and FLORIDA SPECIALTY entered into Consent Order 242640-19-CO ("Supervision Order") on March 20, 2019 (attached as Exhibit "1" and hereby incorporated by reference). Under the terms of that Supervision Order, FLORIDA SPECIALTY was placed in administrative supervision for a period of 120 days from the date of execution of the Supervision Order.
3. Administrative supervision of FLORIDA SPECIALTY is currently set to expire on July 18, 2019.
4. Paragraph 3 of the Supervision Order states as follows:  
  
FLORIDA SPECIALTY has been fully cooperative with the OFFICE and agrees to be placed under administrative supervision for a period of 120 days from the date

of execution of this Consent Order. Such administrative supervision may be extended in 120 day increments at the OFFICE's sole discretion for as long as is necessary for the company to implement and complete its wind-down plan ("Plan").

5. As of the date of this Consent Order, conditions justifying administrative supervision exist that necessitate an extension of the period of administrative supervision for 120 days from the date of this Consent Order.

6. The OFFICE and FLORIDA SPECIALTY agree that the only modifications to the Supervision Order in this Consent Order are set forth in paragraphs 4-5 immediately above. All other terms and conditions of the Supervision Order remain unchanged and in full force and effect.

WHEREFORE, because the OFFICE has determined that conditions justifying continued administrative supervision exist, the administrative supervision of FLORIDA SPECIALTY is hereby extended for an additional 120 days from the date of execution of this Consent Order. All terms and conditions contained herein are hereby ORDERED, and all other provisions of Consent Order 242640-19-CO remain unchanged by this Consent Order.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 18<sup>th</sup> day of July, 2019.



*David Altmaier*

David Altmaier, Commissioner  
Office of Insurance Regulation



By execution hereof, FLORIDA SPECIALTY INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind FLORIDA SPECIALTY INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he or she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for FLORIDA SPECIALTY INSURANCE COMPANY.

FLORIDA SPECIALTY INSURANCE COMPANY

By: Susan Jatschak

[Corporate Seal]

Name: SUSAN J PATSCHAK  
(Please type or print)

Title: CEO

Date: 7/18/19

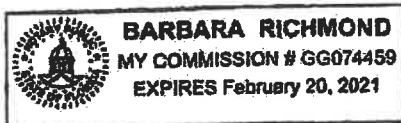
STATE OF FLORIDA

COUNTY OF SARASOTA

The foregoing affidavit was sworn to and subscribed before me this 18 day of July, 2019,

by Susan J PATSCHAK as OFFICER  
(Name of person) (Type of authority...e.g. officer, trustee attorney in fact)

for FLORIDA SPECIALTY INSURANCE COMPANY  
(Company name)



Barbara Richmond  
(Signature of Notary)  
Barbara Richmond  
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known ☒ OR Produced Identification \_\_\_\_\_

Type of identification produced N/A

My Commission Expires February 20, 2021

**COPIES FURNISHED TO:**

**SUSAN PATSCHAK, CHIEF EXECUTIVE OFFICER**  
Florida Specialty Insurance Company  
1S School Avenue, Suite 900  
Sarasota, Florida 34237-6014  
Email: [spatschak@floridaspecialty.com](mailto:spatschak@floridaspecialty.com)

**VIRGINIA CHRISTY, DIRECTOR**  
Property & Casualty Financial Oversight  
200 East Gaines Street  
Tallahassee, Florida 32399  
Email: [virginia.christy@flor.com](mailto:virginia.christy@flor.com)

**MATTHEW A. SIRMANS, ASSISTANT GENERAL COUNSEL**  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399  
Telephone: (850) 413-4292  
Email: [matt.sirmans@flor.com](mailto:matt.sirmans@flor.com)

# EXHIBIT 3

*Florida Specialty Insurance Company  
Quarterly Statement as of June 30, 2019*



# QUARTERLY STATEMENT

As of June 30, 2019  
of the Condition and Affairs of the

## FLORIDA SPECIALTY INSURANCE COMPANY

NAIC Group Code..... 0, 0  
(Current Period) (Prior Period)

NAIC Company Code..... 17248

Employer's ID Number..... 47-0706955

Organized under the Laws of FL

State of Domicile or Port of Entry FL

Country of Domicile US

Incorporated/Organized..... June 10, 1987

Commenced Business..... July 17, 1987

Statutory Home Office

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

941-210-5670  
(Area Code) (Telephone Number)

Mail Address

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

941-210-5674  
(Area Code) (Telephone Number)

Internet Web Site Address

WWW.FLORIDASPECIALTY.COM

Statutory Statement Contact

LAURA REAY LOPEZ  
(Name)

941-210-5673  
(Area Code) (Telephone Number) (Extension)

LLOPEZ@FLORIDASPECIALTY.COM  
(E-Mail Address)

941-330-8761  
(Fax Number)

### OFFICERS

Name  
1. SUSAN JEAN PATSCHAK  
3.

Title  
CEO AND SECRETARY

Name  
2.  
4.

Title

### DIRECTORS OR TRUSTEES

SUSAN JEAN PATSCHAK

ALEX BLUMENFRUCHT

VINCENT THOMAS ROWLAND, JR

YAAKOV BEYMAN

State of..... Florida  
County of..... Sarasota

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
SUSAN JEAN PATSCHAK		
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
CEO AND SECRETARY		
(Title)	(Title)	(Title)

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_

a. Is this an original filing?  
b. If no: 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes [ X ] No [ ]

## ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	5,623,270		5,623,270	7,957,808
2. Stocks:				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....			.0	
3. Mortgage loans on real estate:				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....6,540,025), cash equivalents (\$.....372,643) and short-term investments (\$.....0).....	6,912,669		6,912,669	2,883,517
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Derivatives.....			.0	
8. Other invested assets.....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets.....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	12,535,939	.0	12,535,939	10,841,325
13. Title plants less \$.....0 charged off (for Title Insurers only).....			.0	
14. Investment income due and accrued.....	30,247		30,247	46,172
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	2,334,067	84,853	2,269,214	5,621,347
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	3,593,833		3,593,833	
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0).....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	34,143,004		34,143,004	11,420,417
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....			.0	1,366,272
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
18.2 Net deferred tax asset.....	1,470,000		1,470,000	1,470,000
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....	46,882	46,882	.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	1,378,704		1,378,704	328,128
24. Health care (\$.....0) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	.0	.0	.0	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	55,532,676	111,735	55,420,941	31,094,661
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. Total (Lines 26 and 27).....	55,532,676	111,735	55,420,941	31,094,661

## DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501.....			.0	
2502.....			.0	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	.0	.0	.0	.0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$....1,341,184).....	2,831,760	3,816,133
2. Reinsurance payable on paid losses and loss adjustment expenses.....	157,826	8,522
3. Loss adjustment expenses.....	620,883	1,735,220
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	608,444	669,347
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....		424,284
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$....51,189,846 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	(672,093)	(7,510,858)
10. Advance premium.....	3,075,188	2,293,322
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	40,814,561	17,268,391
13. Funds held by company under reinsurance treaties.....	16,788	2,100
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....		
22. Payable for securities lending.....		
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	(2,067,106)	(4,222,499)
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	45,386,031	14,484,962
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	45,386,031	14,484,962
29. Aggregate write-ins for special surplus funds.....	2,451,164	2,451,164
30. Common capital stock.....	2,000,000	2,000,000
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	11,585,028	11,585,028
35. Unassigned funds (surplus).....	(6,001,283)	573,507
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36).....	10,034,909	16,609,699
38. Totals (Page 2, Line 28, Col. 3).....	55,420,940	31,094,681

## DETAILS OF WRITE-INS

2501. Retroactive Reinsurance Reserve Ceded.....	(2,067,106)	(4,222,499)
2502.....		
2503.....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	(2,067,106)	(4,222,499)
2901. Retroactive Reinsurance Special Surplus.....	2,451,164	2,451,164
2902.....		
2903.....		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	2,451,164	2,451,164
3201.....		
3202.....		
3203.....		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

**STATEMENT OF INCOME**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct..... (written \$.....50,648,289).....	48,315,980	37,342,858	82,320,101
1.2 Assumed..... (written \$.....0).....		(5,569)	(7,564)
1.3 Ceded..... (written \$.....45,309,148).....	49,815,604	34,842,553	74,268,794
1.4 Net..... (written \$.....5,339,141).....	(1,498,624)	2,494,736	8,043,743
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....2,014,273):			
2.1 Direct.....	42,856,364	19,280,004	65,479,317
2.2 Assumed.....	89,427	204,394	326,762
2.3 Ceded.....	41,841,228	15,774,452	59,789,012
2.4 Net.....	1,104,663	3,708,948	6,037,067
3. Loss adjustment expenses incurred.....	(94,824)	567,991	2,379,821
4. Other underwriting expenses incurred.....	4,524,325	(11,488,408)	1,276,103
5. Aggregate write-ins for underwriting deductions.....	(215,968)	0	(2,566,123)
6. Total underwriting deductions (Lines 2 through 5).....	5,318,096	(7,210,471)	7,126,968
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(6,817,720)	9,705,207	916,775
<b>INVESTMENT INCOME</b>			
9. Net investment income earned.....	72,098	224,907	369,439
10. Net realized capital gains (losses) less capital gains tax of \$.....0.....	(41,795)	(16,135)	(197,479)
11. Net investment gain (loss) (Lines 9 + 10).....	30,303	208,771	171,960
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....7,180).....	(7,180)	(2,904)	
13. Finance and service charges not included in premiums.....	155,889	138,448	321,618
14. Aggregate write-ins for miscellaneous income.....	0	(473,733)	0
15. Total other income (Lines 12 through 14).....	148,709	(338,189)	321,618
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(6,638,708)	9,575,789	1,410,553
17. Dividends to policyholders.....			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	(6,638,708)	9,575,789	1,410,553
19. Federal and foreign income taxes incurred.....			
20. Net income (Line 18 minus Line 19) (to Line 22).....	(6,638,708)	9,575,789	1,410,553
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year.....	16,609,697	15,013,134	15,013,134
22. Net income (from Line 20).....	(6,638,708)	9,575,789	1,410,553
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....	55,116	(7,135)	(51,829)
25. Change in net unrealized foreign exchange capital gain (loss).....			
26. Change in net deferred income tax.....			268,149
27. Change in nonadmitted assets.....	8,804	(26,855)	(30,310)
28. Change in provision for reinsurance.....			
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....			
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....			
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37).....	(6,574,788)	9,541,799	1,596,563
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	10,034,909	24,554,933	16,609,697
<b>DETAILS OF WRITE-INS</b>			
0501. Premium Write-Offs.....			130,727
0502. Misc Income.....	(215,968)		(245,886)
0503. Retroactive Reinsurance Gain / (Loss).....			(2,451,164)
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	(215,968)	0	(2,566,123)
1401. Commission Income.....		9,516	
1402. Retroactive Reinsurance Gain / (Loss).....		(483,249)	
1403.....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	(473,733)	0
3701.....			
3702.....			
3703.....			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0	0

## CASH FLOW

	1 Current Year to Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>			
1. Premiums collected net of reinsurance.....	29,427,399	12,456,444	(6,181,873)
2. Net investment income.....	101,392	311,312	537,556
3. Miscellaneous income.....	148,709	(338,189)	321,818
4. Total (Lines 1 through 3).....	29,677,500	12,429,568	(5,322,499)
5. Benefit and loss related payments.....	23,295,947	23,063,348	12,684,059
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions.....	5,813,277	(11,315,828)	(781,251)
8. Dividends paid to policyholders.....			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....			
10. Total (Lines 5 through 9).....	28,109,224	11,747,722	11,922,808
11. Net cash from operations (Line 4 minus Line 10).....	568,276	681,846	(17,245,305)
<b>CASH FROM INVESTMENTS</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	2,334,490	7,256,759	14,928,034
12.2 Stocks.....			
12.3 Mortgage loans.....			
12.4 Real estate.....			
12.5 Other invested assets.....			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....			
12.7 Miscellaneous proceeds.....			
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	2,334,490	7,256,759	14,928,034
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....		1,899,291	1,899,291
13.2 Stocks.....			
13.3 Mortgage loans.....			
13.4 Real estate.....			
13.5 Other invested assets.....			
13.6 Miscellaneous applications.....			
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	1,899,291	1,899,291
14. Net increase or (decrease) in contract loans and premium notes.....			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	2,334,490	5,357,468	13,028,743
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....			
16.2 Capital and paid in surplus, less treasury stock.....			
16.3 Borrowed funds.....			
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....			
16.5 Dividends to stockholders.....			
16.6 Other cash provided (applied).....	1,126,387	(2,482,736)	(3,090,885)
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	1,126,387	(2,482,736)	(3,090,885)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	4,028,153	3,556,577	(7,307,548)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	2,883,518	10,191,068	10,191,068
19.2 End of period (Line 18 plus Line 19.1).....	6,912,670	13,747,643	2,883,518
Note: Supplemental disclosures of cash flow information for non-cash transactions:			
20.0001			



**NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of Significant Accounting Policies and Going Concern****A. Accounting Practices**

The financial statements of Florida Specialty Insurance Company ("Company") are presented on the basis of accounting practices prescribed or permitted by the Florida Office of Insurance Regulation. The Florida OIR recognizes only statutory accounting practices prescribed or permitted by the State of Florida for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Florida Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Florida. The State has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. The Florida Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices. A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Florida is shown below:

	SSAP #	F/S Page	F/S Line #	Current Year to Date	2018
<b>NET INCOME</b>					
(1) The Company state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	\$ (6,638,708)	\$ 1,410,554
(2) State Prescribed Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(3) State Permitted Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	\$ (6,638,708)	\$ 1,410,554
<b>SURPLUS</b>					
(5) The Company state basis (Page 3, line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 10,034,909	\$ 16,609,699
(6) State Prescribed Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(7) State Permitted Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	\$ 10,034,909	\$ 16,609,699

**C. Accounting Policy**

- (2) Basis for Bonds, Mandatory Convertible Securities, SVO-Identified Investments and Amortization Method  
Amortized cost using the interest method.
- (6) Basis for Loan-Backed Securities and Adjustment Methodology  
U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by a NAIC vendor, whether rated (by either a NAIC approved rating organization or the NAIC Securities Valuation Office), and the relationship of amortized value to par value and amortized value to fair value.

**D. Going Concern**

Historical operating results indicate substantial doubt exists related to the Company's ability to continue as a going concern given the current market environment in the state of Florida. The Company plans to substantially de-risk its portfolio beginning in the 4th quarter of 2019. In addition, the Company continues to work with both the Florida Office of Insurance Regulation and its rating agency regarding any significant change in business plans. However, we cannot predict, with certainty, the outcome of our actions to generate financial stability, or whether such actions will generate the expected financial stability.

**Note 2 – Accounting Changes and Corrections of Errors**

No significant changes

**Note 3 – Business Combinations and Goodwill**

No significant changes

**Note 4 – Discontinued Operations**

No significant changes

**Note 5 – Investments****D. Loan-Backed Securities**

- (1) Description of Sources Used to Determine Prepayment Assumptions  
Prepayment assumptions for loan-backed and structured securities were obtained from broker dealer survey values or internal estimates.
- (5) Information Investor Considered in Reaching Conclusion that Impairments are Not Other-Than-Temporary  
Loan-backed and structured securities in an unrealized loss position were reviewed to determine whether other-than-temporary impairments should be recognized. All Loan-backed structured securities have been held by the Company for less than 1 year. The Company intends and has the ability to hold these securities long enough to allow the cost basis of these securities to be recovered. It is possible that the Company could recognize other-than-temporary impairments in the future on some of the securities, if future events, information and the passage of time cause it to conclude that declines in value are other-than temporary.

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## **NOTES TO FINANCIAL STATEMENTS**

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**E. Dollar Repurchase Agreements and/or Securities Lending Transactions**

The Company has no Dollar Repurchase and/or Securities Lending Transactions.

**F. Repurchase Agreements Transactions Accounted for as Secured Borrowing**

The Company has no Repurchase Agreements Transactions Accounting for Secured Borrowing.

**G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing**

The Company has no Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing.

**H. Repurchase Agreements Transactions Accounted for as a Sale**

The Company has no Repurchase Agreements Transactions Accounted for as a Sale.

**I. Reverse Repurchase Agreements Transactions Accounted for as a Sale  
Repurchase Transaction – Cash Provider – Overview of Sale Transactions**

The Company has no Reverse Repurchase Agreements Transactions Accounted for as a Sale.

**M. Working Capital Finance Investments**

The Company has no working capital finance investments.

**N. Offsetting and Netting of Assets and Liabilities**

The Company does not perform any offsetting and netting of assets and liabilities.

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

No significant changes

**Note 7 – Investment Income**

No significant changes

**Note 8 – Derivative Instruments**

The Company has no derivative instruments.

**Note 9 – Income Taxes**

No significant changes

**Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

No significant changes

**Note 11 – Debt**

The Company has no outstanding debt during the statement periods.

**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A - D. The company does not participate in a defined benefit plan.

**Note 13 – Capital and Surplus, Shareholder's Dividend Restrictions and Quasi-Reorganizations**

No significant changes

**Note 14 – Liabilities, Contingencies and Assessments**

No significant changes

**Note 15 – Leases**

No significant changes

**Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

No significant changes

**NOTES TO FINANCIAL STATEMENTS****Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities****B. Transfer and Servicing of Financial Assets**

The Company has no transfer and servicing of financial assets.

**C. Wash Sales****(1) Description of the Objectives Regarding These Transactions**

In the course of the company's asset management, securities are sold and reacquired within 30 days of the sale date to enhance the company's yield on its investment portfolio. However, there were no wash sales occurring during 2019.

**Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Portion of Partially Insured Plans**

No significant changes

**Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

No significant changes

**Note 20 – Fair Value Measurements****A. Fair Value Measurements****(1) Fair Value Measurements at Reporting Date**

The Company categorizes its assets and liabilities that are measured at fair value into the 3-tier hierarchy as reflected below. The 3-tier hierarchy is based on the degree of subjectivity in the valuation method by which fair value is determined.

Level 1: The estimated fair value within this tier is based on quota prices in active markets and therefore classified as Level 1. The Company has no assets or liabilities measured at fair value in this tier.

Level 2: The estimated fair value within this tier is determined by independent pricing services using observable inputs or based on quotes from markets which are not actively traded.

Level 3: The estimated fair value within this tier is determined using pricing models as there is little or no market activity with unobservable inputs thus requiring judgment and estimation. The Company has no assets or liabilities measured at fair value in this tier.

Description for Each Type of Asset or Liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
<b>Assets at Fair Value</b>					
Cash Equivalent - Other MM Mutual Fund	\$ 372,643	\$	\$	\$	\$ 372,643
Pacific Gas & Electric Co.	\$	\$ 137,900	\$	\$	\$ 137,900
<b>Total</b>	<b>\$ 372,643</b>	<b>\$ 137,900</b>	<b>\$</b>	<b>\$</b>	<b>\$ 510,543</b>
<b>Liabilities at Fair Value</b>					
	\$	\$	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy**

Description	Beginning Balance	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance as of Current Period
<b>a. Assets</b>										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>b. Liabilities</b>										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**(3) Policies when Transfers Between Levels are Recognized**

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3.

**(4) Description of Valuation Techniques and Inputs Used in Fair Value Measurement**

The estimated fair values were determined by utilizing independent pricing services using observable inputs.

**NOTES TO FINANCIAL STATEMENTS**

- (5) Fair Value Disclosures  
Not applicable.

B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

Fair Value measurements at the reporting date and the source of the fair value measurements are obtained primarily from independent pricing services.

C. Fair Value Level

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
US Gov't	\$ 872,570	\$ 851,798	\$ 851,798	\$	\$	\$	\$
Municipals	\$ 1,385,341	\$ 1,363,746	\$	\$ 1,363,746	\$	\$	\$
Corporate	\$ 3,418,589	\$ 3,407,727	\$	\$ 3,407,727	\$	\$	\$
Totals	\$ 5,676,501	\$ 5,623,271	\$	\$ 5,623,271	\$	\$	\$

D. Not Practicable to Estimate Fair Value

Not applicable

E. NAV Practical Expedient Investments

**Note 21 – Other Items**

No significant changes

***Florida Specialty Insurance Company***  
**Agents' Balances Certification**  
**Quarter Ended June 30, 2019**

- 1) Agents' Balances or Uncollected Premiums as reported on Page 2, Line 15.1

\$2,334,067

- 2) Amount of Agents' Balances or Uncollected Premiums from Page 2, Line 15.1 that is due from "controlled" or "controlling" persons, and

\$0

- 3) \*Amount reported in #2 above and secured by a: Trust Fund, Letter of Credit, and Financial Guaranty Bond as required by Section 625.012, Florida Statutes.

\$0

**Note 22 – Events Subsequent**

Subsequent events have been considered through August 14, 2019 for these statutory financial statements which are to be issued on . There were no events occurring subsequent to the end of the quarter that merited recognition or disclosure in these statements.

**Note 23 – Reinsurance**

No significant changes

**Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination**

The Company has no retrospectively rated contracts or contracts subject to redetermination.

**Note 25 – Change in Incurred Losses and Loss Adjustment Expenses**

A. Change in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2018 were \$5,551,000. In 2019, \$2,592,000 has been paid for incurred losses and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$1,813,000 as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been a \$1,148,000 of favorable reserve prior year development since December 31, 2018. The change is generally the result of ongoing analysis of recent development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

B. Information about Significant Changes in Methodologies and Assumptions

No change.

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## **NOTES TO FINANCIAL STATEMENTS**

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**Note 26 – Intercompany Pooling Arrangements**

No significant changes

**Note 27 – Structured Settlements**

No significant changes

**Note 28 – Health Care Receivables**

No significant changes

**Note 29 – Participating Policies**

No significant changes

**Note 30 – Premium Deficiency Reserves**

No significant changes

**Note 31 – High Deductibles**

No significant changes

**Note 32 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

No significant changes

**Note 33 – Asbestos/Environmental Reserves**

No significant changes

**Note 34 – Subscriber Savings Accounts**

No significant changes

**Note 35 – Multiple Peril Crop Insurance**

No significant changes

**Note 36 – Financial Guaranty Insurance**

The Company does not write financial guaranty insurance.

**GENERAL INTERROGATORIES****PART 1 - COMMON INTERROGATORIES****GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes [ ] No [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes [ ] No [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [ ] No [X]
- 2.2 If yes, date of change:
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? If yes, complete Schedule Y, Parts 1 and 1A. Yes [X] No [ ]
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes [ ] No [X]
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.
- 3.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes [ ] No [X]
- 3.5 If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? If yes, complete and file the merger history data file with the NAIC for the annual filing corresponding to this period. Yes [ ] No [X]
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? If yes, attach an explanation. Yes [ ] No [X] N/A [ ]

- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2016 12/31/2018
- 6.2 State as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2016 12/31/2018
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 2/21/2018 02/21/2018

- 6.4 By what department or departments?

Florida Office of Insurance Regulation

- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ ] No [ ] N/A [X]
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [X] No [ ] N/A [ ]
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]
- 7.2 If yes, give full information:

- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes [ ] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

- 8.4 If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.

- 9.11 If the response to 9.1 is No, please explain:

- 9.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

- 9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

## GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

## FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No [ ]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 0

## INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes [ ] No [X]

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$ 0

13. Amount of real estate and mortgages held in short-term investments:

\$ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes [ ] No [X]

14.2 If yes, please complete the following:

14.21 Bonds

14.22 Preferred Stock

14.23 Common Stock

14.24 Short-Term Investments

14.25 Mortgage Loans on Real Estate

14.26 All Other

14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)

14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above

1 Prior Year End Book/Adjusted Carrying Value	2 Current Quarter Book/Adjusted Carrying Value
\$ 0	\$ 0
0	0
0	0
0	0
0	0
0	0
0	0
\$ 0	\$ 0
\$ 0	\$ 0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes [ ] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ] No [X]

If no, attach a description with this statement.

16. For the reporting entity's security lending program, state the amount of the following as of current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$ 0

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2:

\$ 0

16.3 Total payable for securities lending reported on the liability page:

\$ 0

17. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes [X] No [ ]

17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian Address
Fifth Third Bank	Orlando, FL

17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter?

Yes [ ] No [X]

17.4 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

17.5 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such: "...that have access to the investment accounts", "handle securities".

1 Name of Firm or Individual	2 Affiliation
Asset Allocation & Management Company, LLC	U

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets?

Yes [X] No [ ]

17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity's assets?

Yes [X] No [ ]

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
	Asset Allocation & Management Company, LLC			

18.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC *Investment Analysis Office* been followed?

Yes [X] No [ ]

18.2 If no, list exceptions:

## **GENERAL INTERROGATORIES**

### **PART 1 - COMMON INTERROGATORIES**

19. By self-designating 5GI securities, the reporting entity is certifying the following elements for each self-designated 5GI security:
- a. Documentation necessary to permit a full credit analysis of the security does not exist or an NAIC CRP credit rating for an FE or PL security is not available.
  - b. Issuer or obligor is current on all contracted interest and principal payments.
  - c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.
- Has the reporting entity self-designated 5GI securities?
20. By self-designating PLGI securities, the reporting entity is certifying the following elements for each self-designated PLGI security:
- a. The security was purchased prior to January 1, 2018.
  - b. The reporting entity is holding capital commensurate with the NAIC Designation reported for the security.
  - c. The NAIC Designation was derived from the credit rating assigned by an NAIC CRP in its legal capacity as a NRSRO which is shown on a current private letter rating held by the insurer and available for examination by state insurance regulators.
  - d. The reporting entity is not permitted to share this credit rating of the PL security with the SVO.
- Has the reporting entity self-designated PLGI securities?

Yes [ ] No [X]

Yes [ ] No [X]



**GENERAL INTERROGATORIES (continued)****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes ☐ No ☐ N/A ☒  
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes ☐ No ☒  
If yes, attach an explanation.

- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes ☐ No ☒

- 3.2 If yes, give full and complete information thereto:

- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes ☐ No ☒

- 4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Disc. Rate	Total Discount				Discount Taken During Period			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 Total	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 Total
	0.000	0.000	0	0	0	0	0	0	0	0
Total	XXX	XXX	0	0	0	0	0	0	0	0

5. Operating Percentages:

- 5.1 A&H loss percent 0.000%  
5.2 A&H cost containment percent 0.000%  
5.3 A&H expense percent excluding cost containment expenses 0.000%

- 6.1 Do you act as a custodian for health savings accounts? Yes ☐ No ☒

- 6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0

- 6.3 Do you act as an administrator for health savings accounts? Yes ☐ No ☒

- 6.4 If yes, please provide the amount of funds administered as of the reporting date. \$ 0

7. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes ☒ No ☐

- 7.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes ☐ No ☒

**SCHEDULE F - CEDED REINSURANCE**

Showing All New Reinsurers - Current Year to Date

1	2	3	4	5	6	7
NAIC Company Code	ID Number	Name of Reinsurer	Domiciliary Jurisdiction	Type of Reinsurer	Certified Reinsurer Rating (1 through 6)	Effective Date of Certified Reinsurer Rating
<b>All Other Insurers</b>						
00000.....	AA-3190871.....	Lancashire Ins Co Ltd.....	BMU.....	Unauthorized.....		

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status (a)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama.....AL	N						
2. Alaska.....AK	N						
3. Arizona.....AZ	L						
4. Arkansas.....AR	N						
5. California.....CA	N						
6. Colorado.....CO	N						
7. Connecticut.....CT	N						
8. Delaware.....DE	N						
9. District of Columbia.....DC	N						
10. Florida.....FL	L	50,648,289	46,240,900	38,527,567	22,476,863	28,657,779	11,243,601
11. Georgia.....GA	N						
12. Hawaii.....HI	N						
13. Idaho.....ID	N						
14. Illinois.....IL	N						
15. Indiana.....IN	N						
16. Iowa.....IA	N						
17. Kansas.....KS	N						
18. Kentucky.....KY	N						
19. Louisiana.....LA	N						
20. Maine.....ME	N						
21. Maryland.....MD	N						
22. Massachusetts.....MA	N						
23. Michigan.....MI	N						
24. Minnesota.....MN	N						
25. Mississippi.....MS	N						
26. Missouri.....MO	N						
27. Montana.....MT	N						
28. Nebraska.....NE	L						
29. Nevada.....NV	N						
30. New Hampshire.....NH	N						
31. New Jersey.....NJ	N						
32. New Mexico.....NM	N						
33. New York.....NY	N						
34. North Carolina.....NC	N						
35. North Dakota.....ND	N						
36. Ohio.....OH	N						
37. Oklahoma.....OK	N						
38. Oregon.....OR	N						
39. Pennsylvania.....PA	N						
40. Rhode Island.....RI	N						
41. South Carolina.....SC	N						
42. South Dakota.....SD	N						
43. Tennessee.....TN	N						
44. Texas.....TX	N						
45. Utah.....UT	N						
46. Vermont.....VT	N						
47. Virginia.....VA	N						
48. Washington.....WA	N						
49. West Virginia.....WV	N						
50. Wisconsin.....WI	N						
51. Wyoming.....WY	N						
52. American Samoa.....AS	N						
53. Guam.....GU	N						
54. Puerto Rico.....PR	N						
55. US Virgin Islands.....VI	N						
56. Northern Mariana Islands.....MP	N						
57. Canada.....CAN	N						
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
58. Totals	XXX	50,648,289	46,240,900	38,527,567	22,476,863	28,657,779	11,243,601

## DETAILS OF WRITE-INS

58001.....	XXX						
58002.....	XXX						
58003.....	XXX						
58998. Summary of remaining write-ins for Line 58 from overflow page.....	XXX	0	0	0	0	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above).....	XXX	0	0	0	0	0	0

(a) Active Status Count

L - Licensed or Chartered - Licensed Insurance carrier or domiciled RRG.....

3

R - Registered - Non-domiciled RRGs.....

0

E - Eligible - Reporting entities eligible or approved to write surplus lines in the state  
(other than their state of domicile - See DSLI).....

0

Q - Qualified - Qualified or accredited reinsurer.....

0

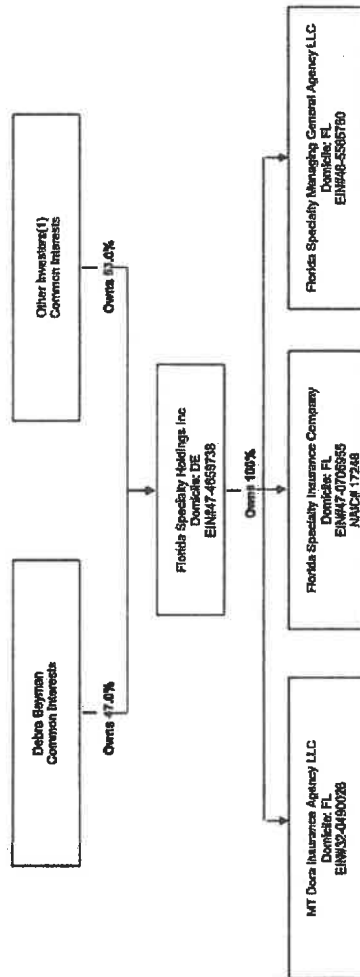
D - Domestic Surplus Lines Insurer (DSLI) - Reporting entities authorized to write  
surplus lines in the state of domicile.....

0

N - None of the above - Not allowed to write business in the state.....

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Submitted for June 30, 2019 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 – ORGANIZATIONAL CHART**



Notes: (1) – One investor owns 11.3%, no other person or entity owns 10% or more of the outstanding voting securities of Florida Specialty Holdings, Inc.

**SCHEDULE Y**

**PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Group Code	Group Name	NAIC Company Code	ID Number	Federal NSIC	CIK	Name of Subsidiary (U.S. or International)	Name of Parent, Subsidiaries or Affiliates	Domestic Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Management, Influence, Other)	If Control is Ownership, Provide Percentage	Ultimate Controlling Entity (Name/Person)	In the SEC Flag Requirement (Y/N)	
				47-465728		Florida Specialty Holdings Inc.	Florida Specialty Holdings Inc.	DE	UP					N	
				49-656780		Florida Specialty Managing General Agency LLC	Florida Specialty Managing General Agency LLC	FL	N/A	Ownership	100			N	
				32-0480026		Mount Dora Insurance Agency LLC	Mount Dora Insurance Agency LLC	FL	N/A	Ownership	100			N	
		17248		47-0706555		Florida Specialty Insurance Company	Florida Specialty Insurance Company	FL	RE	Ownership	100			N	

## PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire			0.000	
2. Allied lines			0.000	
3. Farmowners multiple peril			0.000	
4. Homeowners multiple peril	48,315,060	42,856,364	88.700	61.630
5. Commercial multiple peril			0.000	
6. Mortgage guaranty			0.000	
7. Ocean marine			0.000	
8. Inland marine			0.000	
9. Financial guaranty			0.000	
11.1. Medical professional liability - occurrence			0.000	
11.2. Medical professional liability - claims-made			0.000	
12. Earthquake			0.000	
13. Group accident and health			0.000	
14. Credit accident and health			0.000	
15. Other accident and health			0.000	
16. Workers' compensation			0.000	
17.1. Other liability-occurrence			0.000	
17.2. Other liability-claims made			0.000	
17.3. Excess workers' compensation			0.000	
18.1. Products liability-occurrence			0.000	
18.2. Products liability-claims made			0.000	
19.1. 19.2 Private passenger auto liability			0.000	
19.3. 19.4 Commercial auto liability			0.000	
21. Auto physical damage			0.000	
22. Aircraft (all perils)			0.000	
23. Fidelity			0.000	
24. Surety			0.000	
26. Burglary and theft			0.000	
27. Boiler and machinery			0.000	
28. Credit			0.000	
29. International			0.000	
30. Warranty			0.000	
31. Reinsurance-nonproportional assumed property	XXX	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability	XXX	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.000	
35. Totals	48,315,060	42,856,364	88.700	61.630
DETAILS OF WRITE-INS				
3401.			0.000	
3402.			0.000	
3403.			0.000	
3498. Sum of remaining write-ins for Line 34 from overflow page	0	0	0.000	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34)	0	0	0.000	

## PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire			
2. Allied lines			
3. Farmowners multiple peril			
4. Homeowners multiple peril	25,503,136	50,648,289	46,240,600
5. Commercial multiple peril			
6. Mortgage guaranty			
7. Ocean marine			
8. Inland marine			
9. Financial guaranty			
11.1. Medical professional liability - occurrence			
11.2. Medical professional liability - claims made			
12. Earthquake			
13. Group accident and health			
14. Credit accident and health			
15. Other accident and health			
16. Workers' compensation			
17.1. Other liability-occurrence			
17.2. Other liability-claims made			
17.3. Excess workers' compensation			
18.1. Products liability-occurrence			
18.2. Products liability-claims made			
19.1. 19.2 Private passenger auto liability			
19.3. 19.4 Commercial auto liability			
21. Auto physical damage			
22. Aircraft (all perils)			
23. Fidelity			
24. Surety			
26. Burglary and theft			
27. Boiler and machinery			
28. Credit			
29. International			
30. Warranty			
31. Reinsurance-nonproportional assumed property	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
35. Totals	25,503,136	50,648,289	46,240,600
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34)	0	0	0

**PART 3 (000 omitted)**

### LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVED SCHEDULE												
1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Total Prior Year-End Known Case Loss and LAE Reserves (Cols. 1 + 2)	2019 Payments on Claims Reported as of Prior Year-End	2019 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2019 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Data Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Data Known Case Loss and LAE Reserves on Claims Reported or Reported Subsequent to Prior Year-End	Q.S. Data BNCI Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings) Deductible (Cols. 1 + 7 + 8 minus Col. 1)	Prior Year-End BNCI Loss and LAE Reserves Developed (Savings) Deductible (Cols. 1 + 7 + 8 minus Col. 1)	Prior Year-End Total Loss and LAE Reserve Developed (Savings) Deductible (Cols. 11 + 12)
1. 2016 + Prior	840	1,039	498	8	595	278	100	378	157	137	294	157
2. 2017	2,317	3,713	285	123	508	521	400	821	1,431	1,431	1,431	1,844
3. Subtotals 2017 + Prior	2,877	4,752	884	131	1,103	799	0	1,299	1,299	1,299	1,697	1,891
4. 2018	180	1,348	1,338	271	1,579	292	122	514	1,420	1,420	1,420	845
5. Subtotals 2018 + Prior	3,167	5,851	1,492	400	2,292	1,091	122	1,813	1,813	1,28	1,272	1,148
6. 2019	XXX	XXX	XXX	618	518	XXX	1,057	582	1,639	XXX	XXX	XXX
7. Totals	3,157	5,551	2,122	918	3,108	1,091	1,179	1,182	3,452	128	1,272	1,148
8. Prior Year-End Excess Surplus At Risk										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
9. Prior Year-End Policyholders	15,610									1. 40 % 2. 33.4 % 3. 20.8 %		Col. 13, Line 7 Line 8

Statement for June 30, 2019 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES**

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?
4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

Response

NO

NO

NO

NO

**Explanation:**

1. The data for this supplement is not required to be filed.
2. The data for this supplement is not required to be filed.
3. The data for this supplement is not required to be filed.
4. The data for this supplement is not required to be filed.

**Bar Code:**





**NONE**

**FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE A - VERIFICATION**  
Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Current year change in encumbrances.....		
4. Total gain (loss) on disposals.....		
5. Deduct amounts received on disposals.....		
6. Total foreign exchange change in book/adjusted carrying value.....		
7. Deduct current year's other-than-temporary impairment recognized.....		
8. Deduct current year's depreciation.....		
9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8).....	0	0
10. Deduct total nonadmitted amounts.....		
11. Statement value at end of current period (Line 9 minus Line 10).....	0	0

**SCHEDULE B - VERIFICATION**  
Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and mortgage interest points and commitment fees.....		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....		
10. Deduct current year's other-than-temporary impairment recognized.....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Total valuation allowance.....		
13. Subtotal (Line 11 plus Line 12).....	0	0
14. Deduct total nonadmitted amounts.....		
15. Statement value at end of current period (Line 13 minus Line 14).....	0	0

**SCHEDULE BA - VERIFICATION**  
Other Long-Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and depreciation.....		
9. Total foreign exchange change in book/adjusted carrying value.....		
10. Deduct current year's other-than-temporary impairment recognized.....		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	0	0

**SCHEDULE D - VERIFICATION**  
Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	7,957,810	21,314,544
2. Cost of bonds and stocks acquired.....		1,898,291
3. Accrual of discount.....	866	6,168
4. Unrealized valuation increase (decrease).....	55,113	(51,822)
5. Total gain (loss) on disposals.....	(41,795)	(197,478)
6. Deduct consideration for bonds and stocks disposed of.....	2,334,489	14,928,435
7. Deduct amortization of premium.....	14,235	83,850
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees.....		400
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7+8-9+10).....	5,623,270	7,957,810
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	5,623,270	7,957,810

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. NAIC 1 (a)	4,531,086				4,531,086	4,531,086		6,103,335
2. NAIC 2 (a)	1,098,293				1,098,293	1,098,293		1,637,281
3. NAIC 3 (a)	241,593				241,593	241,593		216,899
4. NAIC 4 (a)								
5. NAIC 5 (a)								
6. NAIC 6 (a)	11,200				11,200	11,200		
7. Total Bonds	5,872,091	0	0	0	5,872,091	5,872,091	0	7,957,515
<b>PREFERRED STOCK</b>								
8. NAIC 1								
9. NAIC 2								
10. NAIC 3								
11. NAIC 4								
12. NAIC 5								
13. NAIC 6								
14. Total Preferred Stock	5,872,091	0	0	0	5,872,091	5,872,091	0	7,957,515
15. Total Bonds and Preferred Stock	5,872,091	0	0	0	5,872,091	5,872,091	0	7,957,515

(a) Book/Adjusted Carrying Values column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation:  
NAIC 1 \$.....0; NAIC 2 \$.....0; NAIC 3 \$.....0; NAIC 4 \$.....0; NAIC 5 \$.....0; NAIC 6 \$.....0.

**Sch. DA - Pt. 1**  
**NONE**

**Sch. DA - Verification**  
**NONE**

**Sch. DB - Pt. A - Verification**  
**NONE**

**Sch. DB - Pt. B - Verification**  
**NONE**

**Sch. DB - Pt. C - Sn. 1**  
**NONE**

**Sch. DB - Pt. C - Sn. 2**  
**NONE**

**Sch. DB - Verification**  
**NONE**

**QSI03, QSI04, QSI05, QSI06, QSI07**

Statement for June 30, 2019 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE E - PART 2 - VERIFICATION**  
Cash Equivalents

	<sup>1</sup> Year To Date	<sup>2</sup> Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	145,482	878,318
2. Cost of cash equivalents acquired.....	2,445,064	15,232,956
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	2,217,823	15,785,792
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/ adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	372,843	145,482
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	372,843	145,482

QSI08

**Sch. A Pt. 2**  
**NONE**

**Sch. A Pt. 3**  
**NONE**

**Sch. B - Pt. 2**  
**NONE**

**Sch. B - Pt. 3**  
**NONE**

**Sch. BA - Pt. 2**  
**NONE**

**Sch. BA - Pt. 3**  
**NONE**

**Sch. D - Pt. 3**  
**NONE**

**QE01, QE02, QE03, QE04**

**SCHEDULE D - PART 4**

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
CLIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Paid Value	Adjusted Cost	Prior Year Book/Adjusted Cost/Carrying Value	Unrealized Valuation Increase (Decrease)	Current Year's (Amortization) / Accretion	Current Year's Temporary Increase (Decrease)	Total Change in B.A.C.V. (11)-(12)-(13)	Total Foreign Exchange Change in B.A.C.V. (14)-(15)	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest / Dividends Received During Year	Revised Cost/Market Value Date	NAC Description and Other Information	
313647	IR - 5 FIRST CITY A. CREDITORS	08/10/2018	Paycom	20	8.10	8.02	8.015	10.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
313650	TR - 1 RANFORD RUSSE	08/10/2018	Paycom	20	8.10	8.02	8.015	10.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
313652	Total - Bonds - U.S. Small Business and Special Assessments			40	16.20	16.04	16.030	20.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
206649	ALL - 2 ENAC GROUP	08/20/2018	CITIBANK N.A.	20	244.69	240.00	233.17	218.82	34.87	182	0	34.87	0	34.87	240.00	0	0	0	0	0	
430597	Total - Bonds - International and Miscellaneous			20	244.69	240.00	233.17	218.82	34.87	182	0	34.87	0	34.87	240.00	0	0	0	0	0	
430597	Total - Bonds - Part 4			20	244.69	240.00	233.17	218.82	34.87	182	0	34.87	0	34.87	240.00	0	0	0	0	0	
430598	Total - Bonds			20	244.69	240.00	233.17	218.82	34.87	182	0	34.87	0	34.87	240.00	0	0	0	0	0	
430598	Total - Bonds, Preferred and Common Stocks			20	244.69	240.00	233.17	218.82	34.87	182	0	34.87	0	34.87	240.00	0	0	0	0	0	

(a) For all securities other than the NAC related indicator "U" provide the number of such items: 0

**Sch. DB - Pt. A - Sn. 1**  
**NONE**

**Sch. DB - Pt. B - Sn. 1**  
**NONE**

**Sch. DB - Pt. D - Sn. 1**  
**NONE**

**Sch. DB - Pt. D - Sn. 2**  
**NONE**

**Sch. DL - Pt. 1**  
**NONE**

**Sch. DL - Pt. 2**  
**NONE**

**QE06, QE07, QE08, QE09, QE10, QE11**



Statement for June 30, 2019 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE E - PART 1 - CASH**

Month End Depository Balances								
1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
					First Month	Second Month	Third Month	
Open Depositories								
Fifth Third Bank - Premiums	Cincinnati, OH				3,785,655	4,302,019	5,153,063	
Fifth Third Bank - Operations	Cincinnati, OH				2,759,326	1,847,214	8,236,448	
Fifth Third Bank - Claims	Cincinnati, OH				(7,623,626)	(7,855,110)	(6,788,363)	
SunTrust Bank - Premiums	Atlanta, GA				186,134	528,435	343,188	
SunTrust Bank - Claims	Atlanta, GA				(2,236,787)	(1,554,305)	(1,437,043)	
SunTrust Bank - Trust	Atlanta, GA	C			1,466,979	1,167,679	1,209,038	
SunTrust Bank - CC Premium	Atlanta, GA				1,374,817	1,667,214	1,833,195	
01889103, Total Open Depositories	XXX	XXX	0	0	(457,875)	403,246	8,540,019	
00089093, Total Cash on Deposit	XXX	XXX	0	0	(457,875)	403,246	8,540,019	
00089099, Total Cash	XXX	XXX	0	0	(457,875)	403,246	8,540,019	

Statement for June 30, 2019 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE E - PART 2 - CASH EQUIVALENTS**  
 Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8	9
	Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Market Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
CSBP	Example Money Market Mutual Funds as Identified by the SVO							
261100	10 7 EMERPLUS FRS ONE DAY INST		06/03/2018	2.350		0	0	0
680000	Total - Example Money Market Mutual Funds as Identified by the SVO					0	0	0
680000	All Other Money Market Mutual Funds							
680000	10 4 FEDERATED GOVT ONE INST		06/03/2018	2.350		372,842	290	1,438
680000	Total - All Other Money Market Mutual Funds					372,842	290	1,438
680000	Total - Cash Equivalents					372,842	290	1,438

# EXHIBIT 4

*Florida Specialty Insurance Company  
Quarterly Statement as of June 30, 2018*



# QUARTERLY STATEMENT

As of June 30, 2018  
of the Condition and Affairs of the

## FLORIDA SPECIALTY INSURANCE COMPANY

NAIC Group Code..... 0, 0  
(Current Period) (Prior Period)

NAIC Company Code..... 17248

Employer's ID Number..... 47-0706955

Organized under the Laws of FL

State of Domicile or Port of Entry FL

Country of Domicile US

Incorporated/Organized..... June 10, 1987

Commenced Business..... July 17, 1987

Statutory Home Office

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

941-210-5670  
(Area Code) (Telephone Number)

Mail Address

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

941-210-5674  
(Area Code) (Telephone Number)

Internet Web Site Address

WWW.FLORIDASPECIALTY.COM

Statutory Statement Contact

CRAIG MICHAEL THOMAS  
(Name)  
CTHOMAS@FLORIDASPECIALTY.COM  
(E-Mail Address)

941-210-5674  
(Area Code) (Telephone Number) (Extension)  
941-330-8761  
(Fax Number)

### OFFICERS

Name	Title	Name	Title
1. SUSAN JEAN PATSCHAK	CEO AND SECRETARY	2. WILLIAM BRODERICK LODEN	PRESIDENT AND COO
3. CRAIG MICHAEL THOMAS	CHIEF FINANCIAL OFFICER	4.	

### DIRECTORS OR TRUSTEES

SUSAN JEAN PATSCHAK	WILLIAM BRODERICK LODEN	DAVID ROBERT TEILER	VINCENT THOMAS ROWLAND, JR
YAAKOV BEYMAN			

State of..... Florida  
County of..... Sarasota

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
SUSAN JEAN PATSCHAK	WILLIAM BRODERICK LODEN	CRAIG MICHAEL THOMAS
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
CEO AND SECRETARY	PRESIDENT AND COO	CHIEF FINANCIAL OFFICER
(Title)	(Title)	(Title)

Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_

a. is this an original filing?  
b. if no: 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes [ X ] No [ ]

## ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	15,888,011		15,888,011	21,314,544
2. Stocks:				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....			.0	
3. Mortgage loans on real estate:				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.000 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.000 encumbrances).....			.0	
4.3 Properties held for sale (less \$.000 encumbrances).....			.0	
5. Cash (\$.7,895,286), cash equivalents (\$.5,852,366) and short-term investments (\$.000).....	13,747,642		13,747,642	10,191,065
6. Contract loans (including \$.000 premium notes).....			.0	
7. Derivatives.....			.0	
8. Other invested assets.....			.0	
9. Receivables for securities.....			.0	
10. Securities lending reinvested collateral assets.....			.0	
11. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	29,633,653	.0	29,633,653	31,505,609
13. Title plants less \$.000 charged off (for Title insurers only).....			.0	
14. Investment income due and accrued.....	97,394		97,394	135,605
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	1,953,057	50,387	1,902,670	1,830,615
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.000 earned but unbilled premiums).....	4,166,567		4,166,567	3,244,885
15.3 Accrued retrospective premiums (\$.000) and contracts subject to redetermination (\$.000).....			.0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	23,813,058		23,813,058	6,130,125
16.2 Funds held by or deposited with reinsured companies.....			.0	
16.3 Other amounts receivable under reinsurance contracts.....	1,604,843		1,504,843	10,901
17. Amounts receivable relating to uninsured plans.....			.0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
18.2 Net deferred tax asset.....	1,201,851		1,201,851	1,201,851
19. Guaranty funds receivable or on deposit.....			.0	
20. Electronic data processing equipment and software.....			.0	
21. Furniture and equipment, including health care delivery assets (\$.000).....	58,693	58,693	.0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
23. Receivables from parent, subsidiaries and affiliates.....	914,228		914,228	1,463,861
24. Health care (\$.000) and other amounts receivable.....			.0	
25. Aggregate write-ins for other than invested assets.....	8,100	8,003	.97	.0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	63,351,444	117,083	63,234,361	45,523,653
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
28. Total (Lines 26 and 27).....	63,351,444	117,083	63,234,361	45,523,653

## DETAILS OF WRITE-INS

1101.....			.0	
1102.....			.0	
1103.....			.0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	.0	.0	.0	.0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	.0	.0	.0	.0
2501. Prepaid Expenses - Nonadmitted.....	8,003	8,003	.0	
2502. Misc. Receivable.....	.97		.97	
2503.....			.0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	.0	.0	.0	.0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	8,100	8,003	.97	.0

## LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$.....1,054,888).....	2,768,423	3,599,053
2. Reinsurance payable on paid losses and loss adjustment expenses.....	881,034	226,931
3. Loss adjustment expenses.....	246,296	207,783
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	1,089,177	766,537
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	37,435	13,379
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....63,948,930 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act).....	(19,199,364)	6,954,975
10. Advance premium.....	2,292,832	1,841,250
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	53,576,214	16,833,527
13. Funds held by company under reinsurance treaties.....	2,100	17,084
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....		
22. Payable for securities lending.....		
23. Liability for amounts held under uninsured plans.....		
24. Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	3,014,719	0
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	38,679,428	30,510,519
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	38,679,428	30,510,519
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	2,000,000	2,000,000
31. Preferred capital stock.....		
32. Aggregate write-ins for other than special surplus funds.....	0	0
33. Surplus notes.....		
34. Gross paid in and contributed surplus.....	11,585,028	11,585,028
35. Unassigned funds (surplus).....	10,969,905	1,428,106
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 30 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....		
37. Surplus as regards policyholders (Lines 29 to 35, less 36).....	24,554,933	15,013,134
38. Totals (Page 2, Line 28, Col. 3).....	63,234,361	45,523,653

## DETAILS OF WRITE-INS

2501. Retroactive Reinsurance Reserve Ceded.....	(3,014,719)	
2502. ....		
2503. ....		
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	(3,014,719)	0
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0
3201. ....		
3202. ....		
3203. ....		
3298. Summary of remaining write-ins for Line 32 from overflow page.....	0	0
3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....	0	0

## STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct..... (written \$.....46,240,800).....	37,342,858	19,203,360	52,554,779
1.2 Assumed..... (written \$.....(5,569)).....	(5,569)	12,590,749	12,569,294
1.3 Ceded..... (written \$.....89,894,934).....	34,842,553	20,228,239	41,375,058
1.4 Net..... (written \$.....(23,659,603)).....	2,494,736	11,567,870	23,749,015
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....3,105,000):			
2.1 Direct.....	19,280,004	3,559,481	83,985,775
2.2 Assumed.....	204,394	5,036,316	17,552,643
2.3 Ceded.....	15,774,452	1,658,011	66,189,480
2.4 Net.....	3,709,846	8,926,786	15,328,938
3. Loss adjustment expenses incurred.....	567,991	587,732	1,719,103
4. Other underwriting expenses incurred.....	(11,488,408)	6,317,484	13,028,643
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	(7,210,471)	13,832,002	30,076,684
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	9,705,207	(2,264,132)	(6,327,669)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned.....	224,907	202,883	440,770
10. Net realized capital gains (losses) less capital gains tax of \$.....0.....	(18,136)	22,697	92,018
11. Net investment gain (loss) (Lines 9 + 10).....	208,771	225,381	532,788
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....2,904).....	(2,904)	(11,657)	(23,260)
13. Finance and service charges not included in premiums.....	138,448	51,466	166,086
14. Aggregate write-ins for miscellaneous income.....	(473,733)	0	0
15. Total other income (Lines 12 through 14).....	(338,189)	39,799	132,826
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	9,575,789	(1,998,942)	(5,662,057)
17. Dividends to policyholders.....			
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	9,575,789	(1,998,942)	(5,662,057)
19. Federal and foreign income taxes incurred.....			
20. Net income (Line 18 minus Line 19) (to Line 22).....	9,575,789	(1,998,942)	(5,662,057)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year.....	15,013,134	20,280,551	20,290,551
22. Net income (from Line 20).....	9,575,789	(1,998,942)	(5,662,057)
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....	(7,135)	13,828	770
25. Change in net unrealized foreign exchange capital gain (loss).....			
26. Change in net deferred income tax.....		781,091	(2,382,645)
27. Change in nonadmitted assets.....	(26,855)	(823,171)	936,516
28. Change in provision for reinsurance.....			
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....			
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....		1,830,000	1,830,000
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37).....	9,541,789	(197,195)	(5,277,417)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	24,554,933	20,083,356	15,013,134
<b>DETAILS OF WRITE-INS</b>			
0501.....			
0502.....			
0503.....			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0
1401. Commission income.....	9,518		
1402. Retroactive Reinsurance Gain / (Loss).....	(483,249)		
1403.....			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(473,733)	0	0
3701.....			
3702.....			
3703.....			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0	0

**CASH FLOW**

	1 Current Year to Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>			
1. Premiums collected net of reinsurance.....	12,456,444	9,911,719	21,870,075
2. Net investment income.....	311,312	269,680	582,486
3. Miscellaneous income.....	(338,189)	39,798	132,846
4. Total (Lines 1 through 3).....	12,429,568	10,221,197	22,585,388
5. Benefit and loss related payments.....	23,063,348	9,995,300	22,723,416
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions.....	(11,315,626)	5,064,987	14,757,734
8. Dividends paid to policyholders.....			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....			
10. Total (Lines 5 through 9).....	11,747,722	15,060,287	37,481,150
11. Net cash from operations (Line 4 minus Line 10).....	881,846	(4,839,090)	(14,895,764)
<b>CASH FROM INVESTMENTS</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....	7,256,758	5,360,045	10,974,079
12.2 Stocks.....			
12.3 Mortgage loans.....			
12.4 Real estate.....			
12.5 Other invested assets.....			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....			
12.7 Miscellaneous proceeds.....			
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	7,256,758	5,360,045	10,974,079
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....	1,899,291	6,368,347	7,737,592
13.2 Stocks.....			
13.3 Mortgage loans.....			
13.4 Real estate.....			
13.5 Other invested assets.....			
13.6 Miscellaneous applications.....			
13.7 Total investments acquired (Lines 13.1 to 13.6).....	1,899,291	6,368,347	7,737,592
14. Net increase or (decrease) in contract loans and premium notes.....			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	5,357,468	(1,008,302)	3,236,487
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....			
16.2 Capital and paid in surplus, less treasury stock.....		2,180,000	1,830,000
16.3 Borrowed funds.....			
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....			
16.5 Dividends to stockholders.....			
16.6 Other cash provided (applied).....	(2,482,736)	(424,516)	1,488,879
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	(2,482,736)	1,735,485	3,318,879
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	3,556,577	(4,111,907)	(8,340,598)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	10,191,066	18,531,664	18,531,664
19.2 End of period (Line 18 plus Line 19.1).....	13,747,643	14,419,757	10,191,066
Note: Supplemental disclosures of cash flow information for non-cash transactions:			
20.0001			



**NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of Significant Accounting Policies and Going Concern****A. Accounting Practices**

The financial statements of Florida Specialty Insurance Company ("Company") are presented on the basis of accounting practices prescribed or permitted by the Florida Office of Insurance Regulation. The Florida OIR recognizes only statutory accounting practices prescribed or permitted by the State of Florida for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Florida Insurance Law. The National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Florida. The State has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. The Florida Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices. A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Florida is shown below:

	SSAP #	F/S Page	F/S Line #	2018	2017
<b>NET INCOME</b>					
(1) The Company state basis (Page 4, Line 20, Columns 1 & 3)	XXX	XXX	XXX	\$ 9,575,789	\$ (5,662,057)
(2) State Prescribed Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(3) State Permitted Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(4) NAIC SAP (1 - 2 - 3 = 4)	XXX	XXX	XXX	\$ 9,575,789	\$ (5,662,057)
<b>SURPLUS</b>					
(5) The Company state basis (Page 3, line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 24,554,933	\$ 15,013,134
(6) State Prescribed Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(7) State Permitted Practice that are an increase/(decrease) from NAIC SAP				\$	\$
(8) NAIC SAP (5 - 6 - 7 = 8)	XXX	XXX	XXX	\$ 24,554,933	\$ 15,013,134

**C. Accounting Policy**

Premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rata methods for direct business and are based on reports received from ceding companies for reinsurance. Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowance received or receivable.

**(6) Basis for Loan-Backed Securities and Adjustment Methodology**

U.S. government agency loan-backed and structured securities are valued at amortized value. Other loan-backed and structured securities are valued at either amortized value or fair value, depending on many factors including: the type of underlying collateral, whether modeled by a NAIC vendor, whether rated (by either a NAIC approved rating organization or the NAIC Securities Valuation Office), and the relationship of amortized value to par value and amortized value to fair value.

**D. Going Concern**

Historical operating results indicate substantial doubt exists related to the Company's ability to continue as a going concern given the current market environment in the state of Florida. The Company plans to alleviate the doubt of its going concern, which probable outcomes are effectively being implemented to mitigate these conditions. This primarily includes new reinsurance agreements which were put in place effective March 1, 2018 to protect existing policyholders. In addition, the Company continues to work with both the Florida Office of Insurance Regulation and its rating agency regarding any significant change in business plans. However, we cannot predict, with certainty, the outcome of our actions to generate financial stability, or whether such actions will generate the expected financial stability.

**Note 2 – Accounting Changes and Corrections of Errors**

No significant changes

**Note 3 – Business Combinations and Goodwill**

No significant changes

**Note 4 – Discontinued Operations**

No significant changes

**Note 5 – Investments**

No Change.

D. Loan-Backed Securities - NONE

E. Dollar Repurchase Agreements and/or Securities Lending Transactions - NONE

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## **NOTES TO FINANCIAL STATEMENTS**

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I. Reverse Repurchase Agreements Transactions Accounted for as a Sale - NONE

J. Offsetting and Netting of Assets and Liabilities - NONE

### **Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

No significant changes

### **Note 7 – Investment Income**

No significant changes

### **Note 8 – Derivative Instruments**

No significant changes

### **Note 9 – Income Taxes**

No significant changes

### **Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

No significant changes

### **Note 11 – Debt**

No Change.

B. FHLB (Federal Home Loan Bank) agreements - NONE

### **Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

A. Defined Benefit Plan - NONE

### **Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

No significant changes

### **Note 14 – Liabilities, Contingencies and Assessments**

No significant changes

G. Material noninsurance contingencies - NONE

### **Note 15 – Leases**

No significant changes

### **Note 16 – Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

No significant changes

### **Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

No Change.

B. (2) Servicing Assets and Servicing Liabilities - NONE  
(4) Securitizations, Asset-Based Financing Arrangements and Similar Transfers Accounted for as Sales - NONE

C. Wash Sales - NONE

### **Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Portion of Partially Insured Plans**

No significant changes

### **Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

No significant changes

## NOTES TO FINANCIAL STATEMENTS

### Note 20 – Fair Value Measurements

#### A. Fair Value Measurements

##### (1) Fair Value Measurements at Reporting Date

The Company categorizes its assets and liabilities that are measured at fair value into the 3-tier hierarchy as reflected below. The 3-tier hierarchy is based on the degree of subjectivity in the valuation method by which fair value is determined.

Level 1: The estimated fair value within this tier is based on quota prices in active markets and therefore classified as Level 1. The Company has no assets or liabilities measured at fair value in this tier.

Level 2: The estimated fair value within this tier is determined by independent pricing services using observable inputs or based on quotes from markets which are not actively traded.

Level 3: The estimated fair value within this tier is determined using pricing models as there is little or no market activity with unobservable inputs thus requiring judgment and estimation. The Company has no assets or liabilities measured at fair value in this tier.

	Level 1	Level 2	Level 3	Total	Net Asset Value (NAV) Included in Level 2
<b>Assets at Fair Value</b>					
	\$ 843,639	\$ 14,560,069	\$	\$ 15,403,708	\$
<b>Total</b>	\$ 843,639	\$ 14,560,069	\$	\$ 15,403,708	\$
<b>Liabilities at Fair Value</b>					
	\$	\$	\$	\$	\$
<b>Total</b>	\$	\$	\$	\$	\$

##### (2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

	Beginning Balance at 1/1/2018	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2018
<b>a. Assets</b>										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>b. Liabilities</b>										
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Total</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

##### (3) Policies when Transfers Between Levels are Recognized

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3.

##### (4) Description of Valuation Techniques and Inputs Used in Fair Value Measurement

The estimated fair values were determined by utilizing independent pricing services using observable inputs.

##### (5) Fair Value Disclosures

Not applicable.

#### B. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

Fair Value measurements at the reporting date and the source of the fair value measurements are obtained primarily from independent pricing services.

#### C. Fair Value Level

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)	Net Asset Value (NAV) Included in Level 2
Corporate	\$ 9,902,470	\$ 10,219,919	\$	\$ 9,902,470	\$	\$	\$
Mortgage Loan Backed	\$ 3,046,892	\$ 3,143,723	\$	\$ 3,046,892	\$	\$	\$
Municipals	\$ 1,610,707	\$ 1,670,531	\$	\$ 1,610,707	\$	\$	\$
US Gov	\$ 843,638	\$ 851,838	\$ 843,639	\$	\$	\$	\$
<b>Total</b>	\$ 15,403,708	\$ 15,886,011	\$ 843,639	\$ 14,560,069	\$	\$	\$

#### D. Not Practicable to Estimate Fair Value - NONE

**NOTES TO FINANCIAL STATEMENTS****Note 21 – Other Items**

***Florida Specialty Insurance Company***  
**Agents Balances Certification**  
**Quarter Ended June 30, 2018**

- |   |                    |
|---|--------------------|
| 1) Agents' Balances or Uncollected Premiums as reported on Page 2, Line 15.1  | <u>\$1,953,057</u> |
| 2) Amount of Agents' Balances or Uncollected Premiums from Page 2, Line 15.1 that is due from "controlled" or "controlling" persons, and                      | <u>\$0</u>         |
| 3) *Amount reported in #2 above and secured by a: Trust Fund, Letter of Credit, and Financial Guaranty Bond as required by Section 625.012, Florida Statutes. | <u>\$0</u>         |

**Note 22 – Events Subsequent**

No significant changes

**Note 23 – Reinsurance**

During the 1st quarter of 2018, FSIC added two additional reinsurance contracts to protect its policyholders.

Effective February 28, 2018 a 58% Net Quota Share was added for new and renewal policies covering loss occurrences from 2/28/2018 to 6/1/2018. In addition, a Loss Portfolio Transfer was put into place effective March 1, 2018; protecting all claims occurring prior to March 1, 2018.

During the 2nd quarter 2018, FSIC added new quota share contracts covering occurring on June 1, 2018 and later. Prior quota share and LPT arrangements remain in place for losses occurring prior to June 1, 2018.

**Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination**

No Change.

F. Risk Sharing Provisions of the Affordable Care Act - The Company has no A&amp;H business.

**Note 25 – Change in Incurred Losses and Loss Adjustment Expenses**

Reserves as of December 31, 2017 were \$3,806,836. In 2018, \$2,021,000 has been paid for incurred loss and loss adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$1,540,425. Therefore, there has been a \$541,284 unfavorable development since December 31, 2017. This increase is generally the result of ongoing analysis of recent development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims.

**Loss and Loss Adjustment Expenses**

Prior Year End Net Loss and LAE Reserves	\$ 3,806,836
2018 Net Loss and LAE payments on prior year claims	2,807,695
2018 Ending Net Loss and LAE Reserves on prior year claims	1,540,425
Prior Year End Net Loss and LAE Reserve Deficiency	541,284

**Note 26 – Intercompany Pooling Arrangements**

No significant changes

**Note 27 – Structured Settlements**

No significant changes

**Note 28 – Health Care Receivables**

No significant changes

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## **NOTES TO FINANCIAL STATEMENTS**

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**Note 29 – Participating policies**

No significant changes

**Note 30 – Premium Deficiency Reserves**

No significant changes

**Note 31 – High Deductibles**

No significant changes

**Note 32 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

No significant changes

**Note 33 – Asbestos/Environmental Reserves**

No significant changes

**Note 34 – Subscriber Savings Accounts**

No significant changes

**Note 35 – Multiple Peril Crop Insurance**

No significant changes

**Note 36 – Financial Guaranty Insurance**

B. Schedule of Insured Financial Obligations at the End of the Period - The Company has no Financial Guaranty business.

**GENERAL INTERROGATORIES****PART 1 - COMMON INTERROGATORIES****GENERAL**

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes ☐ No ☒ [X]
- 1.2 If yes, has the report been filed with the domiciliary state? Yes ☐ No ☐ [ ]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes ☐ No ☒ [X]

2.2 If yes, date of change:

- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? If yes, complete Schedule Y, Parts 1 and 1A. Yes ☒ [X] No ☐ [ ]

- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes ☐ [ ] No ☒ [X]

3.3 If the response to 3.2 is yes, provide a brief description of those changes.

- 3.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes ☐ [ ] No ☒ [X]

3.5 If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.

- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ☐ [ ] No ☒ [X]

4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? If yes, attach an explanation. Yes ☐ [ ] No ☒ [X] N/A ☐ [ ]

6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2016

6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2016

6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/19/2018

6.4 By what department or departments?

Florida Office of Insurance Regulation

- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes ☐ [ ] No ☐ [ ] N/A ☒ [X]

- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes ☒ [X] No ☐ [ ] N/A ☐ [ ]

- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes ☐ [ ] No ☒ [X]

7.2 If yes, give full information:

- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes ☐ [ ] No ☒ [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ☐ [ ] No ☒ [X]

8.4 If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator].

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes ☒ [X] No ☐ [ ]

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

9.11 If the response to 9.1 is No, please explain:

- 9.2 Has the code of ethics for senior managers been amended? Yes ☐ [ ] No ☒ [X]

9.21 If the response to 9.2 is Yes, provide information related to amendment(s).

- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ☐ [ ] No ☒ [X]

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

**GENERAL INTERROGATORIES****PART 1 - COMMON INTERROGATORIES****FINANCIAL**10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount \$ 0

**INVESTMENT**11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) Yes ☐ No ☒

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA: \$ 0

13. Amount of real estate and mortgages held in short-term investments: \$ 0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates? Yes ☐ No ☒

14.2 If yes, please complete the following:

14.21 Bonds  
 14.22 Preferred Stock  
 14.23 Common Stock  
 14.24 Short-Term Investments  
 14.25 Mortgage Loans on Real Estate  
 14.26 All Other  
 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)  
 14.28 Total Investment in Parent Included in Lines 14.21 to 14.28 above

1	2
Prior Year End Book/Adjusted Carrying Value	Current Quarter Book/Adjusted Carrying Value
\$ 0	\$ 0
0	0
0	0
0	0
0	0
0	0
\$ 0	\$ 0
\$ 0	\$ 0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB? Yes ☐ No ☒15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes ☐ No ☐

If no, attach a description with this statement.

16. For the reporting entity's security lending program, state the amount of the following as of current statement date:

16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0

16.2 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ 0

16.3 Total payable for securities lending reported on the liability page: \$ 0

17. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*?

Yes ☒ No ☐17.1 For all agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1	2
Name of Custodian(s)	Custodian Address
Fifth Third Bank	Orlando, FL

17.2 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes ☐ No ☒

17.4 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

17.5 Investment management - Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such ["...that have access to the investment accounts", "handle securities"].

1	2
Name of Firm or Individual	Affiliation
Asset Allocation & Management Company, LLC	U

17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes ☒ No ☐17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes ☒ No ☐

17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1	2	3	4	5
Central Registration Depository Number	Name of Firm or Individual	Legal Entity Identifier (LEI)	Registered With	Investment Management Agreement (IMA) Filed
	Asset Allocation & Management Company, LLC	549300DSCHV5W3U883	SEC	NO

18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes ☒ No ☐

18.2 If no, list exceptions:

## **GENERAL INTERROGATORIES**

### **PART 1 - COMMON INTERROGATORIES**

19. By self-designating 5\*GI securities, the reporting entity is certifying the following elements for each self-designated 5\*GI security:
- a. Documentation necessary to permit a full credit analysis of the security does not exist.
  - b. Issuer or obligor is current on all contracted interest and principal payments.
  - c. The Insurer has an actual expectation of ultimate payment of all contracted interest and principal.
- Has the reporting entity self-designated 5\*GI securities?

Yes [ ] No [X]



**GENERAL INTERROGATORIES (continued)****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes ☐ No ☐ N/A ☒  
If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes ☐ No ☒  
If yes, attach an explanation.

- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes ☐ No ☒

- 3.2 If yes, give full and complete information thereto:

- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation tabular reserves (see *Annual Statement Instructions* pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes ☐ No ☒

- 4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Disc. Rate	Total Discount				Discount Taken During Period			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 Total	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 Total
	0.000	0.000	0	0	0	0	0	0	0	0
Total	XXX	XXX	0	0	0	0	0	0	0	0

- 5.1 Operating Percentages:

- 5.1 A&H loss percent 0.000%  
5.2 A&H cost containment percent 0.000%  
5.3 A&H expense percent excluding cost containment expenses 0.000%

- 6.1 Do you act as a custodian for health savings accounts? Yes ☐ No ☒

- 6.2 If yes, please provide the amount of custodial funds held as of the reporting date. \$ 0

- 6.3 Do you act as an administrator for health savings accounts? Yes ☐ No ☒

- 6.4 If yes, please provide the amount of funds administered as of the reporting date. \$ 0

7. Is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states? Yes ☒ No ☐

- 7.1 If no, does the reporting entity assume reinsurance business that covers risks residing in at least one state other than the state of domicile of the reporting entity? Yes ☐ No ☐

Statement for June 30, 2016 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE F - CEDED REINSURANCE**

Showing All New Reinsurers - Current Year to Date

1	2	3	4	5	6	7
NAIC Company Code	ID Number	Name of Reinsurer	Domiciliary Jurisdiction	Type of Reinsurer	Certified Reinsurer Rating (1 through 6)	Effective Date of Certified Reinsurer Rating
<b>U.S. Insurers</b>						
19445	25-0687530	NATIONAL UNION FIRE INS CO OF PITTS.	PA	Authorized		

## SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status (a)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama.....AL	N						
2. Alaska.....AK	N						
3. Arizona.....AZ	L						
4. Arkansas.....AR	N						
5. California.....CA	N						
6. Colorado.....CO	N						
7. Connecticut.....CT	N						
8. Delaware.....DE	N						
9. District of Columbia.....DC	N						
10. Florida.....FL	L	48,240,900	39,546,888	22,476,863	4,779,060	11,243,601	886,945
11. Georgia.....GA	N						
12. Hawaii.....HI	N						
13. Idaho.....ID	N						
14. Illinois.....IL	N						
15. Indiana.....IN	N						
16. Iowa.....IA	N						
17. Kansas.....KS	N						
18. Kentucky.....KY	N						
19. Louisiana.....LA	N						
20. Maine.....ME	N						
21. Maryland.....MD	N						
22. Massachusetts.....MA	N						
23. Michigan.....MI	N						
24. Minnesota.....MN	N						
25. Mississippi.....MS	N						
26. Missouri.....MO	N						
27. Montana.....MT	N						
28. Nebraska.....NE	L						
29. Nevada.....NV	N						
30. New Hampshire.....NH	N						
31. New Jersey.....NJ	N						
32. New Mexico.....NM	N						
33. New York.....NY	N						
34. North Carolina.....NC	N						
35. North Dakota.....ND	N						
36. Ohio.....OH	N						
37. Oklahoma.....OK	N						
38. Oregon.....OR	N						
39. Pennsylvania.....PA	N						
40. Rhode Island.....RI	N						
41. South Carolina.....SC	N						
42. South Dakota.....SD	N						
43. Tennessee.....TN	N						
44. Texas.....TX	N						
45. Utah.....UT	N						
46. Vermont.....VT	N						
47. Virginia.....VA	N						
48. Washington.....WA	N						
49. West Virginia.....WV	N						
50. Wisconsin.....WI	N						
51. Wyoming.....WY	N						
52. American Samoa.....AS	N						
53. Guam.....GU	N						
54. Puerto Rico.....PR	N						
55. US Virgin Islands.....VI	N						
56. Northern Mariana Islands.....MP	N						
57. Canada.....CAN	N						
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
59. Totals.....XXX		48,240,900	39,546,888	22,476,863	4,779,060	11,243,601	886,945

## DETAILS OF WRITE-INS

58001.....	XXX						
58002.....	XXX						
58003.....	XXX						
58998. Summary of remaining write-ins for Line 58 from overflow page.....	XXX	0	0	0	0	0	0
58999. Totals (Lines 58001 thru 58003+ Line 58998) (Line 58 above).....	XXX	0	0	0	0	0	0

(a) Active Status Count

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG.....

3

R - Registered - Non-domiciled RRGs.....

0

E - Eligible - Reporting entities eligible or approved to write surplus lines in the state  
(other than their state of domicile - See DSLJ).....

0

Q - Qualified - Qualified or accredited reinsurer.....

0

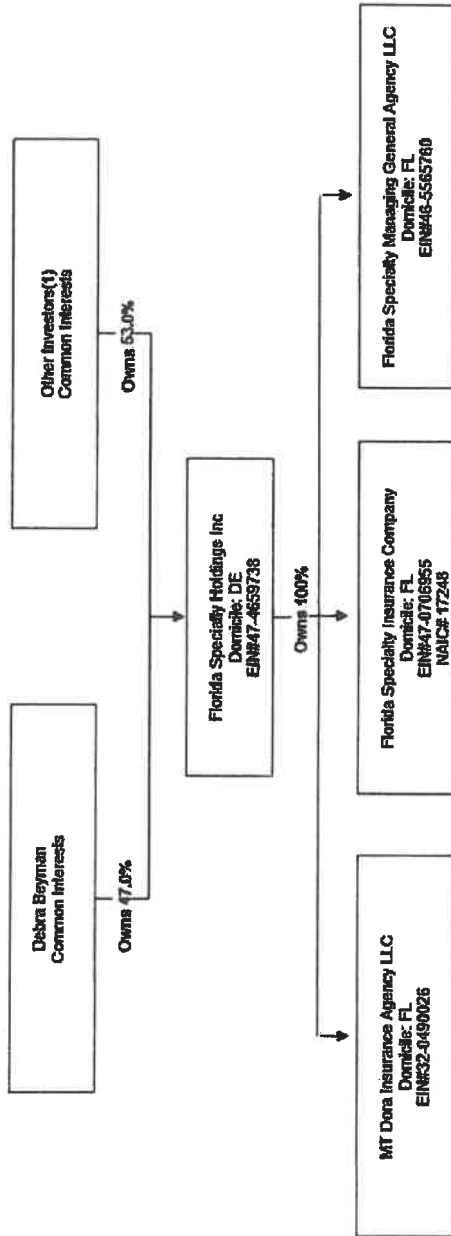
D - Domestic Surplus Lines Insurer (DSLJ) - Reporting entities authorized to write  
surplus lines in the state of domicile.....

0

N - None of the above - Not allowed to write business in the state.....

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Statement for June 30, 2016 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP**  
**PART 1 – ORGANIZATIONAL CHART**



Note: (1) – One investor owns 11.3%, no other person or entity owns 10% or more of the outstanding voting securities of Florida Specialty Holdings, Inc.

Statement for June 30, 2016 of the **FLORIDA SPECIALTY INSURANCE COMPANY**

**SCHEDULE Y**

**PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Group Code	Group Name	NAIC Company Code	ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries or Affiliates	Domiciliary Location	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other)	If Control is Ownership Provide Percentage	Ultimate Controlling Entity(ies) Person(s)	Is an SCA Filing Required? (Y/N)	
Members															
				47-4659738			Florida Specialty Holdings Inc.	DE	UDP		Ownership	100.000		N	
				46-5565760			Florida Specialty Managing General Agency	FL	NIA		Ownership	100.000		N	
		17248		47-0768945			Florida Specialty Insurance Company	FL	RE		Ownership	100.000		N	
				32-0400026			Mount Dona Insurance Agency, LLC	FL	NIA		Ownership	100.000		N	

## PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire.....			0.000	
2. Allied lines.....			0.000	
3. Farmowners multiple peril.....			0.000	
4. Homeowners multiple peril.....	37,342,858	18,280,004	51.630	18.538
5. Commercial multiple peril.....			0.000	
6. Mortgage guaranty.....			0.000	
8. Ocean marine.....			0.000	
9. Inland marine.....			0.000	
10. Financial guaranty.....			0.000	
11.1. Medical professional liability - occurrence.....			0.000	
11.2. Medical professional liability - claims-made.....			0.000	
12. Earthquake.....			0.000	
13. Group accident and health.....			0.000	
14. Credit accident and health.....			0.000	
15. Other accident and health.....			0.000	
16. Workers' compensation.....			0.000	
17.1. Other liability-occurrence.....			0.000	
17.2. Other liability-claims made.....			0.000	
17.3. Excess workers' compensation.....			0.000	
18.1. Products liability-occurrence.....			0.000	
18.2. Products liability-claims made.....			0.000	
19.1, 19.2 Private passenger auto liability.....			0.000	
19.3, 19.4 Commercial auto liability.....			0.000	
21. Auto physical damage.....			0.000	
22. Aircraft (all perils).....			0.000	
23. Fidelity.....			0.000	
24. Surety.....			0.000	
26. Burglary and theft.....			0.000	
27. Boiler and machinery.....			0.000	
28. Credit.....			0.000	
29. International.....			0.000	
30. Warranty.....			0.000	
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0.000	
35. Totals.....	37,342,858	18,280,004	51.630	18.538
DETAILS OF WRITE-INS				
3401.....			0.000	
3402.....			0.000	
3403.....			0.000	
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0.000	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0.000	

## PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire.....			
2. Allied lines.....			
3. Farmowners multiple peril.....			
4. Homeowners multiple peril.....	20,982,184	46,240,900	39,546,868
6. Commercial multiple peril.....			
6. Mortgage guaranty.....			
8. Ocean marine.....			
9. Inland marine.....			
10. Financial guaranty.....			
11.1. Medical professional liability - occurrence.....			
11.2. Medical professional liability - claims made.....			
12. Earthquake.....			
13. Group accident and health.....			
14. Credit accident and health.....			
15. Other accident and health.....			
16. Workers' compensation.....			
17.1. Other liability-occurrence.....			
17.2. Other liability-claims made.....			
17.3. Excess workers' compensation.....			
18.1. Products liability-occurrence.....			
18.2. Products liability-claims made.....			
19.1, 19.2 Private passenger auto liability.....			
19.3, 19.4 Commercial auto liability.....			
21. Auto physical damage.....			
22. Aircraft (all perils).....			
23. Fidelity.....			
24. Surety.....			
26. Burglary and theft.....			
27. Boiler and machinery.....			
28. Credit.....			
29. International.....			
30. Warranty.....			
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0
35. Totals.....	20,982,184	46,240,900	39,546,868
DETAILS OF WRITE-INS			
3401.....			
3402.....			
3403.....			
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0

**PART 3 (000 omitted)****LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE**

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2018 Loss and LAE Payments on Claims Reported as of Prior Year-End	2018 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2018 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserves Developed and LAE Reserve (Savings)/Deficiency (Cols. 11 + 12)
1. 2015 + Prior	56	450	505	24	5	29	40	32		72	9	(413)	(404)
2. 2016	440	484	924	381	21	382	335	12		347	255	(451)	(185)
3. Subtotals 2016 + Prior	495	934	1,429	395	26	411	375	44	0	419	265	(864)	(599)
4. 2017	1,807	771	2,578	1,304	1,304	2,603	30	714	797	1,541	(273)	2,044	1,771
5. Subtotals 2017 + Prior	2,102	1,705	3,807	1,699	1,330	3,019	405	788	797	1,960	(8)	1,180	1,172
6. 2018	XXX	XXX	XXX	XXX	2,051	2,051	XXX	159	896	1,055	XXX	XXX	XXX
7. Totals	2,102	1,705	3,807	1,699	3,381	5,070	405	917	1,593	3,015	(8)	1,180	1,172
8. Prior Year-End's Surplus As Regards Policyholders	15,013												
											Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. ....10.41%	2. ....89.2%	3. ....30.8%
													Col. 13, Line 7 Line 8
													4. ....7.8%

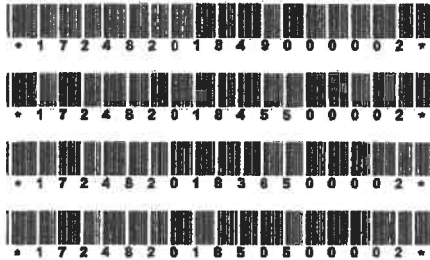
**SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES**

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the Interrogatory questions.

	Response
1. Will the Trustee Surplus Statement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	<u>NO</u>
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>
4. Will the Director and Officer Insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>

**Explanation:**

1. The data for this supplement is not required to be filed.
2. The data for this supplement is not required to be filed.
3. The data for this supplement is not required to be filed.
4. The data for this supplement is not required to be filed.

**Bar Code:**



**NONE**

Statement for June 30, 2018 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE A - VERIFICATION**  
Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Current year change in encumbrances.....		
4. Total gain (loss) on disposals.....		
5. Deduct amounts received on disposals.....		
6. Total foreign exchange change in book/adjusted carrying value.....		
7. Deduct current year's other-than-temporary impairment recognized.....		
8. Deduct current year's depreciation.....		
9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8).....	0	0
10. Deduct total nonadmitted amounts.....		
11. Statement value at end of current period (Line 9 minus Line 10).....	0	0

**SCHEDULE B - VERIFICATION**  
Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and mortgage interest points and commitment fees.....		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....		
10. Deduct current year's other-than-temporary impairment recognized.....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Total valuation allowance.....		
13. Subtotal (Line 11 plus Line 12).....	0	0
14. Deduct total nonadmitted amounts.....		
15. Statement value at end of current period (Line 13 minus Line 14).....	0	0

**SCHEDULE BA - VERIFICATION**  
Other Long-Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and depreciation.....		
9. Total foreign exchange change in book/adjusted carrying value.....		
10. Deduct current year's other-than-temporary impairment recognized.....		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	0	0

**SCHEDULE D - VERIFICATION**  
Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	21,314,544	24,582,485
2. Cost of bonds and stocks acquired.....	1,889,291	7,737,592
3. Accrual of discount.....	3,784	12,188
4. Unrealized valuation increase (decrease).....	(7,135)	770
5. Total gain (loss) on disposals.....	(16,135)	92,016
6. Deduct consideration for bonds and stocks disposed of.....	7,258,759	10,974,079
7. Deduct amortization of premium.....	51,978	136,408
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees.....	400	
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7+8-9+10).....	15,888,011	21,314,544
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	15,888,011	21,314,544

**SCHEDULE D - PART 1B**

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

NAIC Designation	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
<b>BONDS</b>								
1. NAIC 1 (a)	18,738,038		5,244,587	(19,135)	18,738,038	13,472,316		18,881,503
2. NAIC 2 (a)	2,570,759		389,615	(1,154)	2,570,759	2,179,990		2,392,041
3. NAIC 3 (a)	230,510			3,195	230,510	233,705		241,000
4. NAIC 4 (a)								
5. NAIC 5 (a)								
6. NAIC 6 (a)								
7. Total Bonds	21,537,307	0	5,634,202	(17,094)	21,537,307	15,886,011	0	21,314,544
<b>PREFERRED STOCK</b>								
8. NAIC 1						0		
9. NAIC 2						0		
10. NAIC 3						0		
11. NAIC 4						0		
12. NAIC 5						0		
13. NAIC 6						0		
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	21,537,307	0	5,634,202	(17,094)	21,537,307	15,886,011	0	21,314,544
(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ 0; NAIC 2 \$ 0; NAIC 3 \$ 0; NAIC 4 \$ 0; NAIC 5 \$ 0; NAIC 6 \$ 0.								

**SCHEDULE DA - PART 1**

## Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Par Value	3 Market Value	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9189999		NONE	XXX		

**SCHEDULE DA - VERIFICATION**

## Short-Term Investments

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	796,259
2. Cost of short-term investments acquired.....		
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....		796,259
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	0	0
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	0	0

**Sch. DB - Pt. A - Verification**  
**NONE**

**Sch. DB - Pt. B - Verification**  
**NONE**

**Sch. DB - Pt. C - Sn. 1**  
**NONE**

**Sch. DB - Pt. C - Sn. 2**  
**NONE**

**Sch. DB - Verification**  
**NONE**

Statement for June 30, 2018 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE E - PART 2 - VERIFICATION**  
Cash Equivalents

	1 Year To Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	678,318	
2. Cost of cash equivalents acquired.....	7,370,598	11,479,672
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	2,196,560	10,801,354
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/ adjusted carrying value.....		
9. Deduct current year's other-than-temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	5,852,356	678,318
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	5,852,356	678,318

**Sch. A - Pt. 2**  
**NONE**

**Sch. A - Pt. 3**  
**NONE**

**Sch. B - Pt. 2**  
**NONE**

**Sch. B - Pt. 3**  
**NONE**

**Sch. BA - Pt. 2**  
**NONE**

**Sch. BA - Pt. 3**  
**NONE**

**Sch. D - Pt. 3**  
**NONE**

Statement for June 30, 2018 of the **FLORIDA SPECIALTY INSURANCE COMPANY**

**SCHEDULE D - PART 4**

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Quarter

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description	Disposal Date		Name of Purchaser	Number of Shares of Stock	Consideration	Per Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase (Decrease)	Current Year's Temporary Impairment Recognized	Total Change in B.A.C.V. (11+12-13)	Total Foreign Exchange Change in B.A.C.V.	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest / Stock Dividends Received During Year	Sold Contractual Maturity Date	NAC Designation or Market Indicator (a)	
Bonds - U.S. Government																					
912828 3Z 1	UNITED STATES TREASURY	04/02/2018		CREDIT SUISSE AG NY BRANCH		250,044	250,000	249,398			8	8	4	248,402		1,242	1,242	747		02/28/2026	1
912828 4A 5	UNITED STATES TREASURY	04/02/2018		INTL. F.C. S&P L.P.		250,215	250,000	248,893			2	2	2	249,895		320	320	713		02/28/2023	1
05098880	Total - U.S. Government					500,259	500,000	498,291			8	8	6	498,297		1,562	1,562	1,461		XXX	XXX
Bonds - U.S. Special Revenue and Special Assessments																					
313346 YS 7	FEDERAL HOME LOAN BANKS	04/02/2018		MORGAN STANLEY & CO. LLC		324,942	310,000	320,081	317,854		(1,459)	(1,459)		316,402		8,540	8,540	7,050		06/03/2018	1
31384V GR 5	FNGT 1771 A - CHORRMS	06/01/2018		Paydown		38	38	38	38					38						06/25/2027	1
31378P P2 9	FHR 45745 BA - CHORRMS	06/01/2018		Paydown		10,142	10,142	10,384	10,387		(216)	(216)		10,142		(4,616)	(4,616)	108		01/15/2023	1
3138LF JA 6	FN A3524 - RMB	04/02/2018		HUNT FINANCIAL SERVICES		209,222	225,000	212,625	213,558		266	266		213,046				2,104		10/01/2028	1
3138UD JM 4	FN A35387 - RMB	06/01/2018		Paydown		8,457	8,457	8,457			(179)	(179)		8,457				21		11/01/2044	1
3138UD TR 1	FN A3539 - RMB	06/01/2018		Paydown		8,458	8,458	8,458	10,448		(659)	(659)		8,458				133		01/01/2044	1
31400D MD 4	FN A3539 - RMB	06/01/2018		Paydown		3,327	3,327	3,346			(3)	(3)		3,346		(126)	(126)	22		02/01/2046	1
3108880	Total - Bonds - U.S. Special Revenue and Special Assessments					553,871	554,172	603,543	552,251		(2,116)	(2,116)		552,251		3,905	3,905	9,490		XXX	XXX
Bonds - Industrial and Miscellaneous																					
00206R EL 2	AT&T INC.	06/22/2018		VARIOUS		40,400	40,000	38,833	38,596		3	3	3	38,940		80	80	1,490		06/14/2024	2FE
02352J HE 3	AMCA 178 A - ABS	04/02/2018		WELLS FARGO BROKERAGE		185,203	200,000	185,250			118	118		185,338		(163)	(163)	246		11/15/2022	1FE
055557 AC 4	BAWLT 171 A - ABS	04/02/2018		CANTOR FITZGERALD & CO.		189,294	200,000	185,977	185,897		3	3		189,950		(1,369)	(1,369)	1,210		06/20/2022	1FE
055550 CR 7	BP CAPITAL MARKETS P.L.C.	04/02/2018		MARKETAXESS		193,210	200,000	203,412	201,555		(311)	(311)		201,244		(2,054)	(2,054)	1,864		05/10/2018	1FE
05674L XH 1	BNP PARIBAS SA	04/02/2018		MILLENNIUM ADVISORS, LLC		189,550	200,000	204,334	202,654		(682)	(682)		201,892		(2,652)	(2,652)	2,763		03/17/2018	1FE
06406H CW 7	BANK OF NEW YORK MELLON CORP.	04/02/2018		MORGAN STANLEY & CO. LLC		189,505	200,000	201,600	200,532		(155)	(155)		200,883		(1,887)	(1,887)	2,671		03/11/2018	1FE
064884 BY 9	BERKSHIRE HATHAWAY FINANCE CORP.	04/02/2018		MARKETAXESS		249,589	250,000	255,178	251,621		(708)	(708)		250,915		(1,247)	(1,247)	3,284		06/15/2018	1FE
087023 BE 4	BOEING CO.	04/02/2018		MILLENNIUM ADVISORS, LLC		249,480	250,000	250,410	250,000		(60)	(60)		250,023		(443)	(443)	357		07/15/2024	1FE
101571 FQ 2	CHAIT 127 A - ABS	04/02/2018		WELLS FARGO BROKERAGE		183,313	200,000	183,063			85	85		183,147		165	165	300		06/16/2024	1FE
191216 AR 1	COCA-COLA CO.	04/02/2018		CITIBANK, N.A.		237,655	235,000	243,230	241,155		(670)	(670)		240,596		(2,730)	(2,730)	2,362		11/15/2020	1FE
207897 ED 3	CONNECTICUT LIGHT AND POWER CO.	03/01/2018		Neuilly @ 100.00		125,000	125,000	134,678	126,970		(1,670)	(1,670)		125,000				3,591		05/01/2018	1FE
244226 TE 9	JOHN DEERE CAPITAL CORP.	04/02/2018		MORGAN STANLEY & CO. LLC		249,043	250,000	254,423	251,551		(550)	(550)		251,415		(2,373)	(2,373)	3,665		01/06/2018	1FE
38484L AA 4	GOLDMAN SACHS GROUP INC.	04/02/2018		GOLDMAN SACHS & CO. INC.		189,338	200,000	199,730	199,398		13	13		199,902		(1,369)	(1,369)	2,412		04/23/2020	1FE
492866 AT 5	HERSHEY CO.	03/01/2018		MILLENNIUM ADVISORS, LLC		185,472	200,000	188,159	183,455		268	268		183,764		1,708	1,708	2,319		05/15/2021	1FE
492868 AC 8	ILLINOIS TOOL WORKS INC.	04/02/2018		MILLENNIUM ADVISORS, LLC		102,948	100,000	104,042	103,183		(240)	(240)		102,923		(1,574)	(1,574)	1,322		03/15/2021	1FE
48689F HS 2	INTERCONTINENTAL EXCHANGE INC.	04/02/2018		CITIBANK, N.A.		203,322	200,000	202,912	201,770		(688)	(688)		201,886		(2,654)	(2,654)	1,971		12/01/2020	1FE
534187 BF 5	JPMORGAN CHASE & CO.	04/02/2018		MORGAN STANLEY & CO. LLC		274,712	200,000	278,272	278,272		(6)	(6)		277,884		(1,382)	(1,382)	6,307		07/22/2020	1FE
597000 AJ 9	LINCOLN NATIONAL CORP.	04/02/2018		WELLS FARGO BROKERAGE		59,489	100,000	100,237	100,219		(6)	(6)		100,213		(1,747)	(1,747)	2,084		07/12/2026	2FE
59833Y AF 2	MERCK & CO. INC.	04/02/2018		MARKETAXESS		249,855	250,000	249,635	249,437		25	25		249,422		373	373	5,123		06/01/2023	2FE
68888X AX 3	MODERCO & CO. INC.	04/02/2018		CITIBANK, N.A.		246,888	250,000	248,331	248,331		302	302		248,833		3,065	3,065	2,761		05/16/2022	1FE
88293T RB 0	TOYOTA MOTOR CREDIT CORP.	04/02/2018		MORGAN STANLEY & CO. LLC		249,808	250,000	255,450	252,744		(417)	(417)		252,326		(2,465)	(2,465)	2,944		04/17/2019	1FE
91244P CM 2	UNITEDHEALTH GROUP INC.	04/02/2018		MARKETAXESS		254,424	250,000	254,635	251,557		(69)	(69)		251,447		(2,207)	(2,207)	3,835		04/17/2020	1FE
95001F AU 9	VFCM TRFC1 A1 - CMBS	05/01/2018		Paydown		18,411	18,411	18,411			(2)	(2)		18,409		(2,940)	(2,940)	3,975		01/15/2020	1FE
3599999	Total - Bonds - Industrial and Miscellaneous					4,549,488	4,558,411	4,608,449	4,191,749		(8,277)	(8,277)		4,574,794		(5,095)	(5,095)	80,597		XXX	XXX



Statement for June 30, 2018 of the **FLORIDA SPECIALTY INSURANCE COMPANY**

**SCHEDULE D - PART 4**

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					15	16	17	18	19	20	21	22
										11	12	13	14	15	16	17	18	19	20	21	22	
CUSIP Identification	Description	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/Adjusted Carrying Value	Unrealized Valuation Increase (Decrease)	Current Year's (Amortization) / Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B/A C.V. (11)-(12)-(13)	Total Foreign Exchange Change in B/A C.V. (14)-(15)	Book/Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest / Stock Dividends Received During Year	Stated Contractual Maturity Date	NAC Designation or Market Indicator (a)		
839997	Total - Bonds - Part 4				5,614,274	5,633,164	5,711,681	4,744,000	0	0	0	0	0	5,634,202	0	(20,328)	71,788	XOX	XOX			
839998	Total - Bonds				5,614,274	5,633,164	5,711,681	4,744,000	0	0	0	0	0	5,634,202	0	(20,328)	71,788	XOX	XOX			
909999	Total - Bonds, Preferred and Common Stocks				5,614,274	XOX	5,711,681	4,744,000	0	0	0	0	0	5,634,202	0	(20,328)	71,788	XOX	XOX			

(a) For all common stock bearing the NAC market indicator "U" provide the number of such issues: 0.

(a) For all common stock bearing the NAC market indicator "U" provide: the number of such issues: 0.

**Sch. DB - Pt. A - Sn. 1**  
**NONE**

**Sch. DB - Pt. B - Sn. 1**  
**NONE**

**Sch. DB - Pt. D - Sn. 1**  
**NONE**

**Sch. DB - Pt. D - Sn. 2**  
**NONE**

**Sch. DL - Pt. 1**  
**NONE**

**Sch. DL - Pt. 2**  
**NONE**

Statement for June 30, 2016 of the

**FLORIDA SPECIALTY INSURANCE COMPANY**

**SCHEDULE E - PART 1 - CASH**

**Month End Depository Balances**

MONTH-END DEPOSIT BALANCES									
1	2	3	4	5	Book Balance at End of Each Month During Current Quarter			9	
					6	7	8		
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month		
Open Depositories									
Fifth Third - Premiums	Cincinnati, OH				3,830,735	3,330,989	3,838,979	XXX	
Fifth Third - Operations	Cincinnati, OH				1,897,656	1,361,819	895,524	XXX	
Fifth Third - Claims	Cincinnati, OH				(3,221,896)	(3,142,304)	(3,667,616)	XXX	
SunTrust Bank - Premiums	Atlanta, GA				796,368	1,309,789	1,745,203	XXX	
SunTrust Bank - Claims	Atlanta, GA				(1,669,872)	(1,821,963)	(1,803,410)	XXX	
SunTrust Trust Account	Atlanta, GA	C			1,850,000	1,850,000	1,850,000	XXX	
SunTrust Bank - CC Deposits	Atlanta, GA				2,365,831	3,740,485	5,063,009	XXX	
US Bank	Homewood, AL				9,899	9,899	13,489	XXX	
0189999. Total Open Depositories	XXX	XXX	0	0	5,785,049	6,858,574	7,865,296	XXX	
0369999. Total Cash on Deposit	XXX	XXX	0	0	5,785,049	6,858,574	7,865,296	XXX	
0569999. Total Cash	XXX	XXX	0	0	5,785,049	6,858,574	7,865,296	XXX	

Statement for June 30, 2018 of the **FLORIDA SPECIALTY INSURANCE COMPANY**  
**SCHEDULE E - PART 2 - CASH EQUIVALENTS**  
 Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8	9
CUSIP	Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year
58034N 10 4	FEDERATED GOVT OBL INST		08/29/2018	1.750		5,845.169	0.015	12,671
85959595	Total - External Money Market Mutual Funds as Identified by the SVO					5,845.169	0.015	12,671
	All Other Money Market Mutual Funds							
291808 10 7	DREYFUS TREAS & AGENCY CASH MGMT 521		09/01/2018	1.200		7.198	0.015	321
053619A	Total - All Other Money Market Mutual Funds					7.198	0.015	321
05501862	Total - Cash Equivalents					5,852.366	0.015	12,992

# EXHIBIT 5

*Florida Specialty Insurance Company  
Five-Year Historical Data*

**FIVE-YEAR HISTORICAL DATA**

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

	1 2018	2 2017	3 2016	4 2015	5 2014
<b>Gross Premiums Written (Page 8, Part 1B, Col. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....			3,882	4,771	4,288
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	94,646,458	69,268,711	70,354,672	27,882,990	30,250,696
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 26, 29, 30 & 34).....					
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	94,646,458	69,268,711	70,358,554	27,887,761	30,254,984
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....			3,882	4,771	4,288
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	(6,422,089)	17,758,671	29,636,341	7,885,041	18,097,804
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 26, 29, 30 & 34).....					
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	(6,422,089)	17,758,671	29,640,223	7,889,812	18,102,092
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	918,776	(6,327,669)	(7,574,099)	1,816,884	6,132,138
14. Net investment gain (loss) (Line 11).....	171,960	532,786	374,820	397,226	427,126
15. Total other income (Line 15).....	321,818	132,826	91,814	94,563	21,714
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....				893,810	2,973,019
18. Net income (Line 20).....	1,410,554	(5,662,057)	(7,107,466)	1,416,063	3,607,969
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	31,094,661	45,523,653	57,039,890	39,011,679	50,422,715
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	5,621,347	1,830,815	4,807,801	367,200	382,778
20.2 Deferred and not yet due (Line 15.2).....		3,244,885	1,482,797	1,468,799	1,631,114
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	14,484,962	30,510,519	36,749,340	12,987,020	18,207,634
22. Losses (Page 3, Line 1).....	3,616,133	3,599,053	2,612,030	1,690,380	1,733,050
23. Loss adjustment expenses (Page 3, Line 3).....	1,735,220	207,783	101,891	312,595	557,800
24. Unearned premiums (Page 3, Line 9).....	(7,510,868)	6,854,876	12,946,319	6,393,328	14,080,989
25. Capital paid up (Page 3, Lines 30 & 31).....	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
26. Surplus as regards policyholders (Page 3, Line 37).....	16,609,699	15,013,134	20,290,551	26,024,659	32,214,881
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	(17,245,306)	(14,895,764)	10,624,901	(4,191,981)	3,180,151
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	16,609,699	15,013,134	20,290,551	26,024,659	32,214,881
29. Authorized control level risk-based capital.....	3,245,976	5,294,987	4,258,908	2,611,758	980,562
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	73.4	67.7	57.0	55.8	42.7
31. Stocks (Lines 2.1 & 2.2).....					0.0
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	26.6	32.3	43.0	44.2	57.2
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....					
38. Receivables for securities (Line 9).....					
39. Securities lending reinvested collateral assets (Line 10).....					
40. Aggregate write-ins for invested assets (Line 11).....					
41. Cash, cash equivalents and invested assets (Line 12).....	100.0	100.0	100.0	100.0	100.0
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	0	0	0	0	0
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	0.0				

**FLORIDA SPECIALTY INSURANCE COMPANY**  
**FIVE-YEAR HISTORICAL DATA**

(Continued)

	1	2	3	4	5
	2018	2017	2016	2015	2014
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....	(51,829)	770	(552)	652	6,005
52. Dividends to stockholders (Line 35).....				(6,500,000)	
53. Change in surplus as regards policyholders for the year (Line 38).....	1,596,584	(5,277,417)	(5,734,109)	(6,190,222)	4,152,750
<b>Gross Losses Paid (Page 8, Part 2, Cols. 1 &amp; 2)</b>					
54. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	53,974,270	72,628,765	18,879,478	5,942,786	4,829,518
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
59. Total (Line 35).....	53,974,270	72,628,765	18,879,478	5,942,786	4,829,518
<b>Net Losses Paid (Page 8, Part 2, Col. 4)</b>					
60. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....					
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....					
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	5,819,987	14,541,915	11,442,539	5,729,112	4,826,819
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....					
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
65. Total (Line 35).....	5,819,987	14,541,915	11,442,539	5,729,112	4,826,819
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1 x 100.0)					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	75.1	84.5	54.4	38.5	24.8
68. Loss expenses incurred (Line 3).....	29.6	7.2	4.0	3.7	4.9
69. Other underwriting expenses incurred (Line 4).....	15.9	54.9	74.4	48.1	37.6
70. Net underwriting gain (loss) (Line 5).....	11.4	(26.5)	(32.8)	11.7	32.7
<b>Other Percentages</b>					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	25.1	72.6	57.6	93.8	38.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	104.6	71.8	58.4	40.2	29.7
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	(38.7)	118.3	146.1	30.3	56.2
<b>One Year Loss Development (\$000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	4,451	1,056	(55)	(261)	(538)
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year-end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	29.6	5.2	(0.2)	(0.6)	(1.9)
<b>Two Year Loss Development (\$000 omitted)</b>					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	1,213	482	(156)	(546)	(81)
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior-year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	6.0	1.8	(0.5)	(1.9)	(0.4)

If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes ☐ No ☒ [X]

If no, please explain:

# EXHIBIT 6

*Reimbursement Contract Between  
Florida Specialty Insurance Company  
And  
The State Board of Administration of Florida  
(Florida Hurricane Catastrophe Fund)*





**STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

1801 HERMITAGE BOULEVARD, SUITE 100  
TALLAHASSEE, FLORIDA 32308  
(850) 488-4406

POST OFFICE BOX 13300  
32317-3300

**RON DESANTIS**  
GOVERNOR  
CHAIR  
  
**JIMMY PATRONIS**  
CHIEF FINANCIAL OFFICER  
  
**ASHLEY MOODY**  
ATTORNEY GENERAL  
  
**ASHBEL C. WILLIAMS**  
EXECUTIVE DIRECTOR &  
CHIEF INVESTMENT OFFICER

**REIMBURSEMENT CONTRACT**

**Effective: June 1, 2019**  
**("Contract")**

between

**FLORIDA SPECIALTY INSURANCE COMPANY**  
**("Company")**

**NAIC # 17248**

and

**THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA ("SBA")**  
**WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND ("FHCF")**

**PREAMBLE**

Section 215.555, Florida Statutes creates the FHCF and directs the SBA to administer the FHCF. This Contract, consisting of the principal document entitled Reimbursement Contract, addressing the mandatory FHCF coverage, and Addenda, is subject to Section 215.555, Florida Statutes, and to any administrative rule adopted pursuant thereto, and is not intended to be in conflict therewith. All provisions in the principal document are equally applicable to each Addendum unless specifically superseded by one of the Addenda.

In consideration of the promises set forth in this Contract, the parties agree as follows:

**ARTICLE I - SCOPE OF AGREEMENT**

As a condition precedent to the SBA's obligations under this Contract, the Company shall report to the SBA in a specified format the business it writes which is described in this Contract as Covered Policies. The terms of this Contract shall determine the rights and obligations of the parties. This Contract provides reimbursement to the Company under certain circumstances, as described herein, and does not provide or extend insurance or reinsurance coverage to any person, firm, corporation or other entity. The SBA shall reimburse the Company for its Ultimate Net Loss on Covered Policies, which were in force and in effect at the time of the Covered Event causing the Loss, in excess of the Company's Retention as a result of each Covered Event commencing during the Contract Year, to the extent funds are available, all as hereinafter defined.

**ARTICLE II - PARTIES TO THE CONTRACT**

This Contract is solely between the Company, an Authorized Insurer or any entity writing Covered Policies under Section 627.351, Florida Statutes, in the State of Florida, and the SBA. In no instance shall any

insured of the Company, any claimant against an insured of the Company, or any other third party have any rights under this Contract, except as provided in Article XV. The SBA will disburse funds only to the Company, except as provided for in Article XV. The Company shall not, without the prior approval of the Florida Office of Insurance Regulation, sell, assign, or transfer to any third party, in return for a fee or other consideration any sums the FHCF pays under this Contract or the right to receive such sums.

### **ARTICLE III – TERM; EXECUTION**

#### **(1) Term**

This Contract applies to Losses from Covered Events which commence during the period from 12:00:01 a.m., Eastern Time, June 1, 2019, to 12:00 midnight, Eastern Time, May 31, 2020 (the "Contract Year"). The SBA shall not be liable for Losses from Covered Events which commence after the effective time and date of expiration or termination. Should this Contract expire or terminate while a Covered Event is in progress, the SBA shall be responsible for such Covered Event in progress in the same manner and to the same extent it would have been responsible had the Contract expired the day following the conclusion of the Covered Event in progress.

#### **(2) Mandatory Nature of this Contract**

##### **(a) Statutory Requirement**

This Contract has been adopted as part of Rule 19-8.010, Florida Administrative Code (F.A.C.), in fulfillment of the statutory requirement that the SBA enter into a Contract with each Company writing Covered Policies in Florida. Under Section 215.555(4)(a), Florida Statutes, the SBA must enter into such a Contract with each such Company, and each such Company must enter into the Contract as a condition of doing business in Florida. Under Section 215.555(16)(c), Florida Statutes, Companies writing Covered Policies must execute the Contract by March 1 of the immediately preceding Contract Year.

##### **(b) Duty to Provide a Fully and Timely Executed Copy of this Contract to the FHCF Administrator**

The Company must provide a fully executed copy of this Contract in electronic form to the Administrator no later than the March 1 statutory deadline for execution, or, in the case of a New Participant, no later than 30 days after the New Participant began writing Covered Policies.

#### **(3) Contract Deemed Executed Notwithstanding Execution Errors**

Except with respect to New Participants, this Contract is deemed to have been executed by the Company as of the March 1 statutory deadline, notwithstanding the fact that the Coverage Level election in Article XX(1)(b) may be invalid, and notwithstanding the fact that the person purporting to execute the Contract on the part of the Company may have lacked the requisite authority. With respect to New Participants, this Contract is deemed to have been executed by the New Participant as of the date on which the New Participant began writing Covered Policies; coverage shall be determined as provided in paragraphs (c) and (d). Execution of this Contract by or on behalf of an entity that does not write Covered Policies is void. If the Company failed to timely submit an executed copy of this Contract, or if the executed Contract includes an invalid Coverage Level election under Article XX, the Company's Coverage Level shall be deemed as follows:

- 
- (a) For a Company that is a member of a National Association of Insurance Commissioners (NAIC) group, the same Coverage Level selected by the other Companies of the same NAIC group shall be deemed. If executed Contracts for none of the members of an NAIC group have been received by the FHCF Administrator, the Coverage Level from the prior Contract Year shall be deemed.**
  - (b) For a Company that is not a member of an NAIC group under which other Companies are active participants in the FHCF, the Coverage Level from the prior Contract Year shall be deemed.**
  - (c) For a New Participant that is a member of an NAIC group, the same Coverage Level selected by the other Companies of the same NAIC group shall be deemed.**

- (d) For a New Participant that is not a member of an NAIC group under which other Companies are active participants in the FHCF, the 45%, 75% or 90% Coverage Levels may be selected if the FHCF Administrator receives executed Contracts within 30 calendar days after the effective date of the first Covered Policy, otherwise, the 45% Coverage Level shall be deemed to have been selected.

#### **ARTICLE IV - LIABILITY OF THE FHCF**

- (1) The SBA shall reimburse the Company with respect to each Covered Event commencing during the Contract Year in the amount of Ultimate Net Loss paid by the Company in excess of the Company's Retention, as adjusted pursuant to the definition of Retention in Article V, multiplied by the applicable Coverage Level, plus 5% of the reimbursed Losses as a Loss Adjustment Expense Allowance, the total of which shall not exceed the Company's Limit.
- (2) Section 215.555(4)(c)1., Florida Statutes provides that the obligation of the FHCF with respect to all Contracts covering a particular Contract Year shall not exceed the Actual Claims-Paying Capacity of the FHCF up to a specified dollar limit.
- (3) In order to assure that reimbursements do not exceed the statutory limit on the obligation of the FHCF provided in Section 215.555(4)(c)1., Florida Statutes, the SBA shall, upon the occurrence of a Covered Event, evaluate the potential Losses to the FHCF and the FHCF's capacity at the time of the event. The initial Projected Payout Multiple used to reimburse the Company for its Losses shall not exceed the Projected Payout Multiple as calculated based on the capacity needed to provide the FHCF's coverage. If it appears that the Estimated Claims-Paying Capacity may be exceeded, the SBA shall reduce the projected payout factors or multiples for determining each participating insurer's projected payout uniformly among all insurers to reflect the Estimated Claims-Paying Capacity.
- (4) Reimbursement amounts shall not be reduced by reinsurance paid or payable to the Company from other sources. Once the Company's Limit has been exhausted, the Company will not be entitled to further reimbursements.

#### **ARTICLE V - DEFINITIONS**

As used in this Contract, the following words and phrases are defined to mean:

- (1) **Actual Claims-Paying Capacity of the FHCF**  
This term means the sum of the Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the amount the SBA is able to raise through the issuance of revenue bonds under Section 215.555(6), Florida Statutes.
- (2) **Actuarially Indicated**  
This term means an amount determined according to principles of actuarial science to be adequate, but not excessive, in the aggregate, to pay current and future obligations and expenses of the fund, including additional amounts if needed to pay debt service on revenue bonds and to provide required debt service coverage in excess of the amounts required to pay actual debt service on revenue bonds, and determined according to principles of actuarial science to reflect each insurer's relative exposure to hurricane losses.
- (3) **Additional Living Expense (ALE)**  
ALE Losses covered by the FHCF are not to exceed 40 percent of the insured value of a Residential Structure or its contents based on the coverage provided in the policy. Fair rental value, loss of rents, or business interruption losses are not covered by the FHCF.
- (4) **Administrator**  
This term means the entity with which the SBA contracts to perform administrative tasks associated with the operations of the FHCF. The current Administrator is Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83<sup>rd</sup> Street, Suite 1100, Minneapolis, Minnesota 55437. The telephone number is (800) 689-3863, and the facsimile number is (800) 264-0492.

- (5) **Authorized Insurer**  
This term is defined in Section 624.09(1), Florida Statutes.
- (6) **Balance of the Fund as of December 31 or Fund Balance**  
This term means the amount of assets available to pay claims resulting from Covered Events which occurred during the Contract Year, not including any pre-event or post-event bonds, reinsurance, or proceeds from other financing mechanisms.
- (7) **Borrowing Capacity**  
This term means the amount of funds which are able to be raised by the issuance of revenue bonds or through other financing mechanisms, less bond issuance expenses and reserves.
- (8) **Citizens Property Insurance Corporation (Citizens)**  
This term means Citizens Property Insurance Corporation as created under Section 627.351(6), Florida Statutes. For the purposes of the FHCF, Citizens Property Insurance Corporation incorporates two accounts, (a) the coastal account and (b) the personal lines and commercial lines accounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, Reimbursement Premium, Retention, and Ultimate Net Loss.
- (9) **Covered Event**  
This term means any one storm declared to be a hurricane by the National Hurricane Center which causes insured losses in Florida. A Covered Event begins when a hurricane causes damage in Florida while it is a hurricane and continues throughout any subsequent downgrades in storm status by the National Hurricane Center regardless of whether the hurricane makes landfall. Any storm, including a tropical storm, which does not become a hurricane is not a Covered Event.
- (10) **Coverage Level**  
This term means the level of reimbursement (90%, 75%, or 45%), as elected by the Company under Article XX or deemed under Article III(3), which is used in determining reimbursement under Article IV.
- (11) **Covered Policy**  
(a) Covered Policy, as defined in Section 215.555(2)(c), Florida Statutes, is further clarified to mean only that portion of a binder, policy or contract of insurance that insures real or personal property located in the State of Florida to the extent such policy insures a Residential Structure or the contents of a Residential Structure, located in the State of Florida.  
(b) Covered Policy also includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interest, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in Section 215.555(5), Florida Statutes. A Company will be deemed to be able to accurately report data if the required data, as specified in the Premium Formula adopted in Section 215.555(5), Florida Statutes, are available.  
(c) Covered Policy does not include any policy or exposure excluded under Article VI.
- (12) **Deductible Buy-Back Policy**  
This term means a specific policy that provides coverage to a policyholder for some portion of the policyholder's deductible under a policy issued by another insurer.
- (13) **Estimated Claims-Paying Capacity of the FHCF**  
This term means the sum of the projected Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the most recent estimate of the Borrowing Capacity of the FHCF, determined pursuant to Section 215.555(4)(c), Florida Statutes.
- (14) **Excess Policy**  
This term means, for the purposes of this Contract, a policy that provides insurance protection for large commercial property risks and that provides a layer of coverage above a primary layer (which is insured by a different insurer) that acts much the same as a very large deductible.

- (15) **Insurer Group**  
For purposes of the Coverage Level election in Section 215.555(4)(b), Florida Statutes, Insurer Group means the group designation assigned by the National Association of Insurance Commissioners (NAIC) for regulatory purposes. A Company is a member of a group as designated by the NAIC until such Company is assigned another group designation or is no longer a member of a group.
- (16) **Limit**  
This term means the maximum amount that a Company may recover under this Contract, calculated by multiplying the Company's Reimbursement Premium by the Payout Multiple.
- (17) **Loss**  
This term means an incurred loss under a Covered Policy from a Covered Event, including Additional Living Expenses not to exceed 40 percent of the insured value of a Residential Structure or its contents and amounts paid as fees on behalf of or inuring to the benefit of a policyholder. The term Loss does not include allocated or unallocated loss adjustment expenses or any item for which this Contract does not provide reimbursement pursuant to the exclusions in Article VI.
- (18) **Loss Adjustment Expense Allowance**  
(a) The Loss Adjustment Expense Allowance is equal to 5% of the reimbursed Losses under this Contract as provided in Article IV, pursuant to Section 215.555(4)(b)1., Florida Statutes.  
(b) The Loss Adjustment Expense Allowance is included in, and not in addition to, the Limit applicable to a Company.
- (19) **New Participant**  
This term means a Company that begins writing Covered Policies on or after the beginning of the Contract Year. A Company that removes Covered Policies from Citizens pursuant to an assumption agreement effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.
- (20) **Payout Multiple**  
This term means the multiple as calculated in accordance with Section 215.555(4)(c), Florida Statutes, which is derived by dividing the actual single season Claims-Paying Capacity of the FHCF by the total aggregate industry Reimbursement Premium for the FHCF for the Contract Year billed as of December 31 of the Contract Year. The final Payout Multiple is determined once Reimbursement Premiums have been billed as of December 31 and the amount of bond proceeds has been determined.
- (21) **Premium Formula**  
This term means the Formula developed pursuant to Section 215.555(5)(b), Florida Statutes, and approved by the SBA Trustees for the purpose of determining the Actuarially Indicated Reimbursement Premium to be paid to the FHCF.
- (22) **Projected Payout Multiple**  
The Projected Payout Multiple is used to calculate a Company's projected payout pursuant to Section 215.555(4)(d)2., Florida Statutes. The Projected Payout Multiple is derived by dividing the estimated single season Claims-Paying Capacity of the FHCF by the estimated total aggregate industry Reimbursement Premium for the FHCF for the Contract Year. The Company's Reimbursement Premium as paid to the SBA for the Contract Year is multiplied by the Projected Payout Multiple to estimate the Company's coverage from the FHCF for the Contract Year.
- (23) **Reimbursement Premium or Premium**  
These terms mean the amount to be paid by the Company, as determined by multiplying each \$1,000 of insured value reported by the Company in accordance with Section 215.555(5)(b), Florida Statutes, by the rate as derived from the Premium Formula, as described in Rule 19-8.028, F.A.C.
- (24) **Residential Structure**  
In general, this term means a unit or building used exclusively or predominantly for dwelling or habitational occupancies, including the primary structure and appurtenant structures insured under

the same Covered Policy and any other structures covered under endorsements associated with the Covered Policy covering the Residential Structure.

- (a) With respect to a unit or home insured under a personal lines residential policy form, such unit or home is deemed to have a habitational occupancy and to be a Residential Structure regardless of the term of its occupancy.
- (b) With respect to a condominium structure or complex insured under a commercial lines policy, such structure is deemed to have a habitational occupancy and to be a Residential Structure, regardless of the term of occupancy of individual units.
- (c) A single structure which includes a mix of commercial habitational and commercial non-habitational occupancies, and is insured under a commercial lines policy, is considered a Residential Structure if 50% or more of the total insured value of the structure is used for habitational occupancies.
- (d) Residential Structures do not include any structures excluded under Article VI.

**(25) Retention**

This term means the amount of Losses from a Covered Event which must be incurred by the Company before it is eligible for reimbursement from the FHCF.

- (a) When the Company incurs Losses from one or two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the Covered Events.
- (b) When the Company incurs Losses from more than two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the two Covered Events causing the largest Losses for the Company. For each other Covered Event resulting in Losses, the Company's Retention shall be reduced to one-third of its full Retention.
  - 1. All reimbursement of Losses for each Covered Event shall be based on the Company's full Retention until December 31 of the Contract Year. Adjustments to reflect a reduction to one-third of the full Retention shall be made on or after January 1 of the Contract Year provided the Company reports its Losses as specified in this Contract.
  - 2. Adjustments to the Company's Retention shall be based upon its paid and outstanding Losses as reported on the Company's Proof of Loss Reports, but shall not include incurred but not reported Losses. The Company's Proof of Loss Reports shall be used to determine which Covered Events constitute the Company's two largest Covered Events. After this initial determination, any subsequent adjustments shall be made quarterly by the SBA only if the Proof of Loss Reports reveal that loss development patterns have resulted in a change in the order of Covered Events entitled to the reduction to one-third of the full Retention.
- (c) The Company's full Retention is established in accordance with the provisions of Section 215.555(2)(e), Florida Statutes, and shall be determined by multiplying the Retention Multiple by the Company's Reimbursement Premium for the Contract Year.

**(26) Retention Multiple**

- (a) The Retention Multiple is applied to the Company's Reimbursement Premium to determine the Company's Retention. The Retention Multiple for the 2019/2020 Contract Year shall be equal to \$4.5 billion, adjusted based upon the reported exposure for the 2017/2018 Contract Year to reflect the percentage growth in exposure to the FHCF since 2004, divided by the estimated total industry Reimbursement Premium at the 90% Coverage Level for the Contract Year as determined by the SBA.
- (b) The Retention Multiple shall be adjusted to reflect the Coverage Level elected by the Company under this Contract as follows:
  - 1. If the Company elects the 90% Coverage Level, the adjusted Retention Multiple is 100% of the amount determined under paragraph (a);
  - 2. If the Company elects the 75% Coverage Level, the adjusted Retention Multiple is 120% of the amount determined under paragraph (a); or

3. If the Company elects the 45% Coverage Level, the adjusted Retention Multiple is 200% of the amount determined under paragraph (a).

**(27) Ultimate Net Loss**

- (a) This term means all Losses under Covered Policies in force at the time of a Covered Event prior to the application of the Company's Retention and Coverage Level, and excluding loss adjustment expense and any exclusions under Article VI.
- (b) In calculating the Company's Ultimate Net Loss, the amounts described in paragraph (a) shall be reduced by the deductibles applicable under the policy to the hurricane loss, which must first be applied to the portion of the Loss covered by the FHCF.
- (c) Salvages and all other recoveries, excluding reinsurance recoveries, shall be first deducted from such Loss to arrive at the amount of liability attaching hereunder.
- (d) All salvages, recoveries or payments recovered or received subsequent to a Loss settlement under this Contract shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto.
- (e) The SBA shall be subrogated to the rights of the Company to the extent of its reimbursement of the Company. The Company agrees to assist and cooperate with the SBA in all respects as regards such subrogation. The Company further agrees to undertake such actions as may be necessary to enforce its rights of salvage and subrogation, and its rights, if any, against other insurers as respects any claim, loss, or payment arising out of a Covered Event.

**ARTICLE VI – EXCLUSIONS**

This Contract does not provide reimbursement for:

- (1) Any losses not defined as being within the scope of a Covered Policy, including any loss other than a loss under the first-party property section of a policy pertaining strictly to the structure, its contents, appurtenant structures, or ALE coverage.
- (2) Any policy which excludes wind or hurricane coverage.
- (3) Any Excess Policy or Deductible Buy-Back Policy that requires individual ratemaking, as determined by the FHCF.
- (4)
  - (a) Any policy for Residential Structures that provides a layer of coverage underneath an Excess Policy issued by a different insurer;
  - (b) Any policy providing a layer of windstorm or hurricane coverage for a particular structure above or below a layer of windstorm or hurricane coverage under a separate policy issued by a different insurer, or any other circumstance in which two or more insurers provide primary windstorm or hurricane coverage for a single structure using separate policy forms;
  - (c) Any other policy providing a layer of windstorm or hurricane coverage for a particular structure below a layer of self-insured windstorm or hurricane coverage for the same structure; or
  - (d) The exclusions in this subsection do not apply to primary quota share policies written by Citizens Property Insurance Corporation under Section 627.351(6)(c)2., Florida Statutes.
- (5) Any liability of the Company attributable to losses for fair rental value, loss of rent or rental income, or business interruption.
- (6) Any collateral protection policy that does not meet the definition of Covered Policy as defined in Article V(11)(b).
- (7) Any reinsurance assumed by the Company.
- (8) Hotels, motels, timeshares, shelters, camps, retreats, or other similar structures.
- (9) Retail, office, mercantile, or manufacturing facilities, or other similar structures.
- (10) Any exposure for condominium or homeowner associations if no Residential Structures are insured under the policy.

- (11) Commercial healthcare facilities and nursing homes; however, a nursing home which is an integral part of a retirement community consisting primarily of habitational structures that are not nursing homes will not be subject to this exclusion.
- (12) Any exposure under commercial policies covering only appurtenant structures or structures that do not function as a habitational structure (e.g., a policy covering only the pool of an apartment complex).
- (13) Policies covering only Additional Living Expense.
- (14) Any exposure for barns or barns with apartments or living quarters.
- (15) Any exposure for builders risk coverage or new Residential Structures under construction.
- (16) Any exposure for vehicles, recreational vehicles, golf carts, or boats (including boat related equipment) requiring licensing.
- (17) Any liability of the Company for extra contractual obligations or liabilities in excess of original policy limits. This exclusion includes, but is not limited to, amounts paid as bad faith awards, punitive damages awards, or other court-imposed fines, sanctions, or penalties; or other amounts in excess of the coverage limits under the Covered Policy.
- (18) Any losses paid in excess of a policy's hurricane limit in force at the time of the Covered Event, including individual coverage limits (i.e., building, appurtenant structures, contents, and additional living expense), or other amounts paid as the result of a voluntary expansion of coverage by the insurer, including, but not limited to, a discount on or waiver of an applicable deductible. This exclusion includes overpayments of a specific individual coverage limit even if total payments under the policy are within the aggregate policy limit.
- (19) Any losses paid under a policy for Additional Living Expense, written as a time element coverage, in excess of the Additional Living Expense exposure reported for that policy under the Data Call for the applicable Contract Year (unless policy limits have changed effective after June 30 of the Contract Year).
- (20) Any losses which the Company's claims files do not adequately support. Claim file support shall be deemed adequate if in compliance with the Records Retention Requirements outlined on the Form FHCF-L1B (Proof of Loss Report) applicable to the Contract Year.
- (21) Any exposure for, or amounts paid to reimburse a policyholder for, condominium association loss assessments or under similar coverages for contractual liabilities.
- (22) Losses in excess of the aggregate limits of liability specified in Article IV and in Section 215.555(4)(c), Florida Statutes.
- (23) Any liability assumed by the Company from Pools, Associations, and Syndicates. Exception: Covered Policies assumed from Citizens under the terms and conditions of an executed assumption agreement between the Company and Citizens are covered by this Contract.
- (24) All liability of the Company arising by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, howsoever denominated, established or governed, which provides for any assessment of or payment or assumption by the Company of part or all of any claim, debt, charge, fee, or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.
- (25) Property losses that are proximately caused by any peril other than a Covered Event, including, but not limited to, fire, theft, flood or rising water, or windstorm that does not constitute a Covered Event, or any liability of the Company for loss or damage caused by or resulting from nuclear reaction, nuclear radiation, or radioactive contamination from any cause, whether direct or indirect, proximate



or remote, and regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

- (26) Losses from water damage, which is generally excluded under property insurance contracts, including flood, surface water, waves, tidal water, overflow of a body of water, storm surge, or spray from any of these, whether or not driven by wind.
- (27) A policy providing personal property coverage separate from coverage of personal property included in a homeowner's, mobile home owner's, condominium unit owner's, or tenant's policy or other policy covering a Residential Structure, or in an endorsement to such a policy.
- (28) Endorsements predominantly covering Specialized Fine Arts Risks or collectible types of property meeting the following requirements:
  - (a) An endorsement predominantly covering Specialized Fine Arts Risks and not covering any Residential Structure if it meets the description in subparagraph 1 and if the conditions in subparagraph 2 are met.
    - 1. For purposes of this exemption, a Specialized Fine Arts Risk endorsement is an endorsement that:
      - a. Insures works of art, of rarity, or of historic value, such as paintings, works on paper, etchings, art glass windows, pictures, statuary, sculptures, tapestries, antique furniture, antique silver, antique rugs, rare books or manuscripts, jewelry, or other similar items;
      - b. Charges a minimum premium of \$500; and
      - c. Insures scheduled items valued, in the aggregate, at no less than \$100,000.
    - 2. The insurer offers specialized loss prevention services or other collector services designed to prevent or minimize loss, or to value or inventory the Specialized Fine Arts for insurance purposes, such as:
      - a. Collection risk assessments;
      - b. Fire and security loss prevention;
      - c. Warehouse inspections to protect items stored off-site;
      - d. Assistance with collection inventory management; or
      - e. Collection valuation reviews.
  - (b) An endorsement generally used by the Company to cover personal property which could include property of a collectible nature, including fine arts, as further described in this paragraph, either on a scheduled basis or written under a blanket limit, and not covering anything other than personal property. All such endorsements are subject to the exclusion provided in this paragraph when the endorsement limit equals or exceeds \$500,000. Generally such collectible property has unusually high values due to its investible, artistic, or unique intrinsic nature. The class of property covered under such an endorsement represents an unusually high exposure value and such endorsement is intended to provide coverage for a class or classes of property that is not typical for the contents coverage under residential property insurance policies. In many cases property may be located at various locations either in or outside the state of Florida or the location of the property may change from time to time. The investment nature of such property distinguishes this type of exposure from the typical contents associated with a Covered Policy.
- (29) Any losses under liability coverages.

## **ARTICLE VII - MANAGEMENT OF CLAIMS AND LOSSES**

The Company shall investigate and settle or defend all claims and Losses. All payments of claims or Losses by the Company within the terms and limits of the appropriate coverage parts of Covered Policies shall be binding on the SBA, subject to the terms of this Contract, including the provisions in Article XIII relating to inspection of records and examinations.

## ARTICLE VIII – REIMBURSEMENT ADJUSTMENTS

Section 215.555(4)(d) and (e), Florida Statutes, provides the SBA with the right to seek the return of excess reimbursements which have been paid to the Company along with interest thereon. Excess reimbursements are those payments made to the Company by the SBA that are in excess of the Company's coverage under the Contract Year. Excess reimbursements may result from adjustments to the Projected Payout Multiple or the Payout Multiple, incorrect exposure (Data Call) submissions or resubmissions; incorrect calculation of Reimbursement Premium or Retention, incorrect Proof of Loss Reports, incorrect calculation of reinsurance recoveries, or subsequent readjustment of policyholder claims, including subrogation and salvage, or any combination of the foregoing. The Company will be sent an invoice showing the due date for adjustments along with the interest due thereon through the due date. The applicable interest rate for interest credits, and for interest charges for adjustments beyond the Company's control, will be the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges on excess reimbursements due to adjustments resulting from incorrect exposure submissions or Proof of Loss Reports will accrue at this rate plus 5%. All interest will continue to accrue if not paid by the due date.

## ARTICLE IX - REIMBURSEMENT PREMIUM

- (1) The Company shall, in a timely manner, pay the SBA its Reimbursement Premium for the Contract Year. The Reimbursement Premium for the Contract Year shall be calculated in accordance with Section 215.555, Florida Statutes, with any rules promulgated thereunder, and with Article X(2).
- (2) The Company's Reimbursement Premium is based on its June 30 exposure in accordance with Article X, except as provided for New Participants under Article X, and is not adjusted to reflect an increase or decrease in exposure for Covered Policies effective after June 30 nor is the Reimbursement Premium adjusted when the Company cancels policies or is liquidated or otherwise changes its business status (merger, acquisition, or termination) or stops writing new business (continues in business with its policies in a runoff mode). Similarly, new business written after June 30 will not increase or decrease the Company's FHCF Reimbursement Premium or impact its FHCF coverage. FHCF Reimbursement Premiums are required of all Companies based on their writing Covered Policies in Florida as of June 30, and each Company's FHCF coverage as based on the definition in Section 215.555(2)(m), Florida Statutes, shall exist for the entirety of the Contract Year regardless of exposure changes, except as provided for New Participants under Article X.
- (3) Since the calculation of the Actuarially Indicated Premium assumes that the Companies will pay their Reimbursement Premiums timely, interest charges will accrue under the following circumstances. A Company may choose to estimate its own Reimbursement Premium installments. However, if the Company's estimation is less than the provisional Reimbursement Premium billed, an interest charge will accrue on the difference between the estimated Reimbursement Premium and the final Reimbursement Premium. If a Company estimates its first installment, the Administrator shall bill that estimated Reimbursement Premium as the second installment as well, which will be considered as an estimate by the Company. No interest will accrue regarding any provisional Reimbursement Premium if paid as billed by the FHCF's Administrator, except in the case of an estimated second installment as set forth in this Article. Also, if a Company makes an estimation that is higher than the provisional Reimbursement Premium billed but is less than the final Reimbursement Premium, interest will not accrue. If the Reimbursement Premium payment is not received from a Company when it is due, an interest charge will accrue on a daily basis until the payment is received. Interest will also accrue on Reimbursement Premiums resulting from submissions or resubmissions finalized after December 1 of the Contract Year. An interest credit will be applied for any Reimbursement Premium which is overpaid as either an estimate or as a provisional Reimbursement Premium. Interest shall not be credited past December 1 of the Contract Year. The applicable interest rate for interest credits will be

the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges will accrue at this rate plus 5%.

## **ARTICLE X - REPORTS AND REMITTANCES**

### **(1) Exposures**

- (a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall report to the SBA, unless otherwise provided in Rule 19-8.029, F.A.C., no later than the statutorily required date of September 1 of the Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of June 30 of the Contract Year as outlined in the annual reporting of insured values form, FHCF-D1A (Data Call) adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.
- (b) If the Company first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year, the Company shall report to the SBA, no later than February 1 of the Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of November 30 of the Contract Year as outlined in the Supplemental Instructions for New Participants section of the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.
- (c) If the Company first begins writing Covered Policies on December 1 through and including May 31 of the Contract Year, the Company shall not report its exposure data for the Contract Year to the SBA.
- (d) The requirement that a report is due on a certain date means that the report shall be received by the SBA no later than 4 p.m. Eastern Time on the due date. Reports sent to the FHCF Administrator in Minneapolis, Minnesota, will be returned to the sender. Reports not in the physical possession of the SBA by 4 p.m., Eastern Time, on the applicable due date are late.

### **(2) Reimbursement Premium**

- (a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall pay the FHCF its Reimbursement Premium in installments due on or before August 1, October 1, and December 1 of the Contract Year in amounts to be determined by the FHCF. However, if the Company's Reimbursement Premium for the prior Contract Year was less than \$5,000, the Company's full provisional Reimbursement Premium, in an amount equal to the Reimbursement Premium paid in the prior year, shall be due in full on or before August 1 of the Contract Year. The Company will be invoiced for amounts due, if any, beyond the provisional Reimbursement Premium payment, on or before December 1 of the Contract Year.
- (b) If the Company is under administrative supervision, or if any control or oversight of the Company has been transferred through any legal or regulatory action to a state regulator or court appointed receiver or rehabilitator (referred to in the aggregate as "state action"):
  - 1. The full annual provisional Reimbursement Premium as billed and any outstanding balances will be due and payable on August 1, or the date that such State action occurs after August 1 of the Contract Year.
  - 2. Failure by such Company to pay the full annual provisional Reimbursement Premium as specified in subparagraph 1. by the applicable due date shall result in the 45% Coverage Level being deemed for the complete Contract Year regardless of the level selected for the Company through the execution of this Contract and regardless of whether a Covered Event occurred or triggered coverage.
  - 3. Subparagraphs 1. and 2. do not apply if the state regulator, receiver, or rehabilitator provides a letter of assurance to the FHCF stating that the Company will have the resources and will

pay the full Reimbursement Premium for the Coverage Level selected through the execution of this Contract.

4. When control or oversight has been transferred, in whole or in part, through a legal or regulatory action, the controlling management of the Company shall specify by August 1 or as soon thereafter as possible (but not to exceed two weeks after any regulatory or legal action) in a letter to the FHCF as to the Company's intentions to either pay the full FHCF Reimbursement Premium as specified in subparagraph 1., to default to the 45% Coverage Level being deemed as specified in subparagraph 2., or to provide the assurances as specified in subparagraph 3.
- (c) A New Participant that first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year shall pay the FHCF a provisional Reimbursement Premium of \$1,000 no later than 30 days from the date the New Participant began writing Covered Policies. The Administrator shall calculate the Company's actual Reimbursement Premium for the period based on its actual exposure as of November 30 of the Contract Year, as reported on or before February 1 of the Contract Year. To recognize that New Participants have limited exposure during this period, the actual Reimbursement Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Reimbursement Premium shall be credited, and the resulting amount shall be the total Reimbursement Premium due for the Company for the remainder of the Contract Year. However, if that amount is less than \$1,000, then the Company shall pay \$1,000. The Reimbursement Premium payment is due no later than April 1 of the Contract Year. The Company's Retention and coverage will be determined based on the total Reimbursement Premium due as calculated above.
- (d) A New Participant that first begins writing Covered Policies on or after December 1 through and including May 31 of the Contract Year shall pay the FHCF a Reimbursement Premium of \$1,000 no later than 30 days from the date the New Participant began writing Covered Policies.
- (e) The requirement that the Reimbursement Premium is due on a certain date means that the Reimbursement Premium shall be remitted by wire transfer or ACH and shall have been credited to the FHCF's account, as set out on the invoice sent to the Company, on the due date applicable to the particular installment.
- (f) Except as required by Section 215.555(7)(c), Florida Statutes, or as described in the following sentence, Reimbursement Premiums, together with earnings thereon, received in a given Contract Year will be used only to pay for Losses attributable to Covered Events occurring in that Contract Year or for Losses attributable to Covered Events in subsequent Contract Years and will not be used to pay for past Losses or for debt service on post-event revenue bonds issued pursuant to Section 215.555(6)(a)1., Florida Statutes. Reimbursement Premiums and earnings thereon may be used for payments relating to such revenue bonds in the event emergency assessments are insufficient. If Reimbursement Premiums or earnings thereon are used for debt service on post-event revenue bonds, then the amount of the Reimbursement Premiums or earnings thereon so used shall be returned, without interest, to the Fund when emergency assessments or other legally available funds remain available after making payment relating to the post-event revenue bonds and any other purposes for which emergency assessments were levied.

**(3) Losses**

**(a) In General**

Losses resulting from a Covered Event commencing during the Contract Year shall be reported by the Company and reimbursed by the FHCF as provided herein and in accordance with the Statute, this Contract, and any rules adopted pursuant to the Statute. For a Company participating in a quota share primary insurance agreement(s) with Citizens Property Insurance Corporation Coastal Account, Citizens and the Company shall report only their respective portion of Losses under the quota share primary insurance agreement(s). Pursuant to Section 215.555(4)(c), Florida Statutes, the SBA is obligated to pay for Losses not to exceed the Actual Claims-Paying Capacity of the FHCF, up to the limit in accordance with Section 215.555(4)(c)1., Florida Statutes, for any one Contract Year.

**(b) Loss Reports**

1. At the direction of the SBA, the Company shall report its projected Ultimate Net Loss from each Covered Event to provide information to the SBA in determining any potential liability for possible reimbursable Losses under the Contract on the Interim Loss Report, Form FHCF-L1A, adopted for the Contract Year under Rule 19-8.029, F.A.C. Interim Loss Reports (including subsequent Interim Loss Reports if required by the SBA) will be due in no less than fourteen days from the date of the notice from the SBA that such a report is required.
2. FHCF reimbursements will be issued based on Ultimate Net Loss information reported by the Company on the Proof of Loss Report, Form FHCF-L1B, adopted for the Contract Year under Rule 19-8.029, F.A.C.
  - a. To qualify for reimbursement, the Proof of Loss Report must have the electronic signatures of two executive officers authorized by the Company to sign or submit the report.
  - b. The Company must also submit a Detailed Claims Listing, Form FHCF-DCL, adopted for the Contract Year under Rule 19-8.029, F.A.C., at the same time it submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event, and must be prepared to supply a Detailed Claims Listing for any subsequent Proof of Loss Report upon request.
  - c. While the Company may submit a Proof of Loss Report requesting reimbursement at any time following a Covered Event, the Company shall submit a mandatory Proof of Loss Report for each Covered Event no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event occurs using the most current data available, regardless of the amount of Ultimate Net Loss or the amount of reimbursements or advances already received.
  - d. For the Proof of Loss Reports due by December 31 of the Contract Year, and the required subsequent quarterly and annual reports required under subparagraphs 3. and 4., the Company shall submit its Proof of Loss Reports by each quarter-end or year-end using the most current data available. However, the date of such data shall not be more than sixty days prior to the applicable quarter-end or year-end date.
  - e. For the Proof of Loss Reports due by December 31 of the Contract Year and the required subsequent annual reports required under subparagraph 4., the Company shall include a Detailed Claims Listing if requested by the SBA.
3. Updated Proof of Loss Reports for each Covered Event are due quarterly thereafter until all Losses resulting from a Covered Event are fully discharged including any adjustments to such Losses due to salvage or other recoveries, or the Company has received its full coverage under the Contract Year in which the Covered Event occurred. Guidelines follow:

- a. Quarterly Proof of Loss Reports are due by March 31 from a Company whose Losses exceed, or are expected to exceed, 50% of its FHCF Retention for a specific Covered Event.
- b. Quarterly Proof of Loss Reports are due by June 30 from a Company whose Losses exceed, or are expected to exceed, 75% of its FHCF Retention for a specific Covered Event.
- c. Quarterly Proof of Loss Reports are due by September 30 and quarterly thereafter from a Company whose Losses exceed, or are expected to exceed, its FHCF Retention for a specific Covered Event.

If the Company's Retention must be recalculated as the result of an exposure resubmission, and if the recalculated Retention changes the FHCF's reimbursement obligations, then the Company shall submit additional Proof of Loss Reports for recalculation of the FHCF's obligations.

- 4. Annually after December 31 of the Contract Year, all Companies shall submit a mandatory year-end Proof of Loss Report for each Covered Event, as applicable, using the most current data available. This Proof of Loss Report shall be filed no earlier than December 1 and no later than December 31 of each year and shall continue until the earlier of the commutation process described in paragraph (3)(d) or until all Losses resulting from the Covered Event are fully discharged including any adjustments to such Losses due to salvage or other recoveries.
- 5. The SBA, except as noted below, will determine and pay, within 30 days or as soon as practicable after receiving Proof of Loss Reports, the reimbursement amount due based on Losses paid by the Company to date and adjustments to this amount based on subsequent quarterly information. The adjustments to reimbursement amounts shall require the SBA to pay, or the Company to return, amounts reflecting the most recent determination of Losses.
  - a. The SBA shall have the right to consult with all relevant regulatory agencies to seek all relevant information, and shall consider any other factors deemed relevant, prior to the issuance of reimbursements.
  - b. The SBA shall require commercial self-insurance funds established under Section 624.462, Florida Statutes, to submit contractor receipts to support paid Losses reported on a Proof of Loss Report, and the SBA may hire an independent consultant to confirm Losses, prior to the issuance of reimbursements.
  - c. The SBA shall have the right to conduct a claims examination prior to the issuance of any advances or reimbursements requested by Companies that have been placed under regulatory supervision by a State or where control has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator.
- 6. All Proof of Loss Reports received will be compared with the FHCF's exposure data to establish the facial reasonableness of the reports. The SBA may also review the results of current and prior Contract Year exposure and claims examinations to determine the reasonableness of the reported Losses. Except as noted in subparagraph 5., Companies meeting these tests for reasonableness will be scheduled for reimbursement. Companies not meeting these tests for reasonableness will be handled on a case-by-case basis and will be contacted to provide specific information regarding their individual book of business. The discovery of errors in a Company's reported exposure under the Data Call may require a resubmission of the current Contract Year Data Call which, as the Data Call impacts the Company's Reimbursement Premium, Retention, and coverage for the Contract Year, will be required before the Company's request for reimbursement or an advance will be fully processed by the Administrator.

**(c) Loss Reimbursement Calculations**

1. In general, the Company's paid Ultimate Net Losses must exceed its full FHCF Retention for a specific Covered Event before any reimbursement is payable from the FHCF for that Covered Event. As described in Article V(25)(b), Retention adjustments will be made on or after January 1 of the Contract Year. No interest is payable on additional payments to the Company due to this type of Retention adjustment. Each Company, including entities created pursuant to Section 627.351(6), Florida Statutes, incurring reimbursable Losses will receive the amount of reimbursement due under the individual Company's Contract up to the amount of the Company's payout. If more than one Covered Event occurs in any one Contract Year, any reimbursements due from the FHCF shall take into account the Company's Retention for each Covered Event. However, the Company's reimbursements from the FHCF for all Covered Events occurring during the Contract Year shall not exceed, in aggregate, the Projected Payout Multiple or Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.
2. Reserve established. When a Covered Event occurs in a subsequent Contract Year when reimbursable Losses are still being paid for a Covered Event in a previous Contract Year, the SBA will establish a reserve for the outstanding reimbursable Losses for the previous Contract Year, based on the length of time the Losses have been outstanding, the amount of Losses already paid, the percentage of incurred Losses still unpaid, and any other factors specific to the loss development of the Covered Events involved.

**(d) Commutation**

1. Except as provided in subparagraph 3., not less than 36 months or more than 60 months after the end of the Contract Year, the Company shall file a final Proof of Loss Report(s), with the exception of Companies having no reportable Losses as described in sub-subparagraph a. Otherwise, the final Proof of Loss Report(s) is required as specified in sub-subparagraph b. The Company and SBA may mutually agree to initiate commutation after 36 months and prior to 60 months after the end of the Contract Year. The commutation negotiations shall begin at the later of 60 months after the end of the Contract Year or upon completion of the FHCF claims examination for the Company and the resolution of all outstanding examination issues.
  - a. If the Company's most recently submitted Proof of Loss Report(s) indicates that it has no Losses resulting from Covered Events during the Contract Year, the SBA shall after 36 months request that the Company execute a final commutation agreement. The final commutation agreement shall constitute a complete and final release of all obligations of the SBA with respect to Losses. If the Company chooses not to execute a final commutation agreement, the SBA shall be released from all obligations 60 months following the end of the Contract Year if no Proof of Loss Report indicating reimbursable Losses had been filed and the commutation shall be deemed concluded. However during this time, if the Company determines that it does have Losses to report for FHCF reimbursement, the Company must submit an updated Proof of Loss Report prior to the end of 60 months after the Contract Year and the Company shall be required to follow the commutation provisions and time frames otherwise specified in this section.
  - b. If the Company has submitted a Proof of Loss Report indicating that it does have Losses resulting from a Covered Event during the Contract Year, the SBA may require the Company to submit within 30 days an updated, current Proof of Loss Report for each Covered Event during the Contract Year. The Proof of Loss Report must include all paid Losses as well as all outstanding Losses and incurred but not reported Losses, which are not finally settled and which may be reimbursable Losses under this Contract, and must be accompanied by supporting documentation (at a minimum an adjuster's summary report or equivalent details) and a copy of a written opinion on the present value of the



outstanding Losses and incurred but not reported Losses by the Company's certifying actuary. Failure of the Company to provide an updated current Proof of Loss Report, supporting documentation, and an opinion by the date requested by the SBA may result in referral to the Florida Office of Insurance Regulation for a violation of the Contract. Increases in reported paid, outstanding, or incurred but not reported Losses on original or corrected Proof of Loss Report filings received later than 60 months after the end of the Contract Year shall not be eligible for reimbursement or commutation.

2. Determining the present value of outstanding Losses.

- a. If the Company exceeds or expects to exceed its Retention, the Company and the SBA or their respective representatives shall attempt, by mutual agreement, to agree upon the present value of all outstanding Losses, both reported and incurred but not reported, resulting from Covered Events during the Contract Year. The Loss valuation process under this subparagraph may begin only after all other issues arising under this Contract have been resolved, and shall be suspended pending resolution of any such issues that arise during the Loss valuation process. Payment by the SBA of its portion of any amount or amounts so mutually agreed and certified by the Company's certifying actuary shall constitute a complete and final release of the SBA in respect of all Losses, both reported and unreported, under this Contract.
- b. If agreement on present value cannot be reached within 90 days of the FHCF's receipt of the final Proof of Loss Report and supporting documentation, the Company and the SBA may mutually appoint an actuary, adjuster, or appraiser to investigate and determine such Losses. If both parties then agree, the SBA shall pay its portion of the amount so determined to be the present value of such Losses.
- c. If the parties fail to agree on the valuation of any Losses, then any difference in valuation of the Loss shall be settled by a panel of three actuaries, as provided in this subparagraph. Either the SBA or the Company may initiate the process under this subparagraph by providing written notice to the other party stating that the parties are at an impasse with respect to valuation of Losses and specifying the dollar amounts in dispute.
  - i. One actuary shall be chosen by each party, and the third actuary shall be chosen by those two actuaries. If either party does not appoint an actuary within 30 days after the initiation of the process, the other party may appoint two actuaries. If the two actuaries fail to agree on the selection of an independent third actuary within 30 days of their appointment, each of them shall name two, of whom the other shall decline one and the decision shall be made by drawing lots.
  - ii. All of the actuaries shall be regularly engaged in the valuation of property claims and losses and shall be members of the Casualty Actuarial Society and of the American Academy of Actuaries.
  - iii. None of the actuaries shall be under the control of either party to this Contract.
  - iv. Each party shall submit a written statement of its case to the panel of actuaries and the opposing party no later than 30 days after the appointment of the third actuary. Within 15 days after receiving the other party's submission, a party may submit its written response to the panel of actuaries and the other party. After the appointment of the third actuary, a party may not communicate with the panel or any member of the panel except in writing simultaneously furnished to all members of the panel and the opposing party. Any member of the panel may present questions to be answered by both parties, which shall be answered in writing and simultaneously furnished to the members of the panel and the opposing party or, at the discretion of the panel, may be provided in a meeting or teleconference attended by both parties and all members of the panel.



- v. The written decision of a majority of the panel as to the disagreement over the valuation of losses identified in the written notice of impasse, when filed with the parties hereto, shall be final and binding on both parties.
- d. The reasonable and customary expense of the actuaries and of the commutation (as a result of sub-subparagraphs 2.b. and c.) shall be equally divided between the two parties. Said commutation shall take place in Tallahassee, Florida, unless some other place is mutually agreed upon by the Company and the SBA.
- 3. The Company and SBA may mutually agree to initiate and complete a commutation for zero dollars without being subject to the 36-month waiting period provided in subparagraph (d)1. Such early commutation, once completed, eliminates the mandatory Proof of Loss Report requirements required under subparagraphs (b)3. and 4. for all reporting periods subsequent to the completion of the commutation.

(4) **Advances**

- (a) The SBA may make advances for loss reimbursements as defined herein, at market interest rates, to the Company in accordance with Section 215.555(4)(e), Florida Statutes. An advance is an early reimbursement which allows the Company to continue to pay claims in a timely manner. Advances will be made based on the Company's paid and reported outstanding Losses for Covered Policies (excluding all incurred but not reported Losses) as reported on a Proof of Loss Report, and shall include a Loss Adjustment Expense Allowance as calculated by the FHCF. In order to be eligible for an advance, the Company must submit its exposure data for the Contract Year as required under subsection (1) of this Article. Except as noted below, advances, if approved, will be made as soon as practicable after the SBA receives a written request, signed by two officers of the Company, for an advance of a specific amount and any other information required for the specific type of advance under paragraphs (c) and (d). All reimbursements due to the Company shall be offset against any amount of outstanding advances plus the interest due thereon.
- (b) For advances or excess advances, which are advances that are in excess of the amount to which the Company is entitled, the market interest rate shall be the prime rate as published in the Wall Street Journal on the first business day of the Contract Year. This rate will be adjusted annually on the first business day of each subsequent Contract Year, regardless of whether the Company executes subsequent Contracts. In addition to the prime rate, an additional 5% interest charge will apply on excess advances. All interest charged will commence on the date the SBA issues a check for an advance and will cease on the date upon which the FHCF has received the Company's Proof of Loss Report for the Covered Event for which the Company qualifies for reimbursement. If such reimbursement is less than the amount of outstanding advances issued to the Company, interest will continue to accrue on the outstanding balance of the advances until subsequent Proof of Loss Reports qualify the Company for reimbursement under any Covered Event equal to or exceeding the amount of any outstanding advances. Interest shall be billed on a periodic basis. If it is determined that the Company received funds in excess of those to which it was entitled, the interest as to those sums will not cease on the date of the receipt of the Proof of Loss Report but will continue until the Company reimburses the FHCF for the overpayment.
- (c) If the Company has an outstanding advance balance as of December 31 of this or any other Contract Year, the Company is required to have an actuary certify outstanding and incurred but not reported Losses as reported on the applicable December Proof of Loss Report.
- (d) The specific type of advances enumerated in Section 215.555, Florida Statutes, follow.
  - 1. Advances to Companies to prevent insolvency, as defined under Article XV.
    - a. Section 215.555(4)(e)1., Florida Statutes, provides that the SBA shall advance to the Company amounts necessary to maintain the solvency of the Company, up to 50 percent of the SBA's estimate of the reimbursement due to the Company.

- b. In addition to the requirements outlined in subparagraph (4)(a), the requirements for an advance to a Company to prevent insolvency are that the Company demonstrates it is likely to qualify for reimbursement and that the immediate receipt of moneys from the SBA is likely to prevent the Company from becoming insolvent, and the Company provides the following information:
    - i. Current assets;
    - ii. Current liabilities other than liabilities due to the Covered Event;
    - iii. Current surplus as to policyholders;
    - iv. Estimate of other expected liabilities not due to the Covered Event; and
    - v. Amount of reinsurance available to pay claims for the Covered Event under other reinsurance treaties.
  - c. The SBA's final decision regarding an application for an advance to prevent insolvency shall be based on whether or not, considering the totality of the circumstances, including the SBA's obligations to provide reimbursement for all Covered Events occurring during the Contract Year, granting an advance is essential to allowing the entity to continue to pay additional claims for a Covered Event in a timely manner.
2. Advances to entities created pursuant to Section 627.351(6), Florida Statutes.
    - a. Section 215.555(4)(e)2., Florida Statutes, provides that the SBA may advance to an entity created pursuant to Section 627.351(6), Florida Statutes, up to 90% of the lesser of the SBA's estimate of the reimbursement due or the entity's share of the actual aggregate Reimbursement Premium for that Contract Year, multiplied by the current available liquid assets of the FHCF.
    - b. In addition to the requirements outlined in paragraph (4)(a), the requirements for an advance to entities created pursuant to Section 627.351(6), Florida Statutes, are that the entity must demonstrate to the SBA that the advance is essential to allow the entity to pay claims for a Covered Event.
  3. Advances to limited apportionment companies.
 

Section 215.555(4)(e)3., Florida Statutes, provides that the SBA may advance the amount of estimated reimbursement payable to limited apportionment companies.
  - (e) In determining whether or not to grant an advance and the amount of an advance, the SBA:
    1. Shall determine whether its assets available for the payment of obligations are sufficient and sufficiently liquid to fulfill its obligations to other Companies prior to granting an advance;
    2. Shall review and consider all the information submitted by such Companies;
    3. Shall review such Companies' compliance with all requirements of Section 215.555, Florida Statutes;
    4. Shall consult with all relevant regulatory agencies to seek all relevant information;
    5. Shall review the damage caused by the Covered Event and when that Covered Event occurred;
    6. ~~Shall consider whether the Company has substantially exhausted amounts previously advanced;~~
    7. Shall consider any other factors deemed relevant; and
    8. Shall require commercial self-insurance funds established under section 624.462, Florida Statutes, to submit a copy of written estimates of expenses in support of the amount of advance requested.

- (f) Any amount advanced by the SBA shall be used by the Company only to pay claims of its policyholders for the Covered Event which has precipitated the immediate need to continue to pay additional claims as they become due.
- (5) **Inadequate Data Submissions**  
If exposure data or other information required to be reported by the Company under the terms of this Contract are not received by the FHCF in the format specified by the FHCF or is inadequate to the extent that the FHCF requires resubmission of data, the Company will be required to pay the FHCF a resubmission fee of \$1,000 for resubmissions that are not a result of an examination by the SBA. If a resubmission is necessary as a result of an examination report issued by the SBA, the first resubmission fee will be \$2,000. If the Company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000. A resubmission of exposure data may delay the processing of the Company's request for reimbursement or an advance.
- (6) **Confidential Information/Trade Secret Information**  
Pursuant to the provisions of Section 215.557, Florida Statutes, the reports of insured values under Covered Policies by ZIP Code submitted to the SBA pursuant to Section 215.555, Florida Statutes, are confidential and exempt from the provisions of Section 119.07(1), Florida Statutes, and Section 24(a), Art. I of the State Constitution. If other information submitted by the Company to the FHCF could reasonably be ruled a "trade secret" as defined in Section 812.081, Florida Statutes, such information must be clearly marked "Trade Secret Information."

#### **ARTICLE XI - TAXES**

In consideration of the terms under which this Contract is issued, the Company agrees to make no deduction in respect of the Reimbursement Premium herein when making premium tax returns to the appropriate authorities. Should any taxes be levied on the Company in respect of the Reimbursement Premium herein, the Company agrees to make no claim upon the SBA for reimbursement in respect of such taxes.

#### **ARTICLE XII - ERRORS AND OMISSIONS**

Any inadvertent delay, omission, or error on the part of the SBA shall not be held to relieve the Company from any liability which would attach to it hereunder if such delay, omission, or error had not been made.

#### **ARTICLE XIII - INSPECTION OF RECORDS**

The Company shall allow the SBA to inspect, examine, and verify, at reasonable times, all records of the Company relating to the Covered Policies under this Contract, including Company files concerning claims, Losses, or legal proceedings regarding subrogation or claims recoveries which involve this Contract, including premium, loss records and reports involving exposure data or Losses under Covered Policies. This right by the SBA to inspect, examine, and verify shall survive the completion and closure of an exposure examination or claims examination file and the termination of the Contract. The Company shall have no right to re-open an exposure or claims examination once closed and the findings have been accepted by the Company; any re-opening shall be at the sole discretion of the SBA. If the State Board of Administration Finance Corporation has issued revenue bonds and relied upon the exposure and Loss data submitted and certified by the Company as accurate to determine the amount of bonding needed, the SBA may choose not to require, or accept, a resubmission if the resubmission will result in additional reimbursements to the Company. The SBA may require any discovered errors, inadvertent omissions, and typographical errors associated with the data reporting of insured values, discovered prior to the closing of the file and acceptance of the examination findings by the Company, to be corrected to reflect the proper values. The Company shall retain its records in accordance with the requirements for records retention regarding exposure reports and claims reports outlined herein, and in any administrative rules adopted pursuant to Section 215.555, Florida Statutes. Companies writing covered collateral protection policies, as defined in definition (11)(b) of Article V, must be able to provide documentation that the policy covers

personal residences, protects both the borrower's and lender's interest, and that the coverage is in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy.

**(1) Purpose of FHCF Examination**

The purpose of the examinations conducted by the SBA is to evaluate the accuracy of the FHCF exposure or Loss data reported by the Company. However, due to the limited nature of the examination, it cannot be relied upon as an assurance that a Company's data is reported accurately or in its entirety. The Company should not rely on the FHCF to identify every type of reporting error in its data. In addition, the reporting requirements are subject to change each Contract Year so it is the Company's responsibility to be familiar with the applicable Contract Year requirements and to incorporate any changes into its data for that Contract Year. It is also the Company's responsibility to ensure that its data is reported accurately and to comply with Florida Statutes and any applicable rules when reporting exposure data. The examination report is not intended to provide a legal determination of the Company's compliance.

**(2) Examination Requirements for Exposure Verification**

The Company shall retain complete and accurate records, in policy level detail, of all exposure data submitted to the SBA in any Contract Year until the SBA has completed its examination of the Company's exposure submissions. The Company shall also retain complete and accurate records of any completed exposure examination for any Contract Year in which the Company incurred Losses until the completion of the claims examination and commutation for that Contract Year. The records to be retained are outlined in the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C. A complete list of records to be retained for the exposure examination is set forth in Form FHCF-EAP1, adopted for the Contract Year under Rule 19-8.029, F.A.C.

**(3) Examination Requirements for Loss Reports**

The Company shall retain complete and accurate records of all reported Losses and/or advances submitted to the SBA until the SBA has completed its examination of the Company's reimbursable Losses and commutation for the Contract Year (if applicable) has been concluded. The records to be retained are set forth as part of the Proof of Loss Report, Form FHCF-L1B and Form FHCF-LAP1, both adopted for the Contract Year under Rule 19-8.029, F.A.C.

**(4) Examination Procedures**

- (a) The FHCF will send an examination notice letter to the Company providing the commencement date of the examination, the site of the examination, any accommodation requirements of the examiner, and the reports and data which must be assembled by the Company and forwarded to the FHCF. The Company shall be prepared to choose one location in which to be examined, unless otherwise specified by the SBA.
- (b) The reports and data are required to be forwarded to the FHCF as set forth in an examination notice letter. The information is then forwarded to the examiner. If the FHCF receives accurate and complete records as requested, the examiner will contact the Company to inform the Company as to what policies or other documentation will be required once the examiner is on site. Any records not required to be provided to the examiner in advance shall be made available at the time the examiner arrives on site. Any records to support reported exposure or Losses which are provided after the examiner has left the work-site will, at the SBA's discretion, result in an additional examination of exposure and/or Loss records or an extension or expansion of the examination already in progress. All costs associated with such additional examination or with the extension or expansion of the original examination shall be borne by the Company.
- (c) At the conclusion of the examiner's work and the management review of the examiner's report, findings, recommendations, and work papers, the FHCF will forward an examination report to the Company.

- (d) Within 30 days from the date of the letter accompanying the examination report, the Company must provide a written response to the FHCF. The response must indicate whether the Company agrees with the findings and recommendations of the examination report. If the Company disagrees with any examination findings or recommendations, the reason for the disagreement must be outlined in the response and the Company must provide supporting information to support its objection. An extension of 30 days may be granted if the Company can show that the need for additional time is due to circumstances beyond the reasonable control of the Company. No response is required if the examination report does not include any findings or recommendations.
  - (e) If the Company accepts the examination findings and recommendations, and there is no recommendation for additional information, the examination report will be finalized and the exam file closed.
  - (f) If the Company disputes the examiner's findings, the areas in dispute will be resolved by a meeting or a conference call between the Company and FHCF management.
  - (g)
    1. If the recommendation of the examiner is to resubmit the Company's exposure data for the Contract Year in question, then the FHCF will send the Company a letter outlining the process for resubmission and including a deadline to resubmit. Once the resubmission is received, the FHCF's Administrator calculates a revised Reimbursement Premium for the Contract Year which has been examined. The SBA shall then review the resubmission with respect to the examiner's findings, and accept the resubmission or contact the Company with any questions regarding the resubmission. Once the SBA has accepted the resubmission as a sufficient response to the examiner's findings, the exam is closed.
    2. If the recommendation of the examiner is to give the Company the option to either resubmit the exposure data or to pay the estimated Reimbursement Premium difference, then the FHCF will send the Company a letter outlining the process for resubmission or for paying the estimated Reimbursement Premium difference and including a deadline for the resubmission or the payment to be received by the FHCF's Administrator. If the Company chooses to resubmit, the same procedures outlined in Article XIII(4) apply.
  - (h) If the recommendation of the examiner is to update the Company's Proof of Loss Report(s) for the Contract Year under review, the FHCF will send the Company a letter outlining the process for submitting the Proof of Loss Report(s) and including a deadline to file. Once the Proof of Loss Report(s) is received by the FHCF Administrator, the FHCF's Administrator will calculate a revised reimbursement. The SBA shall then review the submitted Proof of Loss Report(s) with respect to the examiner's findings, and accept the Proof of Loss Report(s) as filed or contact the Company with any questions. Once the SBA has accepted the corrected Proof of Loss Report(s) as a sufficient response to the examiner's findings, the exam is closed.
  - (i) The examiner's list of errors is made available in the examination report sent to the Company. Given that the examination was based on a sample of the Company's policies or claims rather than the whole universe of the Company's Covered Policies or reported claims, the error list is not intended to provide a complete list of errors but is intended to indicate what information needs to be reviewed and corrected throughout the Company's book of Covered Policy business or claims information to ensure more complete and accurate reporting to the FHCF.
- (5) **Costs of the Examinations**
- The costs of the examinations shall be borne by the SBA. However, in order to remove any incentive for a Company to delay preparations for an examination, the SBA shall be reimbursed by the Company for any examination expenses incurred in addition to the usual and customary costs, which additional expenses were incurred as a result of the Company's failure, despite proper notice, to be prepared for the examination or as a result of a Company's failure to provide requested information. All requested information must be complete and accurate.

#### **ARTICLE XIV - OFFSETS**

The SBA reserves the right to offset amounts payable to the SBA from the Company, including amounts payable under the Reimbursement Contract for any Contract Year and also including the Company's full Reimbursement Premium for the current Contract Year (regardless of installment due dates), against any (1) Reimbursement Premium refunds under any Contract Year, (2) reimbursement or advance amounts, or (3) amounts agreed to in a commutation agreement, which are due and payable to the Company from the SBA as a result of the liability of the SBA.

#### **ARTICLE XV - INSOLVENCY OF THE COMPANY**

Company shall notify the FHCF immediately upon becoming insolvent. Except as otherwise provided below, no reimbursements will be made until the FHCF has completed and closed its examination of the insolvent Company's Losses, unless an agreement is entered into by the court appointed receiver specifying that all data and computer systems required for FHCF exposure and claims examinations will be maintained until completion of the Company's exposure and claims examinations. Except as otherwise provided below, in order to account for potential erroneous reporting, the SBA shall hold back 25% of requested reimbursements until the exposure and claims examinations for the Company are completed. Only those Losses supported by the examination will be reimbursed. Pursuant to Section 215.555(4)(g), Florida Statutes, the FHCF is required to pay the "net amount of all reimbursement moneys" due an insolvent insurer to the Florida Insurance Guaranty Association (FIGA) for the benefit of Florida policyholders. For the purpose of this Contract, a Company is insolvent when an order of liquidation with a finding of insolvency has been entered by a court of competent jurisdiction. In light of the need for an immediate infusion of funds to enable policyholders of insolvent companies to be paid for their claims, the SBA may enter into agreements with FIGA allowing exposure and claims examinations to take place immediately without the usual notice and response time limitations and allowing the FHCF to make reimbursements (net of any amounts payable to the SBA from the Company or FIGA) to FIGA before the examinations are completed and before the response time expires for claims filing by reinsurers and financial institutions, which have a priority interest in those funds pursuant to Section 215.555(4)(g), Florida Statutes. Such agreements must ensure the availability of the necessary records and adequate security must be provided so that if the FHCF determines that it overpaid FIGA on behalf of the Company, or if claims are filed by reinsurers or financial institutions having a priority interest in these funds, that the funds will be repaid to the FHCF by FIGA within a reasonable time.

#### **ARTICLE XVI - TERMINATION**

The FHCF and the obligations of both parties under this Contract can be terminated only as may be provided by law or applicable rules.

#### **ARTICLE XVII - VIOLATIONS**

##### **(1) Statutory Provisions**

(a) Section 215.555(10), Florida Statutes, provides that any violation of Section 215.555, Florida Statutes, or of rules adopted under that section, constitutes a violation of the Florida Insurance Code. This Contract has been adopted as part of Rule 19-8.010, Florida Administrative Code, under the authority of that section of Florida Statutes.

~~(b) Section 215.555(11), Florida Statutes, authorizes the SBA to take any action necessary to enforce the rules and the provisions and requirements of this Contract, required by and adopted pursuant to Section 215.555, Florida Statutes.~~

##### **(2) Noncompliance**

(a) As used in this Article, the term "noncompliance" means the failure of the Company to meet any applicable requirement of Section 215.555, Florida Statutes, or of any rule adopted under the authority of that section of Florida Statutes, including, but not limited to, any failure to meet a deadline for an FHCF payment, Data Call submissions or resubmissions, Loss reporting or

commutation documentation, or a deadline related to SBA examination requirements. The Company remains in a state of noncompliance as long as the Company fails to meet the applicable requirement(s).

- (b) If the Company is in a state of noncompliance, the SBA reserves the right to withhold any payments or advances due to the Company until the SBA determines that the Company is no longer in a state of noncompliance.

#### **ARTICLE XVIII - APPLICABLE LAW**

This Contract shall be governed by and construed according to the laws of the State of Florida in respect of any matter relating to or arising out of this Contract.

#### **ARTICLE XIX - DUE DATES**

If any due date provided in this Contract is a Saturday, Sunday or a legal State of Florida or federal holiday, then the actual due date will be the day immediately following the applicable due date which is not a Saturday, Sunday or a legal State of Florida or federal holiday.

## ARTICLE XX – REIMBURSEMENT CONTRACT ELECTIONS

### (I) Coverage Level

For purposes of determining reimbursement (if any) due the Company under this Contract and in accordance with the Statute, the Company has the option to elect a 45% or 75% or 90% Coverage Level under this Contract. If the Company is a member of an NAIC group, all members must elect the same Coverage Level, and the individual executing this Contract on behalf of the Company, by placing his or her initials in the box under (a) below, affirms that the Company has elected the same Coverage Level as all members of its NAIC group. If the Company is an entity created pursuant to Section 627.351, Florida Statutes, the Company must elect the 90% Coverage Level. The Company shall not be permitted to change its Coverage Level during the Contract Year. The Company shall be permitted to change its Coverage Level at the beginning of a new Contract Year, but may not reduce its Coverage Level if a Covered Event required the issuance of revenue bonds, until the bonds are no longer outstanding.

The Coverage Level elected by the Company for the prior Contract Year effective June 1, 2018 was as follows: Florida Specialty Insurance Company - 90%

(a) NAIC Group Affirmation: Initial the following box if the Company is part of an NAIC Group:

☐

(b) Coverage Level Election: The Company hereby elects the following Coverage Level for the Contract Year from 12:00:01 a.m., Eastern Time, June 1, 2019, to 12:00 a.m., Eastern Time, May 31, 2020, (the individual executing this Contract on behalf of the Company shall place his or her initials in the box to the left of the percentage elected for the Company):

☐

45% OR

☐

75% OR

☒

90%

### (2) Additional Living Expense (ALE) Written as Time Element Coverage

If your Company writes Covered Policies that provide ALE coverage on a time element basis (i.e., coverage is based on a specific period of time as opposed to a stated dollar limit), you must initial the 'Yes – Time Element ALE' box below. If your Company does not write time element ALE coverage, initial 'No – Time Element ALE' box below.

☐

OR

☒

Yes – Time  
Element ALE

No – Time  
Element ALE



**ARTICLE XXI – SIGNATURES**

**Approved by:**

Paragon Strategic Solutions Inc., on Behalf of the State Board of Administration of the State of Florida  
and as Administrator of the Florida Hurricane Catastrophe Fund.

By:  3-26-19  
Date

**Authority to sign on behalf of the Company:**

The person signing this Contract on behalf of the Company hereby represents that he or she is an officer of the Company, acting within his or her authority to enter into this Contract on behalf of the Company, with the requisite authority to bind the Company and make the representations on behalf of the Company as set forth in this Contract.

**Florida Specialty Insurance Company**

SUSAN J. PATSCHAK / CEO  
Printed Name and Title

By:  1/30/19  
Signature Date

# EXHIBIT 7

*Renewal Rights Agreement Between  
Florida Specialty Insurance Company  
And  
Florida Specialty Managing General Agency, LLC*

**FINAL:**  
**April 9, 2019**

**RENEWAL RIGHTS AGREEMENT**

by and between

**PEOPLE'S TRUST INSURANCE COMPANY**

and

**FLORIDA SPECIALTY MANAGING GENERAL AGENCY, LLC**

Dated as of April 9, 2019

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## RENEWAL RIGHTS AGREEMENT

This RENEWAL RIGHTS AGREEMENT (this "Agreement"), dated as of April 9, 2019 (the "Effective Date"), is made by and between People's Trust Insurance Company, a stock property and casualty insurance company domiciled in Florida ("PTIC") and Florida Specialty Managing General Agency, LLC, a Florida limited liability company ("Florida Specialty"). Each of PTIC and Florida Specialty are sometimes collectively referred to herein as the "Parties" and individually as a "Party."

### RECITALS

WHEREAS, Florida Specialty has issued the In-Force Policies (as defined herein) on behalf of its affiliate, Florida Specialty Insurance Company (the "Company"); and

WHEREAS, PTIC wishes to acquire and Florida Specialty desires to sell the Renewal Rights (as defined herein) with respect to the In-Force Policies on the terms and subject the conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants, conditions and an exclusive agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### ARTICLE 1

#### DEFINITIONS

Section 1.1 Definitions. For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control," when used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have correlative meanings to the foregoing.

"Agreement" has the meaning set forth in the preamble hereto.

"Business" means the development, marketing, underwriting, issuance, sale, administration, renewal, reinsurance or servicing of homeowners' insurance policies on policy form HO3 as currently or previously conducted by Florida Specialty and its Affiliates.

"Business Day" means any day other than a Saturday, Sunday or other day on which banking institutions in the State of Florida are required or authorized by Law or executive order to be closed.

"Company" has the meaning set forth in the preamble hereto.

"Confidential Information" has the meaning set forth in Section 4.2.

"Encumbrance" means any charge, claim, community property interest, condition, easement, covenant, contract, agreement, understanding, commitment, warrant, demand, encumbrance, equitable interest, lien, mortgage, charge, option, purchase right, pledge, security interest, right of first refusal, or other rights of third parties or restrictions of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"Florida Specialty" has the meaning set forth in the preamble hereto.

"Governmental Authority" means any federal, national, foreign, state, provincial, municipal or local or any supra-national government, political subdivision, governmental, legislative, judicial, regulatory or administrative authority, instrumentality, agency, body or commission, board, self-regulatory organization or any court, tribunal or judicial body of competent jurisdiction or any arbitrator or arbitration panel.

"In-Force Policies" means the homeowners insurance policies written on policy form HO3, issued by Florida Specialty covering properties located in the State of Florida and in effect on the Effective Date.

"Law" means any federal, state, local or foreign law, statute, common law or any rule, regulation, ordinance, license or permit of any Governmental Authority or any Order.

"Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Person" means any individual, corporation, partnership, association, limited liability company, trust, estate, unincorporated organization, Governmental Authority or other entity or any group comprised of two or more of the foregoing.

"PTIC" has the meaning set forth in the preamble hereto.

"Renewal Rights" means all of Florida Specialty's and any of its Affiliate's rights to offer, quote and solicit the renewals of the In-Force Policies, including the rights to solicit replacement insurance coverage upon expiration of the terms of such In-Force Policies.

## ARTICLE 2

### PURCHASE AND SALE OF RENEWAL RIGHTS

#### Section 2.1 Purchase and Sale of Renewal Rights.

(a) Promptly following the Effective Date, and subject to any approvals required of applicable Governmental Authorities, (i) Florida Specialty shall commence sending holders of In-Force Policies (the "Florida Specialty Policyholders") as managing general agent of the Company a written notice that such policy is not being renewed (the "Non-Renewal Notice") and (ii) PTIC shall send each holder of an In-Force Policy a written quote (the "Replacement

Quote") to issue a new policy upon the expiration of the In-Force Policy (the "Replacement Policy"). This is subject to underwriting and inspection by PTIC. The form of the Non-Renewal Notice and Replacement Quote shall be subject to the mutual agreement of the Parties and be issued and sent concurrently, which agreement shall not be unreasonably conditioned, withheld or delayed. Rates offered by PTIC for the Replacement Policy shall be based on PTIC's current rates.

(b) For a period of two-years from the Effective Date, PTIC shall not provide any information concerning the identity of the Florida Specialty Policyholders to any Person for the purpose of allowing such Person to sell or solicit insurance from a Florida Specialty Policyholder except as provided in Section 2.1(a) hereof.

Section 2.2 Purchase Price. In consideration for the transfer and sale of the Renewal Rights as provided in this Agreement, and subject to the conditions set forth herein, PTIC shall pay Florida Specialty an amount equal to 2.75% of the earned premium on all Replacement Policies and excludes policy fees, surcharges and assessments (the "Purchase Price"). Within fifteen (15) days following the end of each calendar quarter after the Effective Date, PTIC shall (i) provide Florida Specialty a written report of all Replacement Policies written by PTIC during the prior calendar quarter including the name of the insured and annualized earned premium and (ii) pay Florida Specialty an amount equal to 2.75% on the earned premium on such Replacement Policies in satisfaction of the Purchase Price. Florida Specialty will not receive any payments on any additional renewal terms on such Replacement Policies .

Section 2.3 Wire Transfer Instructions. The Purchase Price shall be paid by wire transfer of immediately available funds to an account designated in writing by Florida Specialty.

### ARTICLE 3

#### REPRESENTATIONS AND WARRANTIES

Section 3.1 Legal Capacity: Valid and Binding Obligation.

(a) Each Party hereby represents and warrants to each other Party solely as to itself that: (i) it is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization; (ii) it has the full power and authority under its organization documents to execute this Agreement; (iii) it has made all filings and provided all notices and has obtained all approval and consents required by Law or any Governmental Authority; (iv) the execution and delivery of this Agreement by it and the performance its obligations hereunder does not contravene, or constitute a breach of or default under any provision of applicable Law or governmental rule, regulation or policy statement or of its certificate of incorporation or other comparable organizational documents or any agreement, contract, Order or other instrument binding upon it; (v) this Agreement is enforceable against it in accordance with its terms, except that such enforcement may be subject to applicable bankruptcy, insolvency or other similar laws, now or hereafter in effect, affecting creditors rights generally, and the remedy of specific enforcement and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought; and (vi) this Agreement has been duly executed and delivered on behalf of it.

**Section 3.2 Additional Florida Specialty Representations and Warranties.** Florida Specialty represents and warrants to PTIC as follows:

(a) The true and correct list of the In-Force Policies as of February 28, 2019 along with details identifying such In-Force Policies (including a listing of the producer, the named insured, the policy number, the effective date, the type of policy and the premium) will be supplied to PTIC electronically.

(b) The true and correct list of the insurance agents, brokers and other producers that produced the In-Force Business will be supplied to PTIC electronically.

#### **ARTICLE 4**

##### **GENERAL PROVISIONS**

**Section 4.1 Fees and Expenses.** Except as otherwise provided herein or therein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby and thereby shall be paid by the Person incurring such costs and expenses.

**Section 4.2 Further Actions.** Subject to the terms and conditions of this Agreement, the Parties shall execute and deliver, or shall cause to be executed and delivered, such documents and other papers and shall take, or shall cause to be taken, such further actions as may be reasonably required to carry out the provisions of this Agreement and give effect to the transactions contemplated hereby and thereby.

**Section 4.3 Notices.** All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand, sent by facsimile or email, and sent, postage prepaid, by U.S. registered, certified, or express mail, or reputable overnight courier service, and shall be deemed given, if delivered by hand, when so delivered, or if sent by facsimile or e-mail, when received, or if sent by mail, four (4) Business Days after mailing (two (2) Business Days in the case of express mail), or if sent by overnight courier service, one (1) Business Day after delivery to such service, as follows:

if to PTIC, to:

People's Trust Insurance Company  
18 People's Trust Way  
Deerfield Beach, FL 33441  
Email: Bfrankel@pti.insure  
Attention: Mr. Brett Frankel, General Counsel

if to Florida Specialty, to:

Florida Specialty Managing General Agency, LLC  
1 South School Ave., #900  
Sarasota, FL 34237  
Email: spatschak@floridaspecialty.com  
Attention: Ms. Susan J. Patschak, CEO



Any Party may change the address to which notices and other communications are to be delivered or sent by giving the other Parties notice in the manner herein set forth.

**Section 4.4 Interpretation.** When a reference is made in this Agreement to an Article, a Section, a clause, an Exhibit or an Appendix, that reference is to an Article, a Section or a clause of, or an Exhibit or an Appendix to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation," whether or not they are in fact followed by those words or words of like import. Whenever the singular is used herein, the same will include the plural, and whenever the plural is used herein, the same will include the singular, where appropriate. All Exhibits and Appendices annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized term used in any Exhibit or Appendix but not otherwise defined therein will have the meaning given to such term in this Agreement. Any reference to "days" means calendar days unless Business Days are expressly specified. If any action under this Agreement is required to be done or taken on a day that is not a Business Day, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter. "Writing," "written" and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. This Agreement is to be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted. References to any statute, listing rule, rule, standard, regulation or other Law will be deemed to include a reference to the corresponding rules and regulations, if any, and each of them as amended, modified, supplemented, consolidated, replaced or rewritten from time to time. References to any section of any statute, listing rule, rule, standard, regulation or other Law will be deemed to include any successor to such section. References to "\$" or "dollars" are references to United States dollars.

**Section 4.5 Entire Agreement: Third-Party Beneficiaries.**

(a) The Parties acknowledge that this Agreement supersedes any prior understandings or purported understandings (whether written or oral), and all prior agreements between the Parties with respect to the subject matter hereof and thereof, and constitutes a complete and exclusive statement of the terms of the agreement between the Parties with respect to the subject matter hereof and thereof. This Agreement is the full and complete agreement between them with respect to the subject matter of this Agreement and that there are no oral, implied or prior written agreements or understandings except those specifically set forth herein.

(b) This Agreement is for the sole benefit of the Parties to this Agreement and their heirs, executors, administrators, successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

**Section 4.6 Governing Law.** This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of Florida (including its statutes of limitations or repose) without giving effect to principles of conflicts of laws that would compel the application of the laws of another jurisdiction.

**Section 4.7 Jurisdiction.** Any suit, action or proceeding arising out of, in connection with or in any way related to this Agreement shall be brought in a court of competent jurisdiction sitting in Broward County, Florida, and each of the Parties hereby irrevocably consents and submits to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any Party anywhere in the world, whether within or without the jurisdiction of any such court. Each Party irrevocably consents and agrees to service of process in the manner provided for notices in Section 4.3 above, or in any other manner permitted by applicable Law.

**Section 4.8 Waiver of Jury Trial.** EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

**Section 4.9 Assignment.** Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of Law or otherwise by any Party without the prior written consent of the other Party, and any such assignment that is not consented to shall be null and void. No assignment by any Party shall relieve such Party of any of its obligations hereunder. Subject to the foregoing, this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective heirs, executors, administrators, successors and assigns.

**Section 4.10 Severability; Amendment and Waiver.**

(a) Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction, and this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(b) This Agreement may be amended only by a written instrument signed by each of the Parties. The terms of this Agreement may be waived only by the Party waiving compliance.

(c) No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 4.11 Survival of Certain Claims, Representations and Warranties. The representations, warranties, covenants and agreements contained in this Agreement shall survive the execution of this Agreement; provided that if a representation, warranty, covenant, provision or agreement has a survival date specified in this Agreement, such date shall not be modified as a result of this Section 4.11.

Section 4.12 Counterparts. This Agreement may be executed in one or more counterparts and when executed will be deemed to be an original but all of which taken together will constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other means of electronic transmission shall be as effective as delivery of a manually executed counterpart of any such agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their duly authorized officers or signatories, all as of the date first written above.

**PEOPLE'S TRUST INSURANCE COMPANY**

By Tom Gallagher  
Name: TOM GALLAGHER  
Title: COO

**FLORIDA SPECIALTY MANAGING  
GENERAL AGENCY, LLC**

By Susan Patschak  
Name: SUSAN T. PATSHAK  
Title: CEO

# EXHIBIT 8

*Florida Specialty Insurance Company  
Quarterly Statement as of June 30, 2019*



# QUARTERLY STATEMENT

As of June 30, 2019  
of the Condition and Affairs of the

## FLORIDA SPECIALTY INSURANCE COMPANY

NAIC Group Code..... 0, 0  
(Current Period) (Prior Period)

Organized under the Laws of FL  
Incorporated/Organized..... June 10, 1987

Statutory Home Office  
Main Administrative Office  
Mail Address  
Primary Location of Books and Records  
Internet Web Site Address  
Statutory Statement Contact

NAIC Company Code..... 17248

State of Domicile or Port of Entry FL  
Commenced Business..... July 17, 1987

Country of Domicile US

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

1 S School Ave, Suite 900 .. Sarasota .. FL .. US .. 34237-6014  
(Street and Number) (City or Town, State, Country and Zip Code)

WWW.FLORIDASPECIALTY.COM

LAURA REAY LOPEZ  
(Name)  
LLOPEZ@FLORIDASPECIALTY.COM  
(E-Mail Address)

941-210-5670  
(Area Code) (Telephone Number)

941-210-5674  
(Area Code) (Telephone Number)

941-210-5673  
(Area Code) (Telephone Number) (Extention)

941-330-8761  
(Fax Number)

### OFFICERS

Name	Title	Name	Title
1. SUSAN JEAN PATSCHAK	CEO AND SECRETARY	2.	
3.		4.	

### DIRECTORS OR TRUSTEES

SUSAN JEAN PATSCHAK      ALEX BLUMENFRUCHT      VINCENT THOMAS ROWLAND, JR      YAAKOV BEYMAN

State of..... Florida  
County of..... Sarasota

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

*Susan Jean Patchak*  
(Signature)  
SUSAN JEAN PATSCHAK  
1. (Printed Name)  
CEO AND SECRETARY  
(Title)

(Signature)  
2. (Printed Name)  
(Title)

(Signature)  
3. (Printed Name)  
(Title)

Subscribed and sworn to before me  
This 15<sup>th</sup> day of August 2019  
*[Signature]*

a. Is this an original filing?  
b. If not: 1. State the amendment number  
2. Date filed  
3. Number of pages attached

Yes [X] No [ ]



# EXHIBIT 9

*Florida Specialty Insurance Company  
Consent to Receivership*

**CONSENT TO ORDER OF RECEIVERSHIP**

IT IS HEREBY agreed as follows:

1. FLORIDA SPECIALTY INSURANCE COMPANY (herein "Respondent") is a Florida corporation and is a domestic insurer authorized to transact insurance business in the State of Florida.

2. Pursuant to Sections 631.051(11) and 631.061 (on grounds of consent), Florida Statutes, Respondent consents, through a majority of its directors by written consent below, to the entry of an Order of Rehabilitation or Liquidation, appointing the Department of Financial Services (herein, the "DFS") as Receiver for purposes of Rehabilitation or Liquidation.

3. Respondent agrees not to contest the initiation of delinquency proceedings by the DFS in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida. Respondent agrees further that no hearing need be held on the DFS' petition for an order appointing the DFS as Receiver.

Dated this 12<sup>th</sup> day of SEPTEMBER 2019.

(Corporate Seal)



Directors of Florida Specialty Insurance Company

By: [Signature]

Print Name: VINCENT ROWLAND

Title: CHAIRMAN

Date: 9/12/19

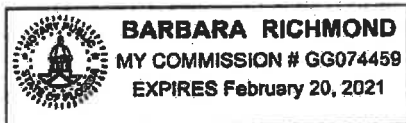
State of Florida

County of Sarasota

The foregoing instrument was acknowledged before me this 12 day of September, 2019,

by Vincent Rowland as Director  
(name of person) (type of authority ..... e.g. officer, trustee attorney in fact)

for Florida Specialty Insurance Company  
(company name)



[Signature]  
(Signature of Notary)

Barbara Richmond  
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known ✓ ~~OR Produced Identification~~

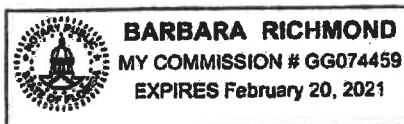
Type of Identification Produced N/A

Directors of Florida Specialty Insurance Company

By: Susan Patschak  
Print Name: SUSAN J. PATSCHAK  
Title: CEO  
Date: 9/12/19

State of Florida  
County of Sarasota

The foregoing instrument was acknowledged before me this 12 day of September 2019,  
by Susan Patschak as Director  
(name of person) (type of authority ..... e.g. officer, trustee attorney in fact)  
for Florida Specialty Insurance Company  
(company name)



[Signature]  
(Signature of Notary)

Barbara Richmond  
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known ☒ OR ~~Produced Identification~~ \_\_\_\_\_  
Type of Identification Produced N/A