# IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT, IN AND FOR LEON COUNTY, FLORIDA

State of Florida, ex rel., the Department of Financial Services of the State of Florida, Relator

VS.	CASE NO.: 2019 CA 002328
Florida Specialty Insurance Company, Respondent	

#### AFFIDAVIT OF SUSAN J. PATSCHAK

STATE OF FLORIDA

#### COUNTY OF SARASOTA

**BEFORE ME**, the undersigned authority, personally appeared Susan J. Patschak, who after being duly sworn, deposes and says:

1. I, Susan J. Patschak, 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.

#### Background

- 2. I am an insurance executive, with over thirty (30) years of experience in the insurance industry. Since 2015, I have served as the Chief Executive Officer and as a member of the board of directors of Florida Specialty Insurance Company ("FSIC" or the "company"). FSIC operates from offices located at One S. School Avenue, Sarasota, Florida.
- 3. FSIC has been a provider of property insurance products and related services to some 92,000 Floridians. The company's property insurance products offer affordable insurance

<sup>&</sup>lt;sup>1</sup> On October 2, 2019, this Court entered a Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Specialty Insurance Company for Purposes of Liquidation, Injunction, and Notice of Automatic Stay (the "Order"). The Order terminated "All officers, directors, trustees, administrators, agents and employees."

coverages, enabling homeowners, condo owners, renters and manufactured home owners to explore a range of coverage options for their properties.

- 4. At all times relevant hereto, I have served, and continue to serve, as the Chief Executive Officer and as a member of the board of directors of Florida Specialty Holdings, Inc., a Delaware corporation ("FSH"). FSH owns all of the issued and outstanding shares of FSIC.
- 5. At all times relevant hereto, I have served, and continue to serve, as the Chief Executive Officer of Florida Specialty Managing General Agency, LLC, a Florida limited liability company ("FSMGA"). FSMGA has been and remains a subsidiary of FSH and, as such, has been an affiliate of FSIC. FSMGA employs some twenty-eight (28) Floridians to provide various services to FSIC, such as customer service, claims adjudication, accounting, IT, reinsurance negotiation, reporting, and various other activity required for FSIC to service its policies in a lawful and otherwise compliant manner.
- 6. Before my positions with the Florida Specialty companies, I held the position of Chief Executive Officer of the two Canopius Bermuda ("Canopius") operations: Canopius Bermuda Limited and Canopius Underwriting Bermuda Limited. I held these positions since October 2007. I was instrumental in the start-up of the Bermuda operation. These positions gave me insight into the Florida insurance market.
- 7. Prior to joining Canopius, I was with Endurance Specialty Insurance, Ltd. ("Endurance") in Hamilton, Bermuda where I was an Executive Vice President and the Chief Operating Officer of the Bermuda operation. In addition, I served on both Endurance Holding's Executive Team and Loss Reserve Committee which oversaw the liability levels for the entire group.

- 8. Prior to joining Endurance, I was the Global Chief Actuary for the ACE Group of Companies in Hamilton, Bermuda ("ACE"). I held this position from July 2002 until June 2004. In this role, I was responsible for leading, coordinating and consolidating all actuarial functions in the company encompassing the efforts of over one hundred (100) actuaries employed world-wide throughout the organization. Foremost among those functions was the quarterly evaluation of the overall loss reserve position of ACE.
- 9. Prior to joining ACE, I worked for over seventeen (17) years with Tillinghast Towers Perrin ("Tillinghast"). During that time, I held a number of senior management positions including Property/Casualty sector leader for North America and Managing Director of Latin America and Asia/Pacific. I also served as the liaison between Tillinghast and Towers Perrin Reinsurance, promoting joint marketing of services for these two divisions of Towers Perrin. I also had administrative responsibility for a staff of two hundred fifty (250) employees.
- 10. I have been a Fellow of the Casualty Actuarial Society since 1992 and have been a Member of the American Academy of Actuaries since 1989. I earned a Bachelor of Science in mathematics from the University of Maryland in 1982.

#### The OIR Affidavit

11. On or about October 2, 2019, a vendor advised an employee of FSMGA that the Florida Department of Financial Services ("Petitioner" or "DFS") filed a "request" with the Leon County circuit court to appoint Petitioner as receiver of FSIC. On our own, we reviewed the listing of filings recently made with the Clerk of Court and found this matter. From the docket, we were able to retrieve the Petition for Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Specialty Insurance Company for Purposes of Liquidation, Injunction, and Notice of Automatic Stay, apparently filed on or about September 30, 2019 (the

- "Petition"). The DFS never served the Petition on me directly, and I never received service in my roles as the Chief Executive Officer and as the Secretary of FSIC from the State's Chief Financial Officer as the registered agent for FSIC. To my knowledge, the Petition was not served on, or otherwise provided to, FSMGA or FSH, or the lawyers for any of the Florida Specialty companies.
- 12. The Petition is based on the Affidavit of Virginia A. Christy, Director of the Property and Casualty Oversight business unit of the Florida Office of Insurance Regulation ("OIR"). Ms. Christy apparently executed the Affidavit in Monroe County on or about September 16, 2019 (the "OIR Affidavit"). A copy of the OIR Affidavit is attached to the Petition, and attached hereto as Exhibit 1.
- 13. With direct knowledge of the facts in this matter, I am compelled to provide facts to correct the OIR Affidavit so that, to the extent required, the Petition and resulting Order are founded upon accurate information. Such correction is vital to the interests of me personally; FSIC; the FSIC board; FSH and its officers, directors and stakeholders; FSMGA, its officers and directors, and each and every one of its some twenty-eight (28) Florida employees; and the 92,000 policyholders directly affected by this matter.
- 14. My Affidavit is particularly required for the record in this matter as the OIR Affidavit alleges that FSIC engaged in willful violations of law which the press has readily repeated as if such allegations were uncontroverted fact. The Order was entered before anyone had a chance to correct the record.
- 15. A copy of one such article (attached hereto as <u>Exhibit 2</u>), on the front page of a significant industry publication, stated as follows: "In an affidavit seen by *The Insurance Insider*, the Florida Office of Insurance Regulation (Floir) claimed the carrier, which is now in liquidation,

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was 'willfully violating Florida law' by not seeking the regulator's sign-off for the transaction."

This is untrue, and the allegation upon which it is founded is false.

16. The OIR Affidavit includes disparaging allegations, taken as fact in the Court's Order, and now published as such to the entire industry including all potential employers. This Affidavit will correct the OIR Affidavit; and, in the process, I will try to defer to the OIR Affidavit where I am able but only as expressly indicated below.

#### FSIC Solvency

- 17. FSIC is solvent now and was solvent at June 30, 2019. Under the Florida Insurance Code, an insurer is solvent if it is not "insolvent." The OIR Affidavit describes the criteria for "insolvency" as follows: "An insurer is insolvent if all its assets, if made immediately available, would not be sufficient to discharge all its liabilities." OIR Affidavit ¶ 32, citing § 631.011(14), F.S.
- 18. In its financial statement for the quarter ended June 30, 2019 (the "Statement"), FSIC listed assets of \$55,532,676. OIR Affidavit ¶ 29. The Statement showed liabilities in the amount of \$45,386,031. OIR Affidavit ¶ 31. Thus, at June 30, assets exceeded liabilities by \$10,146,645.
- 19. For entities filing according to statutory accounting principles, Statement of Statutory Accounting Principles ("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.

20. SSAP No. 72 outlines when a certain event will be considered a Type I subsequent event and states:

Notes or other receivables received as additional capital contributions satisfied by receipt of cash or readily marketable securities prior to the filing of the statutory financial statement shall be treated as a Type I subsequent event in accordance with SSAP No. 9 and as such shall be considered an admitted asset based on the evidence of collection and approval of the domiciliary commissioner. To the extent that the notes or other receivables are not satisfied, they shall be nonadmitted. (Emphasis added).

- 21. Section 624.424(1)(a), Florida Statutes, requires that "quarterly statements covering the periods ending on March 31, June 30, and September 30 shall be filed within 45 days after each such date." As such, the statute required that the Statement be filed by August 14, 2019. Before that date, FSIC reversed a \$1,500,000 fee payment to FSMGA. Also, before that date, FSIC filed with the OIR a request that the \$1,500,000 be treated as an admitted asset at June 30, in accordance with SSAP Nos. 9 and 72. A copy of FSIC's request for such accounting treatment, addressed to the affiant in the OIR Affidavit, is attached hereto as Exhibit 3.
- 22. As indicated in the OIR Affidavit, "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." OIR Affidavit ¶ 27. A copy of the OIR's approval letter is attached hereto as Exhibit 4. So, to remove the \$1,500,000 is inconsistent and improper.
- 23. As such, (a) the \$1,500,000 timely reverted to the accounts of FSIC without any residual claim to it by FSMGA, and (b) the OIR expressly approved FSIC's accounting for these cash funds as an asset of the company as of June 30, 2019. These facts cannot now be changed, in order to achieve a different conclusion that the company was "insolvent" at June 30, 2019. As these funds did in fact revert to FSIC, they cannot now be subtracted from the accounts of the company.

- 24. Similarly, FSIC properly recorded, on line 16.1 of the Statement, "Amounts recoverable from reinsurers" in the amount of \$34,143,004. On this line, under statutory accounting principles, FSIC was required to report all amounts recoverable from reinsurers for paid and unpaid claims and claim settlement expenses, including estimated amounts receivable for unsettled claims, claims incurred but not reported, or policy benefits. FSIC reported these amounts and only these amounts on line 16.1 of the Statement. A copy of the Statement is attached hereto as <a href="Exhibit 5">Exhibit 5</a>. Line 16.1 is found on page Q02 of the Statement.
- 25. There is no indication in the Statement that line 16.1 included an "RI allowance" of \$8,543,816 USD from National Union Fire Insurance Company of Pittsburgh, PA, an affiliate of American International Group, Inc. and Lexington Insurance Company (collectively, "AIG/Lexington"). However, Paragraph 21 of the OIR Affidavit refers to line 16.1 of the Statement for that proposition.
- 26. I was involved in the preparation of the Statement. Neither AIG/Lexington nor the OIR were involved in the preparation of the Statement.
- 27. Line 16.1 of the Statement does not otherwise support this indication in the OIR Affidavit. The figure of \$8,543,816 is not reported on line 16.1. Further, any implication that the \$8,543,816 were somehow included in the indicated figure of \$34,143,004 is incorrect. That is because the \$8,543,816 was never included in the \$34,143,004 figure stated on line 16.1.
- 28. The OIR Affidavit endorses AIG/Lexington for an indication that the \$8,543,816 figure represents an "RI allowance on policies ceded to AIG." OIR Affidavit ¶ 22. As such, the OIR Affidavit indicates that this amount must be non-admitted, causing a reduction of the \$34,143,004 figure by \$8,543,816. However, AIG/Lexington is not saying that this amount was included in the \$34,143,004. In fact, AIG/Lexington cannot be in a position to classify an asset

on an unrelated company's balance sheet. But, again, one can never get to the analysis of how this number should be classified because this number was never included in the \$34,143,004. Thus, there is no \$8,543,816 to non-admit. Correspondingly, there is no \$8,543,816 by which the \$34,143,004 could be reduced.

I have made this clear to the OIR on several occasions. The \$8,543,816 figure came from me, in a non-statutory draft spreadsheet proposal to the OIR of a manner in which FSIC could wind down operations in an orderly and solvent manner (the "Plan" or "RunOff Plan"). In the letter that accompanied that spreadsheet, I stated that "the Plan is not intended to be a balance sheet conveying a financial picture as of a fixed point in time." Therefore, the \$8,543,816 figure was never used to increase the assets of the company in the Statement. The Statement was a totally separate document prepared for a totally separate purpose. In a further effort to avoid any confusion on this point, I again indicated in my cover letter with specific respect to the \$8,543,816 figure as follows:

AIG apparently disagrees with FSIC's position as to the additional reinsurance allowance. AIG has presented its position directly to the Office. We feel confident in our position and will litigate that contractual dispute in another forum. For present purposes, please know that FSIC has not carried this allowance as an asset for purposes of demonstrating solvency.

A copy of my letter, delivered to the OIR before the OIR Affidavit was executed, is attached hereto as Exhibit 6.

30. On September 17, 2019, the OIR responded to my letter, repeating my words with emphasis: "please know that FSIC has not carried this allowance as an asset for purposes of demonstrating solvency." The OIR acknowledged that this figure was included in FSIC's RunOff Plan, not as part of the Statement. A copy of the OIR's letter is attached hereto as Exhibit 7. So, the OIR understood my number as part of a cash flow projection, not as an asset on the balance sheet in our Statement.

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- 31. The FSIC and OIR letters were part of a conversation as to how cash flow could work in a runoff proposal. A draft pro forma cash flow discussion, with both parties to the discussion understanding it as such, cannot be recast as a reduction of a properly reported asset in our Statement for the sole purpose of calling the company "insolvent."
- 32. Further, the \$8,543,816 figure is irrelevant for any purpose because the OIR rejected the RunOff Plan in which it was contained.
- Insurance Insider article exclaimed: "Previously, the company had a quota share arrangement in place with AIG unit National Union Fire Insurance Company. However, \$8.5mn that Florida Specialty had accounted for as part of this agreement was disputed by AIG and never paid, tipping the Floridian into insolvency." (Emphasis added). As the OIR Affidavit incorrectly cast the \$8,543,816 figure as "accounted for" in the Statement, it could not have served as the basis for "tipping the Floridian into insolvency." This mischaracterization, seeded in the OIR Affidavit, has disparaged me and all employees associated with the Florida Specialty companies.
- 34. These two items alone are standalone truths which cannot be made untruthful. They are objective facts not subject to interpretation. The \$1,500,000 reversed cash transaction really occurred, and it occurred with the OIR's approval. It cannot now be removed from the company's June 30 Statement. The \$8,543,816 AIG RI allowance was not reported on line 16.1 of the Statement. Because it was never on the Statement, it cannot be removed from the Statement. I would know because I, not the OIR or AIG, am the one with first-hand knowledge of these facts.
- 35. Additionally, as of June 30, 2019, the Statement date, FSIC reported a deferred tax asset in the amount of \$1,470,000 ("DTA"). The valuation of the DTA was based upon the OIR's

acceptance of previous filings. The OIR Affidavit discusses the classification of the DTA as the basis for its removal as an asset from the Statement. OIR Affidavit ¶¶ 14 through 20.

- 36. After discussions with the company's auditors, we determined that the more appropriate classification was as an intercompany receivable since the net operating losses of the company could be utilized by FSIC's affiliate FSMGA. This was determined by tax accountants at PricewaterhouseCoopers LLP.
- 37. As this amount remained an asset of the company as such, it was determined that a restatement of FSIC's financial position was not necessary at that time, and that a reclassification of this asset would suffice.
- 38. However, after the filing of the June 30 Statement, the OIR disallowed FSMGA to partner with a third-party carrier, adversely affecting FSMGA's financial position. The OIR eliminated an insurer that could permit FSMGA to continue as a going concern, and thereby provide resources to further protect Florida policyholders. As such, this asset was thereafter rendered invalid.
- 39. In addition, FSMGA as a going concern, was prepared to escrow up to \$4,000,000 over four (4) years to support any adverse development of loss reserves in the company and to pay for the use of the DTA. This offer was also rejected by the OIR. This rejection, by the OIR, reduced the financial security available to the policyholders of the company, which the OIR now uses in the OIR Affidavit. See OIR Affidavit ¶ 10 ("Non-admitting the deferred tax asset reduces the surplus as regards policyholders to \$8,564,909 USD, at June 30, 2019.").
- 40. Notwithstanding the treatment of the DTA, the OIR Affidavit indicates that FSIC was "impaired" (not insolvent) as of June 30, 2019 by \$1,478,907. OIR Affidavit ¶ 28. But, by either the \$1,500,000 cash reversed to FSIC, or the \$8,543,816 which was never listed as a line

- 16.1 recoverable from AIG, FSIC was not impaired by the standard indicated in Paragraph 28 of the OIR Affidavit. More importantly, FSIC could not be deemed "insolvent" as concluded in Paragraph 33 of the OIR Affidavit.
- Insurance Guaranty Association ("FIGA") can only guaranty "covered claims" if there is "an order of liquidation with a finding of insolvency [which] has been entered by a court of competent jurisdiction if such order has become final by the exhaustion of appellate review." § 631.54(7), F.S. However, the facts by which such an order is obtained must be accurate. I notified the DFS as soon as I saw these issues. Nothing occurred thereafter to advise the Court of the inaccurate material facts and, for the reasons discussed above, I am compelled to put accurate information in the record of this case and before the Court.

#### Purported (Non)renewal of Policies

#### The Renewal Rights Agreement

- 42. FSIC complied with Florida law with respect to the Consent Order for Administrative Supervision, filed with the OIR on or about March 20, 2019 (collectively, with a Consent Order Extending Period of Administrative Supervision filed with the OIR on or about July 18, 2019, the "Supervision Consent Order"). A copy of the Supervision Consent Order is attached hereto as Exhibit 8.
- 43. FSIC voluntarily entered into the Supervision Consent Order, to work collaboratively with the OIR. Paragraph 3 of the Supervision Consent Order specified that "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

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Consent Order." Under the Supervision Consent Order, FSIC was at all times transparent with the OIR and disclosed to the OIR all activity required of the company beforehand.

- 44. The OIR Affidavit argues that FSIC violated the Supervision Consent Order by entering into a renewal rights agreement as the basis to support its claim of a willful violation of Florida law. OIR Affidavit ¶¶ 45 & 46.
- 45. However, the OIR Affidavit also indicates that the Renewal Rights Agreement was with an "affiliate" of FSIC. OIR Affidavit ¶ 46. The OIR does not purport, and cannot allege, that the Renewal Rights Agreement was with FSIC. That is because the Renewal Rights Agreement was with FSMGA, a company over which the OIR had no jurisdiction. This is a substantive distinction because the right to renew these policies was vested in FSMGA and not FSIC. If FSIC were not available to continue on these policies, FSMGA legally could place these policies with another insurer.
- 46. The Supervision Consent Order required that "FLORIDA SPECIALTY shall obtain prior written consent from the OFFICE before conducting any of the activities enumerated in Section 624.83, Florida Statutes." Supervision Consent Order ¶ 5. The OIR Affidavit alleges that FSIC violated Section 624.83(9). OIR Affidavit ¶ 45. That section provided that: "The office may provide that the insurer may not conduct the following activities during the period of supervision, without prior approval by the office: ... Terminate, surrender, forfeit, convert, or lapse any insurance policy, certificate, or contract of insurance, except for nonpayment of premiums due."
- 47. The OIR Affidavit indicates that "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." OIR Affidavit ¶ 9 (emphasis added). The agreement to which the OIR Affidavit refers was one such "renewal rights agreement."

- 48. On April 9, 2019, FSIC filed with the OIR a Renewal Rights Agreement between People's Trust Insurance Company and FSMGA ("Renewal Rights Agreement"). A copy of the Renewal Rights Agreement is attached hereto as <a href="Exhibit 9">Exhibit 9</a>. Pursuant to the Renewal Rights Agreement, subject to obtaining necessary governmental approvals, FSMGA would send non-renewal notices to certain of FSIC's policyholders and People's Trust would offer those policyholders a People's Trust policy upon the expiration of their current FSIC policy.
- 49. Also, on April 9, 2019, the OIR acknowledged receiving this filing and indicated that "We will review this agreement in the context of the larger objective to determine if it is in the best interests of policyholders. The agreement requires approval by the Office under the terms of the Order for Administrative Supervision." A copy of this written acknowledgement is attached hereto as Exhibit 10.
- 50. The OIR never told me that the Renewal Rights Agreement violated the Supervision Consent Order. Nothing nefarious occurred.
- 51. Regardless, the transactions contemplated by the Renewal Rights Agreement were subject to a condition precedent. Section 2.1(a) of the Renewal Rights Agreement expressly indicated that it was "subject to any approvals required of applicable Governmental Authorities." This was one of the proposals which the OIR found not to be viable. OIR Affidavit ¶ 9. Therefore, no activity contemplated by Section 624.83(9) ever occurred.
- 52. Further, the activity envisioned under the Renewal Rights Agreement was not prohibited by Section 624.83(9). The Renewal Rights Agreement was not intended for FSIC to,

nor did it contemplate that FSIC, engage in the termination, surrender, forfeiture, conversion, or lapse any insurance policy. Under the Renewal Rights Agreement, when a FSIC policy would expire at the end of the policy's term, People's Trust could "send the policyholder 'a written quote' (the 'Replacement Quote') to issue a new policy upon the expiration of the In-Force Policy (the 'Replacement Policy')." Renewal Rights Agreement, § 2.1(a). No coverage was to be terminated while in force (active); rather, People's Trust would have the right to offer coverage to a FSIC policyholder for a new term under a policy issued by People's Trust. The title of the instrument, "Renewal Rights Agreement," captured this concept.

- 53. For this Renewal Rights Agreement to work, FSIC would have to notify policyholders that it would not be renewing their policies for another term. Section 627.4133(2)(b), Florida Statutes, required that FSIC notify its policyholders of FSIC's intent not to renew their policies for another term. As the OIR did not approve the Renewal Rights Agreement, FSIC did not issue nonrenewal notices in furtherance of the Renewal Rights Agreement. FSIC thus continued these policies, per the OIR's instructions under Exhibit 10 and as seemingly acknowledged by Paragraph 49 of the OIR Affidavit.
- 54. As such, FSIC could not have willfully violated Florida law with respect to the unconsummated Renewal Rights Agreement.

#### FSIC's Obligation to Continue Policies Until Notice Expiration

55. Among the allegations that FSIC willfully violated Florida law, Paragraph 49 of the OIR Affidavit states as follows:

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.

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- above, the OIR Affidavit puts forth evidence that FSIC tried to avoid any mischaracterization that any officer or director of FSIC violated this statute, by way of the Renewal Rights Agreement. Thus, this legal criterion cannot be considered a willful violation of FSIC and I reject any implication that I violated this statute. If there were any doubt in this respect, the OIR told me in writing that I could not issue nonrenewal notices without the OIR's approval, after FSIC tried to notify policyholders that it would not be renewing their policies. The OIR's instruction is attached hereto as Exhibit 11.
- 57. FSIC stopped writing new business, though no officer or director knew the company to be insolvent or impaired when it did so. Policies were only continued in accordance with Florida law, which required that "The insurer shall give the first-named insured written notice of nonrenewal, cancellation, or termination at least 120 days before the effective date of the nonrenewal, cancellation, or termination." § 627.4133(2)(b), F.S. So, if the implication is that FSIC continued policies during the 120-day notice period, the company was required to do so in order to comply with this statute. As such, FSIC could not have willfully violated Florida law in this respect. Again, I am guessing at the implication of OIR Affidavit Paragraph 49 because the OIR Affidavit does not tell me or the Court how this statute could have been willfully violated.

#### Number of Officers

58. FSIC had only one executive officer on August 14, 2019, to sign the jurat page for the June 30 Statement. OIR Affidavit ¶ 48. The other officer of the company departed from the company before August 14. After his departure the company was not inclined to engage in the fallacy of appointing someone as an executive officer for the sole purpose of a second signature to the jurat page.

- 59. This is not a case in which an officer refused to sign the Statement. Simply, the company had one executive officer on August 14, and that executive officer was me. This fact was truthfully reported on the jurat page of the Statement. A copy of the *entire* version of the Statement, inclusive of jurat page, is attached hereto as Exhibit 5.
- 60. Various biographical material must be filed with the OIR in order to add a person as an executive officer of a domestic insurance company. § 628.261, F.S. Given the extraordinary circumstance of FSIC being in administrative supervision, it would be impossible to attract an executive officer to the company at that time. Further, an exceptional salary would be required to lure a qualified executive officer from another company to a potentially short-term proposition. The company should not be forced to pay such a salary for purposes of adding a second signature to a jurat page, particularly if the OIR were concerned about FSIC's financial condition.
- 61. FSIC did not consciously have only one executive officer sign the jurat page for the purpose of violating Florida law. Simply, all executive officers of the company signed the jurat page of the company's Statement. This cannot be a willful violation of Florida law as asserted in Paragraphs 47 and 48 of the OIR Affidavit.
- 62. It was not until I obtained a copy of the OIR Affidavit that I found out that the OIR considered the number of signatures on a jurat page to be a willful violation of Florida law, requiring that FSIC be immediately liquidated and 92,000 residential insurance policies be cancelled during hurricane season. Perhaps something less drastic, and for the protection of these policyholders, could have cured the lack of a second signature on a jurat page. A receivership for purposes of rehabilitation would have given the company notice of the issue, and time to retain a second executive officer, to cure this deficiency.

- 63. Section 624.424(1)(a) is a procedural statute, guiding insurers as to the timing and manner in which financial statements are to be filed with the OIR. FSIC timely filed its Statement. Section 624.418(2)(a) and 624.4211, Florida Statutes, provide the OIR with discretionary authority to suspend or revoke the certificate of authority of an insurer, or fine an insurer, if the OIR were to find that the insurer "violated any lawful order or rule of the office or commission or any provision of this code." The process by which the OIR must take such action is governed by the Florida Administrative Procedures Act ("APA"). Section 120.569(1) of the APA provides that "The provisions of this section apply in all proceedings in which the substantial interests of a party are determined by an agency." (Emphasis added). FSIC never waived its right to notice of this purported violation. FSIC never received notice of the OIR's determination of this purported violation.
  - 64. Section 120.569(1), Florida Statutes, mandates the following of the OIR:

Parties shall be notified of any order, including a final order. Unless waived, a copy of the order shall be delivered or mailed to each party or the party's attorney of record at the address of record. Each notice shall inform the recipient of any administrative hearing or judicial review that is available under this section, s. 120.57, or s. 120.68; shall indicate the procedure which must be followed to obtain the hearing or judicial review; and shall state the time limits which apply.

If the OIR had complied with the APA, the company could have requested a hearing to determine a lawful remedy before an independent administrative law judge. Any petition for error concerning the number of persons signing a jurat page must be exhausted through the administrative process, not as an allegation in a Petition before this Court which does not avail FSIC of its right to contest the allegation or the penalty commensurate with a proven allegation.

#### The FHCF Contract

65. The OIR Affidavit utilizes almost 1-1/2 pages to discuss FSIC's responsibilities under the company's Reimbursement Contract, effective June 1, 2019, with "the State Board of

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Administration of the State of Florida ('SBA') which Administers the Florida Hurricane Catastrophe Fund ('FHCF')" (the "FHCF Contract"). OIR Affidavit ¶¶ 38 through 43. The OIR Affidavit concludes that, "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." OIR Affidavit ¶ 44, with the FHCF Contract attached to the OIR Affidavit as Exhibit 9 thereto. This conclusion is inapplicable because the predicate upon which it is based is false.

- 66. Paragraph (2)(b) of Article X of the FHCF Contract (page 16) provides as follows:

  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.
- 67. It was a mutual understanding that the administrative supervision proceedings were to remain confidential. The OIR stated to me in writing that "Administrative supervision is confidential as provided in Section 624.82, Florida Statutes, unless otherwise specified within that Section." Supervision Consent Order ¶ 12. As such, FSIC could not communicate to the FHCF that it was in administrative supervision, for the FHCF to determine FSIC's Reimbursement Premium liability under the FHCF Contract.

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- 68. FSIC communicated with the OIR as to this issue. As indicated in Subparagraph 3 above, the OIR could have communicated with FHCF to maintain the company's current payment plan if the OIR were concerned about the company's short-term cash position. However, the OIR declined to do so.
- 69. After disclosing to the OIR its plan to work with the FHCF directly on this issue, the company and the FHCF were able to agree on the final balance of the Reimbursement Premium. As a result, FHCF invoiced the company and the cash in the company's reserves was available to pay the outstanding balance due on September 27, 2019.
  - 70. However, the OIR instructed FSIC not to pay the invoice at that time.
- 71. FSIC did not breach the FHCF Contract. The FHCF Contract contained a self-executing provision in the event that a company were not to make the full Reimbursement Premium by August 1, 2019. Subparagraph 2 above provided that failure to pay by August 1 would "result in the 45% Coverage Level being deemed for the complete Contract Year regardless of the level selected for the Company."
- 72. Thus, none of the points in the OIR Affidavit on this item relate to the company's solvency. Further, as coverage was procured and maintained through the FHCF as required by law, for all times relevant hereto, FSIC cannot plausibly be said to have been "operating in an unsound condition that is hazardous to policyholders, creditors, stockholders, and the public." This allegation has no basis in fact, particularly if to demonstrate to the Court the immediate need to liquidate the company and cancel insurance coverage (backed by the FHCF as required) for 92,000 Floridians during hurricane season.

#### Consent to Receivership

- 73. After about a month of very intense discussion with the OIR about a course of action which would best protect Florida consumers, the FSIC board relented to the OIR's request that the FSIC board provide the OIR with a Consent to Order of Receivership (the "Consent"). A copy of the Consent is attached hereto as Exhibit 12.
- 74. In the Consent, the FSIC board consented to the process of receivership. The Consent was carefully crafted to avail the DFS of the receivership process by consent alone. The Consent was based on the understanding that, by consent alone, the OIR/DFS would be relieved of the arduous task of putting together various factual assertions to build a case against FSIC, which FSIC could contest at trial. At the time, and with assurances of an uncontested matter beforehand, the board determined in its business judgment that litigation would not be the best use of company funds. So, the board consented to the process.
- 75. The FSIC board never consented to the facts asserted in the OIR Affidavit. The board never made a knowing or informed consent to these factual indications. The board had not heard several of these indications before it saw them in the OIR Affidavit as attached to the Petition. Other statements of fact were characterized in a materially different manner than the facts as we knew them.
- 76. The OIR Affidavit was effectuated after we signed the Consent. If we knew that the OIR intended for the Consent to be ascribed to facts not yet developed or memorialized at the time of our Consent, we would never have given our Consent.
- 77. The Consent was sufficient for the stated purpose for which it was given at the time, initiating a receivership proceeding. The true facts at that time arguably could support placing the company into receivership for purposes of rehabilitation. After that, in the event that the DFS

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were unable to lawfully rehabilitate the company for the benefit of policyholders as a matter of fact, then the DFS could make an appropriate filing with the Court to convert the process of one for rehabilitation to one for liquidation and the attachment of FIGA to guaranty the payment of "covered claims" in accordance with Sections 631.54(4) and 631.57(1), Florida Statutes.

- 78. The facts simply did not support a conclusion of "insolvency." Because the company was "solvent," which we knew to be the case, we knew that the company was in a position to address liabilities as they came due. Further, most of these policies were reinsured by the AIG/Lexington 100% quota share agreement upon which Paragraph 22 of the OIR Affidavit relies.
- 79. My Affidavit is submitted with facts consistent with the board's Consent. I have not changed my position to now "contest the initiation of delinquency proceedings by the DFS in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida." Consent ¶ 3.
- 80. The board never waived my or its right to make this Affidavit or cause it to be filed in this matter. In fact, Section 631.391(3), Florida Statutes, anticipates my right to do so without this filing being interpreted as a form of non-cooperation. That section provides that "This section does not prohibit any person from seeking legal relief from a court when aggrieved by the petition for liquidation or other delinquency proceeding or by other orders." I will continue to cooperate with the DFS and the OIR with respect to this proceeding, in full compliance with Section 631.391, Florida Statutes.

#### Conclusion

81. FSIC was not "insolvent" as alleged in the OIR Affidavit. FSIC never willfully violated Florida law as alleged in the OIR Affidavit. FSIC consented to the initiation of a

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receivership proceeding, but never consented to facts developed for purposes of supporting the Petition or a finding of "insolvency."

- 82. For these and other reasons I would ask that the DFS be required to reconsider its Petition with particular attention to the facts upon which that Petition is based. At best, as the board thought would be the case, the Petition should be for purposes of rehabilitation so that the DFS can assess the true financial position of the company with respect to an accurate accounting of its liability. Further, a case in rehabilitation will save FSIC's 92,000 policyholders from having to find coverage for their homes during hurricane season. As such, a rehabilitation will be in the best interests of Florida consumers, for an orderly wind down with the DFS in the same position and authority as receiver. FSMGA employees can be retained by the receiver for continuity of service and historic knowledge.
- 83. Throughout this process it has always been my understanding that liquidation would be a last resort. Various cases in this area, across the country, are instructive on this process.

  In a case in Pennsylvania, the court indicated as follows:

Liquidation is a remedy of last resort. The rehabilitator may not file a liquidation petition unless he has "reasonable cause to believe" that one of the two elements of the liquidation standard is met. If he files a petition for liquidation, the rehabilitator bears the burden of proof. The rehabilitator first must prove insolvency as of the date the petition for liquidation was filed. Next, the rehabilitator must demonstrate that continued rehabilitation would either (i) "substantially increase the risk of loss to creditors, policy and certificate holders, or the public," or (ii) "be futile."

Consedine v. Penn Treaty Network Am. Ins. Co., 63 A.3d 368, 440 (Pa. Cmwlth. 2012), citing Koken v. Legion Ins. Co., 831 A.2d 1196, 1230 (Pa. Cmwlth. 2003). See, e.g., Grode v. Mutual Fire, Marine & Inland Ins. Co., 132 Pa.Cmwlth. 196, 572 A.2d 798, 803 (1990) ("[T]he benefits of rehabilitation, its flexibility and avoidance of inherent delays, are preferable to the static and cumbersome procedures of statutory liquidation."); Mutual Fire, 531 Pa. at 614, 614 A.2d at 1094.

It is my understanding that this principle is followed in most jurisdictions that have enacted an insurer insolvency statute.<sup>2</sup>

#### FURTHER AFIANT SAYATH NOT.

Susan J. Patschak

STATE OF FLORIDA

**COUNTY OF SARASOTA** 

The foregoing was sworn to and subscribed before me this day of October, 2019, by Susan

J. Patschak.



(Signature of the Notary)

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

Personally Known	OR Produced Ident	tification
Type of Identification Produced NIA		
My Commission Expires	February	20,2021

<sup>&</sup>lt;sup>2</sup> See, e.g., Carpenter v. Pacific Mut. Life Ins. Co. of Cal., 74 P.2d 761, 775 (Cal. 1937) ("The public has a grave and important interest in preserving the business [of the insolvent insurer] if that is possible. Liquidation is the last resort."); In re Executive Life Ins. Co., 38 Cal.Rptr.2d 453, 459 (Cal.Ct.App. 1995) ("[W]hile the Commissioner... has the power either to rehabilitate the insolvent insurer or to liquidate it, liquidation is a last resort.") (citations omitted); Kueckelhan v. Federal Old Line Ins. Co., 418 P.2d 443, 453 (Wash. 1966), superseded by rule as stated in State v. WWJ Corp., 980 P.2d 1257 (Wash. 1999) ("[I]t should be remembered that the process of insurer rehabilitation is preferred to that of liquidation"); State ex rel. Pope v. Xantus Healthplan of Tenn., Inc., No. M2000-00120-COA-RIO-CV, 2000 WL 630858, at \*11. (Tenn.Ct.App. May 17, 2000) ("Rehabilitation is preferred over liquidation because of the public interest in insurance."); cf. Mueller v. Beamalloy. Inc., 994 S.W.2d 855, 859 (Tex.App. 1999) (stating that under Texas Business Corporation Act, liquidation only allowed as a "last resort" when less harsh remedies such as rehabilitation are inadequate).



2019 CA 002328

#### AFFIDAVIT OF VIRGINIA A. CHRISTY

STATE OF FLORIDA

COUNTY OF MONOYOF

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. 1 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

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- of (010) Fire, (020) Allied Lines, (9040) Homeowners Multi-Peril, (090) Inland Marine, (170) Other Liability, (540) Mobile Homer 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, pae 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. 72.1
- 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.

<sup>&</sup>lt;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. Chusty, Director Property & Casualty Financial Oversight Office of Insurance Regulation
STATE OF	
COUNTY OF JON OC	
The foregoing affidavit was swom to and a	subscribed before me this 16 day of 5
MICHELLE DUNSWORTH Notary Public - State of Florida Commission & GG 278250 My Cumm. Expires Jun 7, 2022 Bonded through National Notary Assn.	(Signature of the Notary)  (Print, Type or Stamp Commissioned Name of Notary)
Personally Known OR Produce	d Identification X
Type of Identification Produced 1	Land and the second production of the second
My Commission Expires	7

# **EXHIBIT 2**

## Florida Specialty accused of operating in 'unsound condition'

### **Bernard Goyder**

04/10/2019

Florida Specialty Insurance Company has been accused by a state insurance regulator of operating in an "unsound condition" by failing to obtain permission before entering into a business arrangement.

In an affidavit seen by *The Insurance Insider*, the Florida Office of Insurance Regulation (Floir) claimed the carrier, which is now in liquidation, was "willfully violating Florida law" by not seeking the regulator's sign-off for the transaction.

The agreement at issue, reached 9 April through an affiliate, "would non-renew a portion of the company's HO3 portfolio", according to the affidavit.

Florida Specialty was put into receivership by a court in Florida on 2 October. The carrier had been struggling for months, after a major quota share deal with AIG came to an end earlier this year.

In March, the company was put under special administrative supervision by Floir, where a regulatory official was required to be physically present at the carrier's Sarasota office in order to protect the interest of policyholders.

Floir official Virginia Christy said in an affidavit, filed as part of the liquidation proceedings, that the company had "willfully violated Florida law" by not obtaining permission for the deal from the regulator, and that it operated in a manner that was "hazardous to policyholders, creditors, stockholders and the public".

Christy further accused the company of taking on insurance risk when the insurer's directors knew the business was insolvent.

Florida Specialty became insolvent in July 2019. The company failed to pay \$7.2mn of reinsurance premiums owed to Florida Hurricane Catastrophe Fund that were due on 1 August.

As of 30 June, Florida Specialty had net assets of \$44mn and liabilities of \$45.3mn.

Previously, the company had a quota share arrangement in place with AIG unit National Union Fire Insurance Company. However, \$8.5mn that Florida Specialty had accounted for as part of this agreement was disputed by AIG and

never paid, tipping the Floridian into insolvency.

AIG told the Floir that Florida Specialty had been "fully paid" under the terms of its reinsurance agreement.

The collapse of the homeowners' carrier impacts about 90,000 policyholders.

It is understood that the Floir is now looking for a buyer for the company as part of a rescue plan. If Florida Specialty policyholders can't find alternative coverage, they will be guaranteed coverage from state-owned Citizens Property Insurance Corporation for the next year.

Any claims filed from now on will be handled by the Florida Insurance Guaranty Association (FIGA). The state's Department for Financial Services is overseeing the entity's receivership process.

Floir "has been working with Florida Specialty for over a year in an attempt to help the company develop a viable business plan", Florida Insurance Commissioner David Altmaier said.

"When it became clear that Florida Specialty was unable to develop such a plan, OIR worked with the Department of Financial Services, Citizens, and FIGA to provide Florida Specialty policyholders with a path for coverage options in the private market or guaranteed coverage with Citizens if private market coverage could not be secured."

"Our goal has been to protect consumers, who are especially vulnerable during hurricane season, and to encourage consumers to seek coverage in the private sector," the commissioner said.

"While we never want to see an insurer go into receivership, the good news is that we have a safety net in place to protect consumers."

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### **EXHIBIT 3**



### FLORIDA SPECIALTY INSURANCE COMPANY

1 South School Avenue, Sarasota, FL 34237 (941) 210-5760 • (888) 723-3055

VIA EMAIL

August 12, 2019

Ms. Virginia Christy
Director, Property & Casualty Financial Oversight
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399

RE: Florida Specialty Insurance Company ("Florida Specialty") – Amendment to MGA Waiver of Commission Agreement – SSAP No. 72 Request

### Dear Virginia:

Florida Specialty is requesting approval of an amendment to the current MGA Agreement with Florida Specialty Managing General Agency ("FSMGA") for an option for the MGA to waive a certain amount of fees due from Florida Specialty. We are also requesting SSAP No. 72 treatment of this waiver to be effective as of the 6/30/19 quarterly financial statement as a Type I subsequent event in accordance with SSAP No. 9. FSMGA has chosen to forgive \$1.5 million in fees as of June 30, 2019.

I have attached a screen shot of the transfer of funds into the Florida Specialty 53 Bank Account from the FSMGA Bank Account.

Please let me know if you have any questions or require any further details. Thank you and we look forward to your response.

Sincerely,

Susan J. Patschak Chief Executive Officer

### 8/12/2019

### Payments

### View Payment Details

Payment ID

redacted

Payment Status

Processed

Payment Type

Intracompany Transfer

Payment Date

8/12/2019

**Creator Name** 

redacted

**Payment Details** 

History

Edit Approve

Decline

Cancel

Transfer Details

**Business Unit** 

FSIC & FSMGA

Security Level

Default

**Debit Account** 

Florida Specialty MGA-redacted

**Debit Account Currency** 

USD

Credit Account

Florida Specialty Insure-redacted

**Credit Account Currency** 

USD

**Payment Amount** 

\$1,500,000.00

Comments





### OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES
COMMISSION

RON DESANTIS GOVERNOR

JIMMY PATRONIS
CHIEF FINANCIAL OFFICER

ASHLEY MOODY ATTORNEY GENERAL

NICOLE "NIKKI" FRIED COMMISSIONER OF AGRICULTURE

DAVID ALTMAIER COMMISSIONER

August 14, 2019

Susan Patschak Florida Specialty Insurance Company 1 South School Avenue Sarasota, FL 34237

Re: Florida Specialty Insurance Company ("Company")

Florida Specialty Managing General Agency ("FSMGA")

Notice of Waiver of MGA Fees Due and Subsequent \$1,500,000 Capital Contribution

Request, per SSAP 72

Dear Ms. Patschak,

The Florida Office of Insurance Regulation ("the Office") has reviewed the Company's August 13, 2019 notice of waiver of \$1,500,000 in fees due to FSMGA as of June 30, 2019.

The Office has also reviewed the Company's subsequent request for approval of a \$1,500,000 capital contribution from FSMGA. It has been noted that FSMGA made the capital contribution to the Company in the amount of \$1,500,000 on August 12, 2019. Furthermore, the Company requests the Office's approval of the \$1,500,000 capital contribution, in accordance with SSAP 72, to be reported on the Company's June 30, 2019 Quarterly Financial Statement.

The Office holds no objection to the forgiveness of the \$1,500,000 in fees due to FSMGA, effective June 30, 2019. Further, the Office hereby approves the \$1,500,000 capital contribution, to be effective June 30, 2019, pursuant to SSAP 72.

If you have any questions, please feel free to contact me.

Sincerely,

Katie Quaney

Late Orane

### EXHIBIT 5

PROPERTY AND CASUALTY COMPANIES - ASSOCIATION EDITION

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### **QUARTERLY STATEMENT**

2019 CA 002328

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

### FLORIDA SPECIALTY INSURANCE COMPANY

NAIC Group Code0, 0	NAKC Company Cods 17248	Employer's ID Number 47-0705955
Organizaci under the Laws of FL.	State of Domicia or Port of Entry	FL Country of Domicite US
hoosporated/Organizad June 10, 1987		ness July 17, 1987
Statutory Home Office	1 S Sohool Ave, Suite 800 Sarasote FL US (Street and Humber) (City or Town, Balls, Comby and I	34237-8014
Main Administrative Office	1 S School Ave, Suite 900 Seresola FL US (Sizeal and Number) (City or Town, State, County and 2	
Mail Address	1 S School Ave, Selta 900 Baresona FL US School and humber or P. O. Son) — (City or Town, Beth, C	outry and the Code)
Primary Location of Books and Records	1 S School Are, Suite 500 Soreacte FL US School and function (City or Town, State, Cookly and I	
Internet Web Site Address	WWW.FLORIDASPECIALTY.COM	
Statutory Statement Contact	LAURA REAY LOPEZ (Name) LLOPEZ@FLORIDASPECIALTY.COM (B-1688 Addraus)	941-210-6673 (Aren Cocie) (Telephone Asymbol) (Erbanekov) 841-330-8781 (Feb. Hurmbor)
	OFFICERS	
Kamo	Titin	Memora Tittle
	CEO AND SEGRETARY 2. 4.	
	DIRECTORS OR TRUSTEE	6
SUSAN JEAN PATECHAK ALE		as rowland, Jr Yaakov Beyman
State of Fortile County of Stratole		
elation above, all of the herein described asserts in terms status, and but this statement, operation in of all the costs and habilities and of the condition thereform for the posted devided, and have been as minutal strongs in the output that (1) state for man procedures, according in the basic of ship informa- tionists and another throughout or information. But the condition is not the state of the stat	ero the absolute concerty of the east reporting only, the in missing eathers, schoolutes and explanations thanks or and alteria of the said reporting entity as of the reporting mistered in accordance with the NAIC Annual Steament of either on, (3) that other make or regulations register differ the transferred and belief reportations. Performance the contractions and belief reportations.	related, anexed or referred to, in a list and two statement pushed stated above, and of its incomes and deductions bushedors and Accounting President and Procedures receive in reporting not settled in seconding procisions and a scope of lits attention by the described officions also seems for the admitted of the receive of the control of the or seems for the residence of the receive of the or stated of the or
Susmo attached	<u>.</u>	Control of the Contro
(A) (A)	(S)(return)	(Signatura)
EJEAN JERNATEGIAK 1. Pranchama)		3. (Printed Name)
CEO AND SECRETARY		•
(1997)	The state of the s	discourse - last plantificación de sus last entractionales transportes de vers de la la discouring angungance de la company de l
Subscribed and swom to before me This 1577 stor of flowing of	2 3015 a. is this an original flam b. if no: 1. State the 2. Date thed 3. Number o	





### **QUARTERLY STATEMENT**

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

### FLORIDA SPECIALTY INSURANCE COMPANY

***					
NAIC Group Code 0, 0 (Current Period) (Prior Pe		mpany Code 17248		Employer's ID Number	. 47-0706955
Organized under the Laws of FL		Domicile or Port of Entry Fi	<u>L</u>	Country of D	iomicile US
Incorporated/Organized June 10, 19	<b>T</b>	Commenced Busine	ss July 17, 198	7	
Statutory Home Office	1 S School Ave, Suite 900	) Sarasota FL US 3 ov Town, State, Country and Zip :	4237- <b>6</b> 014 Codel		
Main Administrative Office		i Sarasota FL US 3 or Town State Country and Zip		941-210 (Area Code) (Tele	
Mail Address	1 S School Ave, Suite 900 (Street and Number or P. O. Box	) Sarasota FL US 3 rj (City or Town, State, Cou	4237-6014 Intry and Zip Code)		
Primary Location of Books and Records		) Sarasota FL US 3 or Town, State, Country and Zip		941-210 (Area Code) (Tak	The state of the state of
Internet Web Site Address	WWW.FLORIDASPECIAL	TY.COM			
Statutory Statement Contact	LAURA REAY LOPEZ			941-210	and the second second second
	(Hame)		4	(Area Code) (Telephone Num	
	LLOPEZ@FLORIDASPE( (E-Mail Address)	MOD.YTJAIC		941-330 (Fax Hu	
		FFICERS		ZM ch	
Name	Tible		Name	Title	İ
1. SUSAN JEAN PATSCHAK 3.	CEO AND SECRETARY	2. 4.			
	DIRECTOR	RS OR TRUSTEES	•		
SUSAN JEAN PATSCHAK	LEX BLUMENFRUCHT	VINCENT THOMAS		YAAKOV BEYMAN	
State of State					
County of Seresote					
he officers of this reporting entity being duly	sworn, each depose and say that	they are the described officer	rs of said reporting en	itily, and that on the reportin	ig penod
lesse bedyspecificated and the life award hately	s were the absolute property of the	he said reporting entity, free a	ind clear from any lier	is or daims thereon, except	25
perein stated, and that this statement, together of all the assets and liabilities and of the cond	r with related exhibits, schedules	and explanations therein con	izined, annexed of re parlad stoted above a	lemed to, is a full and true si nd of its income and deduct	Latement Ilona
hardron for the reduct anded and have been	completed in accordance with the	he NAIC Annual Statement In:	structions and Accou	nling Practices and Procedu	nes
named arrant in the extent that: (1) state low	may differ or (2) that state rules	or regulations require differer	nces in reporting not t	related to accounting practic	<b>365 800</b>
versatives, according to the best of their infol	mation, knowledde and belief, re	spectively. Furthermore, the	scope of this attestab	on by the described officers	8150
ncludes the related corresponding electronic enclosed statement. The electronic filing may	ising with the NAIC, when require he mousisted by various (equal)	io, that is all exact cupy texts ors in lieu of or in addition to t	rpt for formatting one he enclosed stalemen	IL	MIN. A.M.
Disambility and an analysis of the second and the s					
			Managaran	(Signature)	determination of the same of t
(Signature)		(Signature)		(១វីបនកោត)	
SUSAN JEAN PATSCHAK  1. (Printed Name)	2.	(Printed Name)	***************************************	3. (Printed Name)	ALMERICAN
CEO AND SECRETARY		CONTRACTOR	management and the second seco	***************************************	e-christoppe-conser-
(Title)		(Title)		(Title)	
Subscribed and sworn to before me This day of		a. is this an original filing?     b. if no:         1. State the an	mendment number	Yes (X) No	1 1
1 7 F TO THE THE PROPERTY OF T	<del>nganangan kingalang kabapitan sa at 100 kitan 100 kitan 100 kitan 1</del>	2. Date filed			
		<ol><li>Number of p</li></ol>	pages attached		Description (1975)
A STATE OF THE PARTY OF THE PAR	The second secon				

### Statement for June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY ASSETS

	iniquinee		EIS	Name of Contract of Name	<b>AND THE PROPERTY OF THE PARTY</b>	The same of the sa
			Assets	Corrent Statement Date 2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Oecember 31 Prior Year Net Admitted Assets
			5.823.270		5.623.270	7.957.608
1.		(Marianga, managangan pamananan nagan), man nang milit nito nan bapin ngang dibadianan bapin paganis dibadi.	A Park Company of the	interior contrator contrator in the contrator contrator that and application is	is a contract of a second of the second of t	North Control of State States
2.			Concern Galeria Construction			
	21	and the street of the street o	jana, kanggalangan pelah Tanggalang sagradian diang	generagijalijalijalija i korrektor in bilijanosto Albanisto	0	Constant Con
	2.2		adel Bank (Processor - Locality Alexandra)	gengan pin kasika ipi termanan kesikikan namba 1965	and to appropriate the property of	e ( talian en siñous o greco, las se estas propietos siste
3.		rigage loans on real estate:  First liens			0	
	3.1			Si yaddad oo baankiidaa ah oo baankii oo baankii	A	accompagate and appropriate
		Other than first liens	S. Johnson of Commission American State (State of State o	Significa i diferinsi efektioni in interessi in interessi in interessi in interessi in interessi in interessi I	Sangarana (Construction Santa Construction Santa	Agrees could be considered in a real factories
<b>9.</b>	4.1		an again dha again madalain magain a seo add	anganga kangangan kangan pangan p	: :- :::::::::::::::::::::::::::::::::	gan kayastaya sa a agiliyar ito ayaya tata dhara aya haranda aya ba
	4.2	Properties haid for the production of income (less \$	gala serja segerjegiya ji Baaykaya kasadda dalahasa	na, Silitarakan arpinakankanan ara ( + rasilita)	and the communication of this terropage are not <b>o</b>	danner i seriagai un confragadistropragional dan
	4.3	Properties held for sale (less \$		La de la compania de	nasiame s imis so	an en en sikket henringe er in strekkelein en e
6.	Cas	sh (\$6.540,025), cash equivalents (\$372,643)				
	<b>8</b> 7	1 short-term investments (\$		and the second s		
8.	Cos	ntract loans (including \$0 premium notes)	i militaria (j. majara) in california prima per 1900 colific.	na gi ne datagas najak sangan pan	Live construction of the c	a vagi i kungpagapaga dibibaga kabar
7.	Dor	tvativaa karaa ja sama maamuu saa aja saa araa maamuu ja saa ajaansa karaa karaa karaa karaa karaa karaa karaa	and the staff section of space of the contract of the staff of the sta	ali, daskringinik adamerica kanta		taris ethiopopoliscos vicilizados d
8		ist kivosiot sevolu <sub>men m</sub> arageng energe gepramase an begge pengenbaranaan de amande open begen par param		and the second s	a companies de la companie de la com	lisserie das librationes de la constante de la
ĝ,		calvables for securities	1	agi Labadi kangsamanan dan salah Kepilik	Remodelii ilmeenissiisiisi ka ka	a ciente de la grand marite la majoritació de la constante de
10.	Sec	curies lending reinvested collateral assets	angadar (1. 122.) Tabida Pendelakan Period	dikerika in diparen dan batan basa	italian algani santapan an tina algani 0	al hijadi inganifi mbaptaniyadan bersisi i
11.		gregate write-ins for invested easets		. فينتسبب بينير		
12.		biolais, cash and invested assets (Lines 1 to 11)		o di prima di sala di prima di sala di	12,535,939	10,841,32
13.		e plants less \$ D charged off (for Title insurers only)	1		gara ita anakan adam manakan manakan m	tamana historythiosystemid y terroldistany des y a a a <b>a a a</b> a a
14,	ži v	estment income due and accrued	30,247	allandina sepalandangan dadilasi	30.247	
15,		eniums and considerations:				
	15	1 Uncollected premiums and agents' balances in the course of collection	2,334,067			
	15	Deferred premiums, agents' balances and installments booked but deferred	2 702 002		3.593.833	
	15.	and not yet due (including \$		jakolikussa, servanta hassatekkelekkelen s		agene on Element grove all nothing agent leader.
16.	Red	insurance:				
ιψ,		1 Amounts recoverable from reinsurers	34,143,004	diamakan sarebiga impaghisakan bal	.34,143,004	11,420,41
		2 Funds held by or deposited with reinsured companies.	<b>.</b>	National contract of the second		Same in a company of a majority of the party of the company of the
		Other amounts receivable under reinsurance contracts	1	agaganagan sayar ata ay kawan sa yannikikan sayar	0	1,366,27
17		ounts receivable relating to uninsured plans.		motery automorphisms and sent factors		and a seption of the second second second
		rrent federal and foreign income tax recoverable and interest thereon.	•	exemple some messes agreef inset.		garger - start - artis - Advantage Ac
		deferred las asset, programme moderna seguramente de como que comprese con resemblemente como		***************************************	.1,470,000	1,470,00
		aranty funds receivable or on deposit.	mare construir en construir ella	gantion of the adjuly copy of the following species of the		por per sensita pare construentarias
20.		ctronic data processing equipment and software	and a comment of the contract	and the state of t	0	ga je je je je je ki ki koje je je je kazaliki ki ki i i i
21.		miture and equipment, including health care delivery assets (\$0).		46,892	0	The common of particular standards as
22.		t adjustment in assets and liabilities due to foreign exchange rates	Security describerations	and the second second second second second	nasa naka biri kambi si da biri dise. O	andres see sella dissilian dissilandissi ee
23.		celyables from parent, subsidiaries and affiliates	1,378,764	Separate processor is a matrix as taken a land of the matrix should	1,378,704	
24		effit cara (\$0) and other amounts receivable.	gagaga ang a dikina ng kanana na kananina di sakana	angangan pinangapan na madan was	je in many singanama	hiladrinos es establicationes es es es
25.		gregate write-ins for other then invested assets.		0	0	
26	Tot	tal assets excluding Separate Accounts, Segregated Accounts and Protected  ii Accounts (Lines 12 through 25).	.55,532,676		55,420,941	31,084,66
27	Fre	om Separate Accounts, Segregated Accounts and Protected Cell Accounts	AND COMMENTAL STREET, COMMENTAL STREET, COMMENTAL STREET, COMMENTAL STREET, COMMENTAL STREET, COMMENTAL STREET,	any mpami silanje nda bilanjen	askin disamentalish kan	kiring a salah kiring salah dari san
28.	To	tal (Lines 26 and 27)		111,735		31,094,68
		DETAILS O	F WRITE-INS		<sub>(</sub>	***************************************
10	1	indiana mayararan ina ang ina ng ina ng ina ang ang ang ang ang ang ang ang ang a	Extracolar grows extracolar districtions on			e day - amadan yarab <b>aras</b>
10	2	фитин жайын фолосоруу софициян бороо жатуу органда да шарадын жороо чиндүү орган жарын өзүнөө жарада жайын ай	produced in registeracy; compare interference on a 4.44-4.	garjan populosije i sa se se positiviti.	Quantification in the state of	signification of the same
10	3	ofanyseel sundaggastosaannumasiin eruminyteis, yyn aspainin te meen mindagas palatatota turen taata yn teesta i	takkinigan innsyyni iyrini niriyin iyyisin	anger and booker from the object of	0	is in a community of
19	6. Su	immary of remaining write-ins for Line 11 from overflow page.	0	0		esa susistika mekitatan
		tals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	
		e communication de constitución de constitució	Province of the control of the free state of the control of the co	photography of the control of the co	0	apia stiere e desirie parteix
250				and the second	0	and the second second second second second section
	3.	umakanakingan seringgalan kenggalan dan kenggalan dan penggalangan seringgalan dan penggalangan seringgalan dan	(Mark Control) of the Antique Mark Control	g best to have filter best for a soldier to see a soldier.		and of transmission with allowed an
		rmmary of remaining write-ins for Line 25 from overflow page			Linear manifestration con O	made in discrimination resident billion in his
256						

### Statement for Juny 50, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY LIABILITIES, SURPLUS AND OTHER FUNDS

		Current Statement Oate	December 31 Prior Year
1.	Losses featrant scoolers year 51.341,184)	2,831,760	
2.	Resistrance psyable on paid losses and loss adjustment expenses		. 1995, 1997
	. Com advatracti expenses. Las se estas estas estas estas municiparen un mas estas estas estas estas un entre estas esta		
4,	Commissions payable, contrigent commissions and other similar charges.	e de altre de la communicación descentada e descripción de la composição d	meneral contrates all the contrates and cont
	Other expenses (excluding laxes, licenses and fees)		
8,	Taxes, licenses and fiers (axisizing federal and foreign income taxes).	ing a state of contributes and other throughouse and property and published a state of	
7.1	Current federal and foreign income texes (including \$	an ya an aran ay afa gaya kanan kanan garakan adamakan menan kan	dentes planticipalis and approximate many and approximate
7.2	Nat dominad las (labiny), si misse, similarita is conservi senten antennativa ciuna se saintennativa i masse se summenum est estre conservia in	ist. Kantolija - gjarkejaros iko organisaski situ organisaski ja s	agricular contract to the table banger to the contract again
	Borrowed money \$	to desire a series de la composition della compo	with the first was the first sequence of the s
	Unearmed premiums (after deducting unearmed premiums for ceded reinsurance of \$51,189,848 and including		
. 4	warranty reserves of \$	1A70 NQ31	/7 510 858
	including \$ for medical load ratio restate per are music medical personal public premium.		
		edition at the base endown and and the food	All All Section Control of State of Sta
	Dividends declared and unpaid:	yr Trong a gwell yn y gael y gaellan ac gael ac gael a ga	
	11,1 Stockholders		Berlin House gerichten in der stenden er State gericht.
	11.2 Palestinisters		17 04G 101
	Ceded reinsurance premiums payable (not of ceding commissions).		2.100
	Funds held by company under reinsurance treeties.		*************************
	Amounts withheld or retained by company for account of others		to a significant de la proprieta de la constitución de la proprieta de la constitución de la constitución de l
	Remittances and items not allocated.	i''	to a contraction that is a second to a
	Provision for reinsurance (including \$,)0 cartified)		And the second section of the
	Net adjustments in exects and liabilities due to foreign exchange rates		der in Stendard in 1955 propriet de la servició de
18.	Draks colleged and recombine unumeration of the college college and the college of the college o	ga upote consecutaria i santi interacti, individuo contaria con tier	adio politico a control estas estas atrantista e o freguesia de la control de la control de la control de la c
19.	Payable to parent, subsidiaries and efficiency in the control of t	anagan sameks man manani sahiya samiya ang	and the second state of the second se
	Definition in the second of th	rans na nasagaan ir salahalas jerola laskangsund	Saudo gario recomo per problembo, se colo
21.	Psyshle for securiles, were a suscentification of business suscentification of the control of th	ika shina guru asar wasa suu asar saan gaan ka mihaabihin n	Market Constant to the constant of the constan
22	Payable for securibles lending	mineral company of the second	<ul> <li>a) s. manifer the responsible that his place able;</li> </ul>
23.	Liability for amounts held under unitraured plans		genely an adaption of a second control of the second
24.	Capital notes \$O and interest thereon \$		en paren angen per en andre proper i describer.
25.	Aggregate write-ins for liabilities		***************************************
26.	Total liabilities excluding protected cell liabilities (Lines 1 through 25)		14,484,982
27.	Protected cell liabilities, in alternational designation to the complete of the design and the complete expension of the complete of the compl		
28.	Total liabilities (Lines 26 and 27). List international relations of the control of the commence of the commence of the comments of the commence of the commen	45 386 031	14 484 987
29.	Aggregate writerins for special surplus funds.	2,451,184	2,451,164
30.	Common capital stock common subsequence description of the description of the second section of the second	2,000,000	2,000,000
31.	Preferred capital stock.	sidelani, in the second of the second of the second	artino registrativo de recentrativo de recentrativo de
32.	Aggregate write-ins for other than special surplus lands, a share each or observative common electronic recommon electronic common electro	annesa da promisida e promisida de la aparte de la como	
33.	Surphis notes: (months and an interpretation of the control of the	Boundary and many the state of	here is a high tage was representations above a graphical
34.	Gross paid in and contributed surplus.	11,585,028	11,585,028
35.	Unassigned funds (surplus)	(6,001,283)	
36.	Lase tressury stock, at cost:		
	36.1	a negate est e festivoli surprobativo reportante degli sistema per la 1888/188	Savaran makerosan Sireka Consigne Sireken ken
	38.2		
37.	Surplus as regards policyholders (Lines 29 to 35, less 38)	10 034 909	16,609,699
38.	Totals (Page 2, Line 28, Col. 3)	55,420,940	31,094,661
	DETAILS OF WRITE-INS Reproactive Remarkence Reserve Ceded.	(2.067.106)	(4,222,499
2501. 2502.	Keucacoyo neneuranca neserre cecanica a magni a manana manana a manana a manana a manana manana manana manana m	Angel Control of the State of t	
		general galering and manifest framework and the control of the con	page of the contract of the co
2598.	Summary of remaining write-ins for Line 25 from overflow page	American de description de la compressión de la company	
2599.	Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above)	(2,087,106	- Anna Contract Contr
2901.	Retroactive Reinsurance Spedal Surplus	. seguindo historia sensenti da 2,453,164	
2902. 2903.	magamangan godo godo godogo mangamanga yangan daggan obagis, minan rekkanik, meberan kalangama melak basa sepikbibik munan yangan kalangan dagan dagan sagamangan godogo kaningan kalangan godogo muna penganan melaksagan muna pen	a kanada ka ja a a a a a a a a a a a a a a a a	and the second s
2998.	Summary of remaining write-ins for Line 29 from overflow page	and in the second second solution of	and the comment of the significant
2000	Totals (Lines 2901 thru 2903 plus 2996) (Line 29 above)	2451.164	1
3201.	kan mistra ang mangangan na pangkanan salah siste na siste an mistrak dan panan na pangkan mangan na pangkan na pa	samentales a proportion of the control of the contr	and the straint comment of the straint and straint and straint and straint and straint and straint and straint
3202.	anakanga ng pamangang pangang ng pamang ng pamang ng pangang	ta se deservició plate per en la completa propertir en la relació de la completa de la completa de la completa	Talkali oʻlganigi oʻrastopista (Alamona oʻlda)
3203. 3298.	Summary of remaining write-ins for Line 32 from overflow page	a anno al comitivamente superiorista del comitiva de la comitiva de la comitiva de la comitiva de la comitiva d La comitiva de la comitiva del comitiva de la comitiva de la comitiva de la comitiva del comitiva de la comitiva del comitiva de la comitiva de la comitiva de la comitiva del comitiva de la comitiva del comita del comitiva del c	A Common consistence on a consistence of a supplied of the consistence
	Totals (Lines 3701 thau 3703 plus 3298) (Line 37 shove)		

### Statement for June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY STATEMENT OF INCOME

*******	SIAIEMENTOE INCO	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
*******	UNDERWRITING INCOME			
1.	Premiums earned:		sauna ma	
	1.1 Dred		37,342,858	
	1.2 Assumed (written \$		(5,569) 34,842,553	74.288.794
	1.3 Coded,		2 494 736	8 043 743
	1.4 Net.: (written \$5.339,141).	Service 501-101-101-101-101-101-101-101-101-101-	Chromic particular constitution and a second	Andrew Commenter Comment
2	Losses incurred (current accident year \$2,014,273):	1		
	21 Direct.	A2,856,364	19,280,004	
	2.2 Assumed		204.394	326,762
	23 Coded in the contract of th		15,774,452	\$9,789,012
	24 Net Lister in the control of the			6,037,067 2,379,921
	Loss adjustment expenses incurred.		(11.488.408)	1 276 103
	Other underwriting expenses incurred		0	(2.586.123
D.	Aggregate white his for underwriting deductions (Lines 2 through 5)			7 126,968
7	Net income of protected cells		en e	
A.	Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(6,817,720)	9,705,207	
₩.	INVESTMENT INCOME			
۸	Net Investment income samed.	72.098	224,907	389.439
40	Net realized capital gains (losses) less capital gains tax of \$	(41,795)	(16.136)	(197.479
11	Net investment gain (loss) (Lines 9 + 10).	Contraction of the Contraction o	208,771	171,960
	OTHER INCOME			
12.	Net gain or (loss) from agents' or premium balances chargest off (amount recovered \$0 amount charged off \$7.180).	(7.180)	(2,904)	e i projekti i projekt
42	Finance and service charges not included in premiums	166.889	138,448	321,816
1.5.	Aggregate write-ins for miscellaneous income.	0	(473,733)	Δ
16	Total other income (i inea 12 through 14)		/338 189)	321,818
18.	Mat income halors dividends to posicylypiders, after capital dains tax and before all other federal and	1 1		
17.	foreign income taxes (Lines 8 + 11 + 15).  Olyidends to policyholders.	(6,638,708)	9,575,789	
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
	Federal and foreign income taxes incurred			1,410,553
20.	Net income (Line 18 minus Line 19) (to Line 22) المنظمة المنظم	(6 638,708)	9,575,789	1 4 10 953
	CAPITAL AND SURPLUS ACCOUNT			
21	Surplus as regards policyholders, December 31 prior year	16,609,697	15,013,134	15,013,134
22	Net Income (from Line 20) and distribution of the support of the s	(6,638,708)	9,575,789	1,410,553
23	Net transfers (to) from Protected Cell accounts accounts account to account the protection of the prot		and a state of the	a construction of the second second
24.	Change in net unrealized capital gains or (losses) less capital gains tax of \$	4444	(7,135)	
25	Change in net unrealized foreign exchange capital gain (loss).	traje naminija pravišali i naminija i indi	Consider Consider Consider	268 149
26	Change in nel deferred income tax		(28.855)	(30,310
	Change in nonadmitted assets. Change in provision for reinsurance			Southern States of the Control of th
28			**************************************	
29 30			en e	TO THE RESIDENCE OF THE PARTY O
31	Cumulative effect of changes in accounting principles.	and the second of the second o	Stage Community - Agricultural State (Special Agricultural State (Special Agricultural Special Agricultural Agricultural Special Agricultural Agricultura Agricultural Agricultural Agricultural Agricultura Agricultural Agricultural Agri	and the second s
	Capital changes:	1: 1		
	32.1 Paid in the second and the seco	ing ang Pandaga ning ang Pinis Sanah Khang Kabanas ni	gajo i seri programa primi se serientaj ki i serbis primi se	appropriate to the section of the se
	32.2 Transferred from surplus (Stock Dividend)	maka maka arata dan dapat mata dasa ag	e aggregation années des les les les les les les les les les l	an make et el la certer ant de la conseque,
2	32.3 Transferred to surplus	property Contracts and a state of the state	de construent de production de la construe de la c	Andrew Asserting the Control of the
33.	Surplus adjustments:		*	
	33.1 Paid In many many property of the control of t	olitika questi digita di tradita di la cita partita di	mendalika makamentan mana	Marie an estate fraga in trade count de par de rape count à
er.	33.2 Transferred to capital (Stock Dividend).	and the state of t	depresentation of the second o	Activities of the Control of the Con
	33.3 Transferred from or (to) Home Office	ting the district the second control of the	AND TO THE SERVICE OF SERVICES	Contract of Contract of the Co
. 39.	Net reminances from or (to) hours where the common and the common	****	and the second s	
35. 36.		name and a second secon	i i ngawagantan Salada na silamaka	erra er
37.		01	0	9
38	Change in surplus as regards policybolders (Lines 22 through 37).	(6,574,788)	9,541,799	1,596,563
39.	Surplus as regards policyholders, as of elatement data (Lines 21 plus 38)	10,034,909	24,554,933	16,609,697
*STATEGEN	DETAILS OF WRITE-INS			
	DEINIS W. III II II		entrantico de la companya del companya del companya de la companya	
0501.	Prampin Weta Affa			
0502	Premium Wife-Offs.	(215,968)	din depin dagain niekkipone	
0502 0503	Premium Wife-Offs.  Misc Income		inin siggino - filogolunin nemidikanoma gagangi di 1900-yan-panpini kancangan n	(2,451,164
0502 0503 0598	Premium Write-Offs Misc Income Retroective Reinsurance Gain / (Loss). Summary of remaining write-ins for Line 5 from overflow page	eneria (215,968) 1 mayor ayan basada a harana kalenda 1 mayor a sanasa a	duine signige eine es filosofiaties est a indificio proper appendiat de crisis e gas espa planetaris consecutivos Licunque en agri, consistenting poderate transport	
0502 0503 0598 0599	Premium Write-Offs.  Misc income Retroactive Reinsurance Gain / (Loss). Summary of remaining write-ins for Line 5 from overflow page.  Totals (Lines 0501 thru 0503 plus 0596) (Line 5 stove).		innen siggi en er i frång intereste en fraktiken er en gagernest af sener yeste egen frikkelenes yeste er klassifisjere også skriverin ogsånere er til nøg <b>0</b> .	(2451,164 (2568,123
0502 0503 0598 <u>0599</u>	Premium Wite-Offs. Misc income Retroective Reinsurance Gain / (Loss). Summary of remaining write-ins for Line 5 from overflow page. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).	(215,968)	in ing com i king inin ininkikanyan kannal inin manan panahan kinangan kannangan ininking panahan kinang B	2,451,164 
0502 0503 0598 0599 1401 1402	Premium Write-Offs Misc income. Retroective Reinsurance Gain / (Loss) Summary of remaining write-ins for Line 5 from overflow page Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above). Commission income Reinsurance Gain / (Loss)	215.968)  22.000.000.000.000.000.000.000.000.000	0 9 9,516 (483,249)	and the second s
0502 0503 0598 0599 1401 1402	Premium Write-Offs Misc Income Retroactive Reinsurance Gain / (Loss). Summary of remaining write-ins for Line 5 from overflow page Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above). Commission income Retroactive Reinsurance Gain / (Loss)	(215,968)	9,516 (483,249)	and the first state of the Control o
0502 0503 0598 0599 1401 1402 1403 1498	Premium Write-Offs Misc Income Retroactive Reinsurance Gain / (Loss) Summary of remaining write-ins for Line 5 from overflow page Totals (Lines 0551 thru 0503 plus 0596) (Line 5 above) Commission Income Retroactive Reinsurance Gain / (Loss) Summary of remaining write-ins for Line 14 from overflow page	(215,968)	9,516 (483,249)	and the second s
0502 0503 0598 0599 1401 1402 1403 1498 1499	Premium Wite-Offs Misc income. Retroactive Reinsurance Gain / (Loss). Summary of remaining write-ins for Line 5 from overflow page. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above). Commission income. Retroactive Reinsurance Gain / (Loss).  Summary of remaining write-ins for Line 14 from overflow page. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).	(215,968)		and the second s
0502 0503 0598 0599 1401 1402 1403 1498 1499	Premium Wite-Offs Misc income. Retroactive Reinsurance Gain / (Loss). Summary of remaining write-ins for Line 5 from overflow page. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above). Commission income. Retroactive Reinsurance Gain / (Loss).  Summary of remaining write-ins for Line 14 from overflow page. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).	The second secon	9,516 (483,249) (473,733)	And the second s
0502 0503 0598 0599 1401 1402 1403 1498 1499 3701 3702	Premium Wite-Offs Misc Income Retroactive Reinsurance Gain / (Loss) Summary of remaining write-ins for Line 5 from overflow page Totals (Lines 0551 thru 0503 plus 0598) (Line 5 above) Commission Income Retroactive Reinsurance Gain / (Loss) Summary of remaining write-ins for Line 14 from overflow page Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above)	(215,968) (215,968) (215,968)	9,516 (483,249)	A 15 10 10 10 10 10 10 10 10 10 10 10 10 10
0502 0503 0598 0599 1401 1402 1403 1498 1499 3701 3702 3703 3798	Premium Wise-Offs Misc Income Retroactive Reinsurance Gain / (Loas) Summary of remaining write-ins for Line 5 from overflow page Totals (Lines 0501 thru 0503 plus 0599) (Line 5 above). Commission income Retroactive Reinsurance Gain / (Loss).  Summary of remaining write-ins for Line 14 from overflow page. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).	(215,968) (215,968) (215,968)	9,516 (483,249) (473,733)	pi, mai sankkangan shai terrisi n sa kanasangan manganawas sa k

### Statement for June 30 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY CASH FLOW

		Current Year to Date	2 Prior Year To Oate	Prior Year Ended Occember 31
<del>(arrite</del> n	CASH FROM OPERATIONS			,
1.	Premiums collected net of reinsurance	29,427,399	12,456,444	(6,181,87
2.	Net investment income.	101,392	311,312	537,55
3.	The state of the s	148,709	(338,189)	321.81
4.	Total (Lines 1 Prough 3)	29,677,500	12,429,568	(5,322,41
5.	Bereit and loss related payments.	23,295,947	23,063,248	12,684,01
6.	Het transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	i i i i i i i i i i i i i i i i i i i	s and regarded and restriction than	Sandard Common or Common construction
7.	Commissions, expenses paid and agongste write-ins for deductions.	5813.277	(11,315,626)	
s . 8.	Dividends said to policyholdens	anagiga sayanaka), o ing anannan ministrafika yas	: Bassa - gareja - aanasan egadikaa (2000)	g a lawstagen of the color of the color
₩. Ø.	Federal and foreign income taxes paid (recovered) net of \$		Contraction of the Contraction	
e. O.	Total (Lines 5 through 9)	29.109.224	11,747,722	11,922,8
11:	Not cash from operations (Line 4 minus Line 10)	568 278		(17,245,3
2 8 4	CASH FROM INVESTMENTS			
2.	Proceeds from investments sold, matured or repekt:			
6.	12.1 Bonds	2,334,490	7.256,759	14,928,0
	12.2 В принципального в		The factor of the control of the con	and the same and and and and and
	12.3 Mortage loans			COLUMN CON LA RESTRICTURA CONTRACTOR CONTRAC
	12.4 Reg esiste.	***************************************		
		State Company of the		
	12.5 Other invested assets	Section is a strange state, and its investment	3.000 : 000 - 000g000000000000000000000000	Later C. A
	12.8 Net gains or flosses; on cash, cash equivalents and short-term investments	ga ya wasani dan wakanin kata in intanti (1961)	office the control of	energe of the second
	12.7 Macrolistatus (Postalis manie in mineral manie in ma	2,334,490	7,256,759	14 928.0
	12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,334,480		3335 - Standard 19,360(6
13.	• • • •			1.899.2
	13.1 Bords. n digram of the equation of the configuration of the configu	AND THE PROPERTY OF THE PROPER	1,899,291	
	13.2 States and a state of the	, have been been a considered to the window.	animon or produce Villesia (a respective de	A Lead and a specific of the contraction of
	13.3 Martings lasts the last section of the commission and analysis of the state of	and the second s	denne i sator sa dipoletica da cal librario.	elementijos er iristotelement
	13.4 Real entate	paparamananan ny mponina ny manon	รมเมื่อ การเกาะ เกาะ เกาะ เกาะ เกาะ เกาะ เกาะ เกาะ	kanalisti yani - Telesikanin Mesik
	13.5 Other savested essets	Sacran Sacritor phonon Home of the	alaiku koosii kooleelaan irriinikusi	<b>aportogr</b> igo e en estables e estables
	13.8 Micelaneous applications		A SALAMA SA	
	13.7 Total investments acquired (Lines 13.1 to 13.8)		1,899,291	1,899,2
14.	Net increase or (decrease) in contract loans and premium notes.	eliforidadores decidados como los es	a balant japan in 1995 - 1995 - 1996 - 1996 - 1996 - 1996	kan merekanak menjari dan kebebah
5.	Net cash from Investments (Line 12.8 minus Line 13.7 and Line 14)	2,334,490	5,357,468	13,028,7
	CASH FROM FINANCING AND MISCELLANEOUS SOURCES			
16.	Cash provided (applied):			
	18.1 Surplus notes, capital notes	. O hijo anna an Indonesia da kaki	garan seriendi dalam da ayan nekikan dalam ayan nekik	kan anakan kenangan dan diberagai
	16.2 Capital and peid in surplus, less treasury stock	e Language gelang se debender i saari ing magamini ya deb	Samples of the Sample State Application of the Sample Samples State of the Sample Samples Samples State of the Sample Samples	a cappear laboration of the Science
	18.3 By rived finds	garage and an older transfer the street and	a contraction of the second second	a general properties and administrative con-
	18.4 Net deposits on deposit-type contracts and other insurance liabilities.	idasan ir markini ir ir markani	karing kang panggan pa	i
	18.5 Dividends to stockholders, and a production of the control of		her continue and the continue of the territory of	a a risa sin negerinakinasia za
	18.6 Other cash provided (applied)	1,128,387	(2.482.738)	/3,090,9
4 25°	100	1,126,387	(2.482.736)	(3.090.9
17.				MANAGEMENT OF THE PROPERTY OF THE PARTY OF T
	ECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	1,000,150	2,550,577	(7,307,5
18.	Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).	4,029,153	1,000,017	23. 17. 2011 - 17. 201
19.	Cesh, cash aquivalents and short-term investments:		*** ***	
	19.1 Baginning of year where in the control of the	2,883,518	10,191,086	
	19.2 End of period (Line 18 plus Line 19.1)		13,747,843	2,883.5

### Note 1 - Summery 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 Office 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 as 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 bythe State of Florida is shown below:

		SSAP #	F/S Page	F/S Line#	Current Year to Date	2018
NET	INCOME			&-manustrasprosporoson		
(1)	The Company state basis (Page 4, Line 20, Columns 1 & 3)	XXX	xxx	xxx	s (6,638,708)	§ 1,410,554
(2)	State Prescribed Practice that are an increase/(decrease) from NAIC SAP					
No mileton					<u> </u>	<u>                                     </u>
(3)	State Permitted Practice that are an increase/(decrease) from NAIC SAP	i Constant				
connec	Market Control of the		72 1 1			
(4)	NAIC SAP (1-2-3=4)	XXX	XXX	XXX	\$ (6,638,708)	\$ 1,410,554
	PLUS					
(5)	The Company state basis (Page 3, line 37, Columns 1 & 2)	XXX	XXX	XXX	<b>s</b> 10,034,909	s 18,609,899
(6)	State Prescribed Prectice that are an increase/(decrease) from NAIC SAP					
					\$	\$
(7)	State Permitted Practics that are an increase/(decrease) from NAIC SAP					
					\$	\$
(8)	NAIC SAP (5-8-7=8)	XXX	XXX	XXX	\$ 10,034,909	\$ 16,609,699

### C. Accounting Policy

- (2) Besis for Bonds, Mendatory Conventible 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 feir value, depending on many factors including: the type of underlying collateral, whether modeled by a NAIC vandor, 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

- Loan-Backed Securities
  - (1) Description of Sources Used to Determine Prepayment Assumptions Prepayment assumptions for toan-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 inlends and has the ability to hold those 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.

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 Transactors 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.

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 - Liablikies, 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

### 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 enchance 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 Messurements

### 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 Assets at Fair Value		Level 1		Level 2	Level 3	Net Asset Value (NAV)	Total
Cash Equivalent - Other MM Mutual Fund	Ts	372.643	Īŝ		Īs	Is	\$ 372,843
Pacific Gas & Electric Co.	Ts.		15	137,900	\$	\$	\$ 137,900
Total	\$	372,643	\$	137,900	\$	\$	\$ 510,543
Liabilities at Fair Value						e ji paramana ja paramana ja	Mark Control of the C
	IS		\$		<u> \$</u>	<u>[5</u>	S
Total	\$		\$		\$	ļ\$	\$

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

Ower/spr/s	Bogareng Basare	Transfers Iraa Lavel 3		Total Geine and (Lostes) Included in Net Income	(Losses)	Partiales	ia suances	Sans	Settle- nents	Errang Balance as of Current Period		
a Awen			-		-		<u> </u>	_		·		
	1	11	1	1	1	3	3	-	<u> </u>	<u> </u>		
Total	\$	\$	\$	\$	1	\$	\$	\$	I	L		
1956												
	\$	\$	\$	\$	1	\$	1	3	\$	li.		
ca	1	\$			3		\$	1	<u> </u>	<u> </u>		

### (3) Policies when Transfera 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.
- 8. Fair Value Reporting under SSAP 100 and Other Accounting Pronouncements

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

C. Fair Value Lavel

	Aggregate Fair		\$4000 MED 1830 1937 1930 MED 1830 1			Net Asset Value	🕻 Mario 😘 il arrora arrora a
Type of Financial Instrument	Value	Admitted Assets	(Lavel 1)	(Level 2)	(Level 3)	(NAV)	(Carrying Value)
US Gov1	\$ 872,570	\$ 851,798	\$ 851,798	\$	\$	5	\$
Municipela	\$ 1,385,341	\$ 1,383,746	\$	\$ 1,383,748	\$	\$	\$
Corporate	\$ 3,418,589	\$ 3,407,727		\$ 3,407,727	8	\$	\$
Totals	\$ 5,676,501	\$ 5,623,271	\$	\$ 5,623,271	\$	S	\$

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

\$2,134,067

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

\$0

 Armount 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.

30

### 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 guarter that mented 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 Loases 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 \$1,146,000 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.

Information about Significant Changes in Methodologies and Assumptions

No change.

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.

### Salamont for June 20, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

### GENERAL

Size any change better mode during the year of this dependent in the chador, by-base, attitude of proposition, or deed of sediment of the proposition and finding of the proposition and pro	12 If yes, has the report been fixed with the districtions statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity as member of an insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurance finding Company System consisting of two or more affiliated persons, one or more of which is an insurance finding Company System consisting of two or more affiliated persons, one or more of which is an insurance finding Company System consisting of two or more affiliated persons, one or more of which is an insurance finding company or the reporting entity by the company of the properties of the persons to 3 4 is yes, provide a brief description of those changes.  14 If the response to 3 4 is yes, provide a brief description of those changes.  15 If the response to 3 4 is yes, provide a brief description of those changes.  16 If the response to 3 4 is yes, provide a brief description of those changes.  17 If the response to 3 4 is yes, provide a brief description of those changes.  18 If the response to 3 4 is yes, provide a brief description of those than the finance of the provided covered by the SEC for the entity focus.  18 If the response to 3 4 is yes, provide a brief description described the finance of the personse of the personse of the terminate of the experiment of the agreement, have there the terminate of	Yes Yes Yes Yes   2	s(X) s(X) s(X) s(X)	ate of			
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and the second s	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	9.2 Has the code of ethics for senior managers been amended?	Va	8 [ ]	No[X]			
9.21 If the response to 9.2 is Yes, provide information related to amendment(s).		7 €					
9.3 Have any provisions of the code of ethics been waived for any of the specified officers?  Yes [ ] No	9.3 Have any provisions of the code of ethics been welved for any of the specified officers?	TE					
	9.31 If the reaponue to 9.3 is Yes, provide the nature of any walver(s).		98 [ ]	No[X]			

### Salarce to June 35/2019 of the FLORIDA SPECIALTY INSURANCE COMPANY GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

### FINANCIAL

10.1	Opes	the reporting entity report any amour	rts due from parent, subsidiarie	s or afficiale	on Page 2 of this	statement?			Yes [X]		
		indicate any amounts receivable fro							\$		0
	,		,		VESTMENT				2000000000		-
11,1	Were use by	any of the stocks, bonds, or other as y another person? (Exclude security	sets of the reporting entity loar as under securities lending agre	ed, placed i		nent, or officivide	made av.	sable for		Yes[]	No (X
11.2	If yes	give full and complete information re	slating therefo:								
12.	Amou	nt of real estate and mortgages held	in other invested assets in Sci	redule BA:					3		0
13.	Amou	nt of real estate and mortgages field	in short-term investments:						\$		Û
14.1	Dom	the reporting entity have any investir	ents in parent, subsidianes an	d officiales?						Yes[]	No (X
	14.2	If yes, please complete the following	<u> </u>				d B.E	in an action of the			
						Prior Ye	ser End Br	ook/Adjusted	Сипе	2 int Querter Book/Adj	usted
							Carrying \	/alue 0	+-	Carryong Value	
	14.21							Ů			0
	14.23							0			٥
	14.24						***********	<u>0</u> 0			-0-
	14.25		8					<u> </u>			
	14.26		bsidiaries and Affiliates (Subto	al Lines 14.	21 to 14.26)			Ö	1 5		- 0
	14.28		uded in Lines 14.21 to 14.28 a	bove	•			0			0
15.1	Hes t	ne reporting entity entered into any h	edging transactions reported o	n Schedule	ΩB?					Yes [ ]	No ( X
16.2	H same	has a comprehensive description of	the hedoing program been ma	ide available	to the domicisary	state?				Yes[]	No (
		stach a description with this stateme									
	11 1165, 1	R Metaple ; Et 1986 School Shakker ; 28,001 at their corresponding									
16.	For th	e reporting entity's security lending p	program, state the amount of the	e following a	ss of current statem	ent date:					14.
18.1	Total	fair value of reinvested colleteral ass	eta reported on Schedule DL,	Parts 1 and	2:				\$	****	0
16.2	Total	book adjusted/carrying value of reinv	rested collateral essets reporte	d on Schodi	de DL, Parts 1 and	2			3		0
16.3	Total	payable for securities lending reports	ed on the liability page:						\$		0
17.	office custo of Crit	ding items in Schedule E-Part 3-Spe s, vaults or aslety deposit boxes, wer dial agreement with a qualified bank scal Functions, Custodial or Safekee	re all stocks, bonds and other a or trust company in accordanc ging Agreements of the NAIC	ecurities, or e with Section Financial Co	med throughout the in 1, III - General E indition Examiners	current year hek xamination Consk Handbook?	I pursuant detabons	to a F. Outsourcing	I	Yes ( X )	No [
	17.1	For all agreements that comply with	and the second s	Financial Co	ndbon Examinera	Handbook, compi	ete the foll	owing:	*******		
			1 Name of Custodian(s)					Custodian	Address		
		Fifth Third Bank				Orlando, FL					
	17.2	location and a complete explanation		is NAIC Financial Condition Examiners Handbook, provide the name,						3	
		Name	(a)		Locati				3 Complete Explanation(s)		
						***************************************			aanmako ween ekk		
		Have there been any changes, incl.		stodian(s) id	entified in 17,1 duri	ng the current qua	irter?			Yes ( )	No [
	17.4	If yes, give full and complete inform	ation relating thereto:		2	.,,	1 3		*****	4	
					Æ.		Dai			•	I
		Old Custod	llan	**************	New Custodian	**************************************	Che	nge	-	Reason	
	17.5 Investment management – identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decision 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"].									nvestment decisions accounts", "handle	on behal
			<del>(1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1. 1</del>	2 Affiliation							
		Asset Allocation & Management C	************	Ü							
		17,5097 For those firms/individu	als listed in the table for Quest	ion 17.5, do	any femsåndrvidua	is unefficieled with	the report	ing entity (i.e.	designated	with a "U") Yes [X]	No[
		17.5098 For firms/individuals un	% of the reporting entity's asset affiliated with the reporting ent e to more than 50% of the repo	ity (I.e., desk	gnated with a "U") ii cassets?	sted in the table for	or Questio	n 17.5, does #	e lotal anns		
	17.6	For those firms or individuals listed	ACCORDING TO THE PROPERTY OF THE PARTY OF TH	ilation code	of "A" (affiliated) or	NO BANGALIA DI ANTONO POR PORTANTO POR PORTANTO POR PORTANTO POR PORTANTO P	provide th	e information l	or the table	below. T 5	
		Central Registration Depository Number	2 Name of Firm or Indiv Asset Allocation & Manager		Legal Entity i			Registered W	<b>W</b>	investnen Manageme Agreement (IMA	nt
			Company, LLC	onadanist meronatum	<u> </u>	annana ann an	<b>.</b>			<u> </u>	
	18.1	Have all the filing requirements of ti	ne Purposes and Procedures I	tenual of the	NAIC Investment	Analysis Office be	en followe	47		Yes [X]	) No (

18.2 If no, list exceptions:

### Substract for June 50, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY **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.
  - The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated SQI accurates?

Yes[] No[X]

- 20 By self-designating PLGI securities, the reporting entity is certifying the following elements for each self-designated PLGI security:

  - by self-designating PLGI securities, the reporting entity is certifying the following elements for each self-designated PLGI security.

    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 easigned 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 regulations.

    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[] #0[X]

### Substruct for June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY **GENERAL INTERROGATORIES (continued)**

6.4 If yes, please provide the amount of funds administered as of the reporting date.

is the reporting entity licensed or chartered, registered, qualified, eligible or writing business in at least two states?

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 domicila of the reporting entity?

			PA	RT 2 – PRO	PERTY & C	asualty i	NTERROGA	TORIES				
1.	If the reporting entity is a m	ember of a poc	ing amanga	ment, 4d the ag	reement or the re	sporting entity's (	antopation char	ge?		Yes[]	No[]	NA(X)
	If yes, albuch an explanatio	6.										
2	Has the reporting entity rein from any loss that may occ	nwood eny risk ur on the risk, o	with any can or position the	er reporting entit reof, reinsured?	y end sgreed to I	release such on	dy from kability, i	n whole or in par	<b>L</b>		Yea( )	No [X]
	If yes, attach an explanatio	n,										
3.1	Have any of the reporting s	enuty's primary:	reinsurance	contracts been c	anceled?						Yes()	No (X)
3.2	If yes, give full and complet	te information ti	herelo									
4.1	Are any of the liabilities for Annual Statement Instructi greater than zero? If yes, complete the following	ons pedaining l	and loss adju o disclosure	istment expense of discounting fo	r definition of "te	kilor fesorvas ()	geneation tobula discounted at a	ate of alterest			Yes[]	No(X)
		2	3		Total Cr	COUNT T		- a 1	Oiscount Taken	Dudrig Pedicid	1 11	
	Line of Bushness	Weximu m Interset	Disc. Rete	Unpeld Losses	Unpaid LAE	IBNR	Total	Unpekt Losses	Unpaid LAE	IBNR	Tats	
		0.000	0.000	0	٥	0	0	0	0	0		_0
	Total	XXX	XXX	0	0	0	ol	01	0	0	L	0
5.	Operating Percentages:											
	5.1 A&H loss percent									to dominor occionisto.		0.000%
	5.2 A&H cost containm	sent percent								***************************************	-	0.000%
	5.3 A&H expense perc	ent excluding o	ost containm	nent expenses								0.000%
6.1	Oo you act as a custodien	for health savin	igs accounts	?							Yes[]	No[X]
6.2	if yes, please provide the o	ancont of custo	dial funds he	eld as of the repo	rting date.					\$	paciacona con mer	0
40	A	are des le maisse e		rente's							Yes	No (X)

Yes[] No[X]

### Scalesment for June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY SCHEDULE F - CEDED REINSURANCE

			Showing All New Reinsurers - Current Year to Da	le			
Seventeer	1	2	3	4	5	6	1
	NAIC Company Code	S) Normbar	Name of Reinsuster	Cornicitary surediction	Type of Reinqueer	Certified Reinsurer Rating (1 through 6)	Effective Date of Certified Relnaurer Rating
1	All Other Inst	<u> </u>					
1		44.2102071	I secretion in Cristi	BMU	Unauthorized		neiner für John Schrift felbricke.

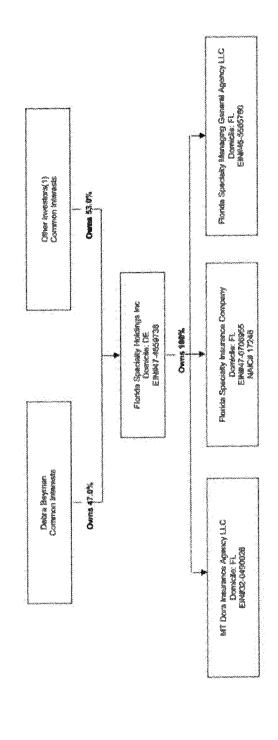
### Statement for June 30, 2018 of the FLORIDA SPECIALTY INSURANCE COMPANY

### SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN Current Year to Date - Allocated by States and Territories

***********************	T 7		Year to Date - Ax uma Witten	ocated by States	Oeducting Salvage)	Over Los	ves Ungard
States Etc	Active Status (a)	Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Oate	6 Current Year to Date	7 Prior Year to Date
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AK	N.	Parties - see			agent of the contract of the c	to antesimological design condition condense.	and the second of the second o
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ia		era dan jagin se halapateheraren da Mass.	And a second control of the second control o	AND BE RECEIVED AND CONTRACT OF THE			
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			46,240,900	36,527,567	.22,476,883	- China (Common 2002) 18 (18 )	11,243,6
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SECRETY INSURANCE COMPANY

# SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP PART 1 - ORGANIZATIONAL CHART



New [1] - Che investe over 11.3%, no other person or entity over 10% or note of the cultivaries where you was specially Hollings, Inc.

Salmonte Let 31, 2019 ON PECIAL TY INSURANCE COMPANY

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### Statement for June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY PART 1 - LOSS EXPERIENCE

			Current Year to Date		-
	Lines of Business	Oired Premiums Earned	Overa Losses Incurred	Orect Loss Percentage	Prior Year to Date Direct Loss Percentage
1	Company of the contract of the	ลดสุดสาราคา ให้สาราคาสิตสาราคากระบบ (การาคา การคำคำควา	gyayan garanaya ya magayaran ayaat dhirin yaas		gang majadang panjada pelahir sebesi sebesi dan
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	Farmowners multiple peril	entre et menseng tege e mantidit	and the second s	0.000	paragonares communications is everywhere
4,	Homeowners multiple peril and a property and a prop	48,315,980	42,856,364		51.830
	Commercial multiple peril.	angage and management of the control of the state of the control o	Lawy as a communication of the		alpha e coma de la característica de la característ
6.	Mortgage guerenty.	aja njingan po kolaja pro interesent nesti	gagangan halang representation and hop with	0.000	es visas catalogue protesión interes como no como transferencia
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9.	bisnd marine	and have a first property of the second seco	makadik-njiga grovi (maki opennyi) (makadik open	000.0	ACRES - CONTRACTOR NEW TO SERVICE AND ACTION OF ACTION O
10.	Financial guaranty production to produce a construction of the con	entranscription of the second	geography activity and activity activity activity and activity activity activity activity.	000.0	and the Confedence of the first
11.1.	Medical professional kability - occurrence	AND AND ADDRESS OF THE PARTY OF	Andrews - or construct of the Armston contra		and principles and a second contraction of the property of the contraction of the contrac
11.2.	Medical professional liability - daims-made	programs a respective some some statement of the second statement.	and the same party are to be a proper of the same and	0.000	gree you and his payor, was a recommendated.
12.	Exposed	augus permental artemporage in the province in the	eno altaren arrenee er erromeneen erromine.		andere continue a resistant mentila interessa
	Group accident and health.	a la la compagnação de la compansa d	ga dagan ga in daga kana sa minanta masa sa		and the contract of the second state of the second state of the second state of the second state of the second
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	Workers' compensation	and the comment was to the control of the control o	and analysis educate to the control of the control	0.000	pasia mina mpos comandente del Receito de con
17.1	Other liability-occurrence			0.000	ist. 19. paping apalah sa salah na sa Mandan Mandan Salah sa Kabupatan Salah sa Kabupatan Salah sa Kabupatan Salah
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		and an area are a continued in the property of the same of the sam		.0.000	yayaya ya maasaa kanaa a aa ah ah ah ah ah ah
	Products liability occurrence	and the state of t			and representation of the State State and Additional
	Products Eability-claims made				gergyalan basis ministra resemble da ser
10,4	19.2 Private passenger auto liability			0.000	The form and the self-decrease and the control of t
10.1, 40.0	19.4 Commercial auto liability	A CONTRACTOR OF THE CONTRACTOR		0.000	il. Si dagan katalan salah samanan katalan salah
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	Surely excession consistence of the contract o	รัฐเคริสังสุดที่ และสุดเลา โดยสิงกับการสิงกับการสิงกับการสิงกับการ	paradomina e e del militara nación e del deservo en el centro de	0.000	re: Propriet Book Ne Ee - 1 de Sand Se van gewend 24 au se
		and a filter the second of a second department of the second	and granding a transfer to the contract of the defendance of the contract of t	0.000	kulture jaku vis kulija kuudamen toita egiste on diinensis va
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	monatorial	And the second of the second s	<ul> <li>An approximation of the contract /li></ul>	0.000	apparatus in april of a statement and the
	Warranty succession response response response response response response response response response re		and the statement of th		salas sejen dendi kelendaran delebekirkan arasa pelebek Barana
31.	Reinsurance-nonproportional assumed properly	XXX	XXX	.;	XXX
32.	Reinsurance-nonproportional assumed liability.		XXX		
33.	Reinsurance-nonproportional assumed financial lines	XXX.gaga.c.gu.uu	XXX		XXX
34.	Aggregate write-ins for other lines of business.	0	0	0.000	an Education Law Company Continued to Company
35	Takan and a financial and a contraction of the second and a second and	48.315.980		88.700	
		DETAILS OF WRITE-INS			*****
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		an engineerin sekanda oo saganaan barahan.	gravings and province or the control of the		buse needed constantible on the second
	Sum, of remaining write-ins for Line 34 from overflow page.	1			and the second second second
479W.	Totals (Lines 340) thru 3403 plus 3498) (Line 34).				

PART 2 - DIRECT PREMIUMS WRITTEN

Line	es of Business	Current Ouerter	2 Current Year to Date	3 Prior Year Year to Oale
1. Fre	an an kanasan na makasan kanasan da kanasan kanasan na maka sa	a Cartinum of montageness and of the first transfer	along the state of	appropriate from the text of the property from the court of the contract contract party of
2. Alied lines	puis come distribution in the second transfer or the second transfer and the second transfer of the second transfe	and the second of the second o	Bilander and a consideration of the state of	An and a company of the control of the property of the control of
Farmowners multiple peril	and the second s	La de la grada procesa de como como de describir de la como de la	and the second section of the second	page production of the contraction of the Contraction of the
	again ann ann an an an an an air air an ann an an an an an ann an an an an a			40,240,90
	AN MERCHANISTANCE I ELECTRONICO PROCESSOR SE SECTIONAL DE L'ARROCCIO DE		Bank of the following the second section of the second sections of the second s	makan Sandani mampunan Gipa d
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8. Ocean marine	and the second	iki karijanina kinjapaji ola reportutione kapan eren	e de la caracteristica de la caracteristica de la companya de la companya de la companya de la companya de la c	🖁 ga selikurunun ironsen romannyon onn i sitteriara (
9. Inland marine	an annual de la Sancia arriga de Maria Sancia de Arabada de Arabada de Sancia de Carabada de Carabada de Carab	era territoria de la compania de la	and the substitute of the subs	and the second s
10. Financial guaranty		aga. 🐱 arang maganagan mananasa ng manang paganagan kanang m	gal track galage of translation has been defined in the observations.	grandengalan kantalangan kantalangan kantalangan kantalangan kantalangan kantalangan kantalangan kantalangan k
1.1 Medical professional liability - occurrer	NOOL magaining week to retain according to the character property of the contract of the contr	e e a la como de companyone de la compan	de constituente a constituente de la constituente de constitue	a medical and a second continues and a second
11.2 Medical professional liability - claims re	n <b>ede</b>	a <b>i seco</b> n a company a	tan a signa aliapan, as vissaas aan anvissastalen al	🎖 ag og plasta hilber í Apstrags Íslander í þer verði er fægt megli
12. Earthquake	and a service of the	gay 🖟 sadaran kal-abasah pengantan Palantakan Abarah malam	Line meta chasilan and fabrican receives in a se	mangam garaga dan ang mananang pagang mitahasi dal
13. Group accident and health	inglistikasin - kindinkusias ain kindinkus saatumis saatumis ain kindinkus asaa ja ari ari mendaa saatu saatu	and the second	# participation programs to the control of the cont	de la companya de la
	and water the second and the first terminate and the second terminates of the second terminates of the second		Back of the second seco	entra esta con principal con contra per contra de la contra del la contra del la contra del la contra del la contra de la contra de la contra del
15. Other accident and health	and the control of the second	. I monthe and interest to the second of the	a proper proper and the contract of the contra	and the second section of the second sec
16. Workers' compensation.	рыйн түйлэг үйн эйлэгийн түүн он жүүдэг түү <b>чүүл түүлэг хүрэг хүрэг хүрэг</b> хүрэг үй байгай үүг хүр хүр хүр хүр х	and Landing in section in the second section of the second section in the second	Land to the property of the state of the sta	Addition of the second second additions
17.1 Other liability-occurrence	tananata si printipos premio distributo per interprisa per nama del militara con interpretabanana accio	and recognished common removalues on releases which will	magical delection, are not alternated in the plant of the	de de la compressa de la compr
17,2 Other liability-daims made	kana ana 1 Santito (panana an ing pilipanana na namara ang Panaharya ting tanggan antitar stan-	is the state of th	Like a start start springer of the constraint of the start springer of	the contraction of the contracti
17.3 Excess workers' compensation.	andra spika i Janas ang mang mang mang mang mang mang mang	·	en contrato con establishe en	the state of the contract of the state of th
18.1 Products liability-occurrence	anna an hair shinn a na na Sannadh a shinn an a	n y gynnyddiaeth iaeth chafellaeth chafel a chafell a chafell a chafellaeth a chafella	Branco con consequence consequence and confidence and confidence	and the properties of the second
18.2 Products liability-claims made	en armenda armen aga est industrial man og enter til hende systematic planetas havde til ett for	. W majo popular recognica per alla cella popular con cella della cella cella della cella	Against a consideration and comments of sections of the	Same in a grant of the first of the first of the second second to the second
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19.3 19.4 Commercial auto liability	er en en engal, en la latera esperanta a este en este en esperanta en en en en entre en este en este en este e	and the analysis and the second secon	Makamanan	and the state of t
21. Auto physical damage.	ali annum martin ang ang munipangan pali antin lamat pantilipan di kupan munun taon 1922 mat panti	ia i rycznyczniko doku ne dokuktypujący i obej tyra	Constitution (consideration constitution and security and	Annual Service Control of the Service
22. Aircreft (all perils)	making a salah salah samparah serja yang dalah serik kilik salah salah serji yang Kelebi sebegai	1. Linguage grant participant of the second second	photos or common consensors on a sensor's there.	tion of the second
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24. Surety	aver the average and are the appropriate continues and a section of the extension and the first beat and other	and the second contraction of the second	Santanah (n. 2005) in desagrapa sa status status in com esta debitati	and the second color constant on the second of the
26. Burplary and theft	and the second particular residues the second state of the second	and the contract of the contra	Secretaria de la companya del la companya de la com	agency of free about the estimates on a consideration
27. Boller and machinery	Salaman - Salaman and Salaman	🔐 Türkerçini i ili sisəsi əliqətir ilə sələri	🖟 rijali geggelgi isali ngi appaming ng ng met dappang aga	distribution and spirit of the color of the colors of the
28. Credit.	Danienienie zamakon zbaniej nakope stanieniej ze po de z stanieniej o pode nakonienie zamako za produkcie zama	is i	Jagon san dağışı ker seyet sonraktırışı bi kanı karı finni könsterinde	ga enja su taning para in historici, i som i i in kapatolini sakani in i
29. International	anner Morry permitte Space in the steel entry to be the steel of the second of the second steel second	. And in the contraction of the	ingen programme and the contract of the contra	Accessing the contract of the
30. Warranty	galagaja, o provincio protos por la comunicación de la pomba por posta con collectiva de la provincia de la pr	and the second communication and the second second second	Angeria, and the second of the second	paga sa
31. Reinsurance-nonproportional assume	d property	XXX		
32. Reinsurance-nonproportional assume	d liability.		ayyada dagaXXX. ibadi daga	
33. Reinsurance-nonproportional assume	d financial lines	XXX		Lacronia supplied XXX.
34. Aggregate write-ins for other lines of b	WAINERS	. [		
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(1.014.00 material residence of the control of the	un esta de la companya de la company	AILS OF WRITE-INS		
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	and the second section of the second section is a second second section of the second section is a second section of the second section of the second section is a second section of the section of the second section of the section of the second section of the se	ent. For a salada basela de la cidada de la c	and a relative in Singaport maybe amount area extension.	and the state of t
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	4 from overflow page			while the Children and Address of Children and Address of Children and
499 Totals (Lines 340) thru 3403 plus 349	8) (Line 34)			Linear management and a second

Summer to the BLORIDA SPECIALTY INSURANCE COMPANY

# PART 3 (000 omitted) LOSS ADUISTMENT EXPENSE RESERVES SCHEDULE

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		e e e e e e e e e e e e e e e e e e e	d.	>	,	>	•	O.S. Refer Krown	O.S. Date Manuel	)		Prix Year End Krouen	Pair	Prive Year-Fred
	******			70. Pig Pig	28	20.00		Cose toss and	Case Loss and LAE	· constituto		Case loss and IAE	92	Total Loss
		Prior Year-End	Prior Year-End	Year End	Loss and LAE	Lossadu	Total 2019	LAE RESEVES ON	Reserves on Claims	C.S. Dete	Total Q.S.	Reserves Developed	Personnes Developed Reserves Developed	and LAE Reserve
Years	Years in Which	Known Case	***	Lossard	Payments on Claims	Payments on Claims	pue sson	Claims Reported and	Reparted or Reoperad	Œ.	Loss and LAE	(Savings) Deficiency	(Swings)Defcency	Developed
<u> </u>	Cocurad	Loss and LAE Reserves	Para Range	(AE Pasemes (Cob. 1+2)	Reported as of Prior Year-End	Unrecorbed as of Prior Year-End	Se Payments (On 4+5)	Open as of Prior	Province En	Coss and U.A. Reserves	Reserves (Cats 7+8+9)	÷ 8	Cds.5+8+9 mins Qz 2:	Cab. 11 + 12)
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3		A Company of the Comp	And of the state o								376			
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3 2000	Services 2017 + Prior	280	1336	**	*	84	103	38.	¢.	300	Section 2000 Section 2000	8	CONTRACTOR	( 1860 ) Company of the control of t
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5 9.000gb	*********			ŀ	ned-instrument								<del></del>	
<u> </u>	2018 + Pro							CONTRACTOR OF THE PARTY OF THE						
A Q1	National States of Con-			<b>XX</b>	A A A A A A A A A A A A A A A A A A A	080	8	YYY	Q.			\$		***
7. Totals	O appropriate to the second	75.8	238	100	2.19	385	3,18	1083	1,873	28.3	200	29	(123)	(0.3%)
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<b>6</b> 3	Brd's Surplus											28 4 4 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	N % SCG 2	A: W. d. Q. J.
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			,											
												1 40% 2	2, 63.3%	3.6%
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														·
														* 63*

### STANDARD JUNE 20, 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 filled, your response of NO to the specific interrogatory will be accepted in lieu of filling 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.

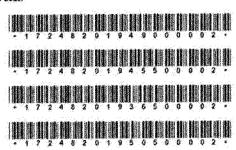
		Table Programme .
1.	Will the Trusteed Surplus Statement be field with the state of domicile and the NAIC with this statement?	<u>NO</u>
2	Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	
3	Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<u> </u>
ě.	Will the Director and Officer insurance Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	\o_

Response

- Explanation:

  1. The data for this supplement is not required to be filed.
- 2 The data for this suppliment 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:



### Statement for June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY Overflow Page for Write-ins

### NONE

### Substruct for June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY **SCHEDULE A - VERIFICATION**

	Keal Estate		
**************************************		Year to Date	2 Pnor Year Ended December 31
1.	Scokladested carrying value, December 31 of prior year	Our of the second second second	garaningan makilaka kanangan makaningan miningan men
2.	Cost of sequired:	4	:
	2.1 Actual cost at time of exquisition	kay na takki bangan na mangalaga tang mahiki apahanga banganah karaban.	areaching may be a few orders and the control of th
	2.1 Actual cost at time of acquisition 2.2 Additional investment made after acquisition.	Seen con the contract of the seen of the s	ga yakiyakan cesi, ira je indanakiye anakanak kasan, inagetin ili d
3.	Current year change in encumbrances and accommon and accommon and accommon	an a	ng papa panjaganga at Mandana ng Kabupatèn Kabupatèn Kabupatèn Kabupatèn Kabupatèn Kabupatèn Kabupatèn Kabupat
4.	Total gain (loss) on disposals	was diploto in the symmetric for simple weeks as a simple side.	action increases a consistency and action of the contract of t
5.	Deduct amounts received on disposals	gar various galas, qui alaquest inscrius a qui propinate dire exemples in costi q	a liproduces committees established the second of the seco
€.	Total foreign exchange change in book/edjusted carrying value	ika kanadah sebuah kecampangan mendipunyan bahir sebis mendipunyan kecampan berapan be	and distribution represents the second of the second secon
1	Declard current year's other-than-temporary impairment recognized	aga i ngagatan gasangkan Satapa - ina karandan karanda da kabanan	Garage (street and executive transfer of the electric segment of the electric
8.	Deduct current year's despectation.		
9	Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8).	Other war warm many and the	0.000.000.000.000.000.000.000.000.000.000.000.000
10	Deduct total nonadmitted amounts		
11	Statement value at and of current period (Line 9 minus Line 10)	<u> </u>	<u> </u>

### **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		and the state of t
2.	Cost of sequired:		
NO COMP	2.1 Adjual cost at time of sequiation.	Estate production of the control of the second of the control of t	graphic adjusts had a proposition of built at the
and and	2.2 Additional invastment made after acquisition	and the second s	alika planjagas berman sakhiri kemenderi iribinan der
3.	Capitalized deferred interest and other	and the state of t	en servició sibrementelepholomico colectivitation se la c
4.	Capitalized deferred interest and other.  Accrusi of discount.	and the second of the second o	approximation of the second se
5.	Unrealized valuation increase (decrease)	gang ta <del>and a galantees a</del> construction in the senting to a contract construction against a se	graph state in a consequent for larger than analysis for a contribute of the entire state of the entine state of the entire state of the entire state of the entire st
8.	Total gain (loss) on disposate		
7.	Deduct emants received on deposals	takine ili bananina kata ka angahiri katang ili ban	produce and the control of the contr
8.	Deduct amortization of premium and mortgage interest points and commitment fees.	e handarana kakeleksiksi sada la sadikkan perina bilangaran a	Company of the second s
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	<u> </u>
12	Total valuation allowance		
13	Subtotal (Line 11 plus Line 12).		
14	Deduct total nonsemitted amounts		
146	Statement value at and of current period (Line 13 minus Line 14)	1 0	10

### **SCHEDULE BA - VERIFICATION**

	Other Long-Term Invested Assets		
		1 Year to Dale	Prior Year Ended December 31
1. 80	pok/adjusted carrying value, December 31 of prior year	was a succession of a substrate of the substrate of the O	At the experiment of the second control of the second section of
2. Co	ost of acquired;		
2.	1 Actual cost at time of acquisition.	agaga, Badadaa si dhara aheelingiisaa waxaalii	an comment of the state of the comment of the comme
2.	2 Additional investment made after acquisition	properties and properties of the second	signification of the contraction
3. C	2 Additional investment made after acquisition.	and the second s	geographical langue of anticklyster against 600 (100 (100 (100 (100 (100 (100 (100
A. Ac	copyel of discharing the control of	an agram ing mana na manamang talam na mah minasan ing mga <mark>mga m</mark> ang m	e in a supply against a supply and a supply a supply and a supply and a supply and a supply a sup
5. Ur	nrealized valuation increase (decrease)	driver of the consideration made any paint of the second page and the	e con esta anno esta esta esta esta esta esta esta esta
6. To	Mai gain (loss) on disposals	Tanko wasayanin waxayakkin wasay ka	And with the control of the state of the sta
7. De	educt amounts received on disposals	and standard in a standard of the same and	graphica produceros se copies e producionales de como é en cincidendia e o presente d
8. De	educt amortization of premium and depreciation	gada Dagama <b>gasaka wasan</b> ing kada <b>adhi</b> ikikha dhalika sidh	and a finish department of the confidence of the
9. To	otal foreign exchange change in book/adjusted carrying value	of the control of the first control of the control	as an analysis of the control of the state o
10 D	educt current year's other-than-temporary impairment recognized		
.11. Bo	col/adjusted carrying value at end of current persos (Lines 1+2+3+4+5+6-7-8+9-10)	and the second s	a principal de la gradique de la companya de la com
	educt total nonadmitted amounts		
13. St	tatement value at end of current period (Line 11 minus Line 12)	1	Language Company

### **SCHEDULE D - VERIFICATION**

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(Act of the Control	*********					

	555 CONTROL OF THE PROPERTY OF		Prior Year Ended
		Year to Date	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	and and the state of the state	1,058,291
3.	Accuse of discount	······································	5,166
4	Unrealized valuation increase (decrease)	200 mm. 113	
5	Total gain (loss) on disposais	, sali pa (41,795)	
6.	Deduct consideration for bonds and stocks disposed of		14,928,435
7.	Deduct amortization of premium	.,; sasajanga amananan 14,235	
8.	Total foreign exchange change in book/adjusted carrying value	ang sanaha di kasalahar na si a probabi a mihali sahahasaban bar	between the second states and the second sec
9.	Deduct current year's other-than-temporary impairment recognized.	gaggadorus pipusi yaki maganagan sasa kansayinddigaddig 1995 kur	Exercise terresponding to the exercise of the exercise to the exercise of the
10.	Total investment income recognized as a result of prepayment penalties and/or acceleration fees		<u> </u>
11.	Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9+10)	5,823,270	
12.	Deduct lotal nonadmitted amounts	2000 000	7.022.045
13	Statement value at end of current period (Line 11 minus Line 12)	<u> 5,623,270</u>	1.897,510

SEEDING MESSAGE FLORIDA SPECIALTY INSURANCE COMPANY

# SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Counter for all Boards and Preferred Stock by NAIC Designation

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		7	2	*	9	5		3
	Bookshopssend Comying	Acquestors	Depositions	Non-Tracking Activity	Book/Adjusted Carrying	Book Majusted Cemping	Book/Adjusted Cerrying	Bookshopeshed Cenying
	Vede Beginning	Dang	Daving	David	Valsendo	Water End of	Value Endo	Value December 31
NAK Designator	of Carrent Quarter	Ourert Ourter	Orrest Quarter	Ourent Quarter	200	Search	Pard Quarter	Pho Year
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d.	a deligio e esperado de provincia de la provin				an chimadala ekkicatiin khanata mohimma kashekan kepingani	Accounting the result of the second of the s	O'RENCHMONTEL AMÉRICA DE PRODUCTION ELÉCTRE PRODUCTION DE LA COMPANION DE LA C	u Stiffen gelare en en attigen i i gelarin en
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	8				87.	(K)		
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7. Total Bryde	5,872,001	Contraction of the second seco	Control of the contro		1800 Color C	587 (8)	6	7.957.808
PREFERRED STOCK								
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A. W. Ander D. W. Comer St. Commercial Philosophysis	200 000			`C	\$ 877.094	5876	-	1067 878

### 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

### Submout to June 30, 2019 of the FLORIDA SPECIALTY INSURANCE COMPANY SCHEDULE E - PART 2 - VERIFICATION

Cash Equivalents

Capit Equivalents	A to the state of	
	1 Year To Dale	Prior Year Ended December 31
Book/adjusted carrying value, December 31 of prior year		
2. Cost of cash equivalents acquired	2,445,084	
3. Account of discounts	angan san ing pipangan kinangan <mark>ng kinangan sa sa sa kanangan</mark> k	ang nganggan ang ang ang ang ang ang ang
4. Urrealized valuation increase (decrease)	sangili kaliku dibungsan aki dibungkan san di ka-ta anno (sako di dibunda) san segé	akkanagijusi ir sakos asyos, jā arita laikapanajandardilis og gregorija statopyk
5. Total gain (loss) on disposals	angker i yari shankang yakan ƙasardili yana ya nakataringin yanke estatististishin pinineke.	and have the first translation of the state
6. Deduct consideration received on disposals.	2217,923	
7. Deduct amortization of premium	स्थापना प्रतिकार के स्थापना के स्थ	
Total foreign exchange change in book/ adjusted carrying value	gan karti selekkurunga di disebahkan kebebah serti didintengan dibudah setember berbahkan	
9. Deduct current year's other-than-temporary impairment recognited.		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	372,843	
11. Deduct lotel nonedmitted amounts.		
12. Statement value at end of current period (Line 10 minus Line 11).	372.843	145.482

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

SEEMENT JOE 31, 2019 JOH SPECIAL TY INSURANCE COMPANY

SCHEDULE D - PART 4
Showing all Long-Term Bands and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Quarter

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************	**********		2000 2000 2000 2000 2000 2000 2000 200		Munico of				Phys Yes Book/Adjusted	Property (			44144444 401	*******					ud Mariana	Methody Methody	
CUSO Mention	*******		n Care	Norm of Purchaser	Sterres of Strota   Consideral	6	Parvage	Act and Con-	Caming Value	(Decrease)	Accepted Fig.	Recognised	N1+12-13)   B	BACK - O	Ogeographia Ogeographia	on Discovery on Owners		Decouse	Curro Year	***	W. C. S. C. III
Bonds - U.S	Special Research	Bench - U.S. Special Remove and Special Assessment															and the state of t			-	Transcription of the Control of the
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3400000	Years - Beret	Total - Bards - U.S. Special Physician and Sugard Assessments	Assessment.	100 mm and		0.80	9.872	10041	10.00	0	Jecs)	0	(529)	0	9.502	8	G	6	417	XX	XX
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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

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

Mor	nth End D	epository	Balances				3.3	
1	7	3			Spok Balance at End of Each Month During Coment Guarter			
Depoillory	Code	Rate of	Auropet of Interest Received During Current Deserter	Amount to minited Accread at County Statement Date		Second Mark	Third Models	·
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Fits Thrif Back - Operation	. de la reconsensació	kanennelesiä niva		gg. / v Wysternausters (Menaderna	2,759,328	1,847,214		XXX
Fifth There Bank - Cooking Contract, OH.	. Laurinininini	i nglikakanan kur	a server resource for the design of serger.		(7,£23,628)	(7,006,110)	(6,786,352)	XXX
Service Rev - Protection		Complete most const.	La reconstante de constante de la constante de	compression was a sign of the	188,134		343,168	XXX
Letter Comm. Alerts, Ch.	i i i i i i i i i i i i i i i i i i i	to a transferration for	1	to an agreement production of the college	(2,238,787)	(1,384,305)	(1,437,043)	XXX
Section Sect Total	1.				1,195,399	1,197,879	1,200,038	XXX
ScoTonal Rate - OC Promises Allerda GA			il militaros proitosis		1,374,817	1.087.314	1,832,185	xxx
O NATION TO THE COMP CONTROL OF THE COMPANY OF THE CONTROL OF THE	xxx	xxx	8	0	(9457.078h	403,246	6,540,028	XXX
Cappage Total Cash on Deposit	XXX	32X	1	0	(527.078)	603 768	6 540 025	XXX
	XXX	xxx	0	0	/557.078)	403 248	8.840.025	XXX

# Sements June 30, 2018 of the CLAST TO INSURANCE COMPANY SCHEDULE E - PART 2 - CASH EQUIVALENTS Show investments Owned End of Outrest Quarter

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Processing and Processing					

# **EXHIBIT 6**



### FLORIDA SPECIALTY INSURANCE COMPANY

1 South School Avenue, Sarasota, FL 34237 (941) 210-5760 • (888) 723-3055

September 12, 2019

### VIA ELECTRONIC MAIL

Ms. Susanne K. Murphy
Deputy Commissioner - Property & Casualty
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

### Dear Deputy Commissioner Murphy:

Thank you for your letter of September 6, 2019 regarding Florida Specialty Insurance Company's ("FSIC") initial submission of its RunOff Plan. We attach a revised monthly cash flow projection; as well as a month by month runoff of the liabilities through 2020, and expenditures through 2021. We would like to take this opportunity to explain our objectives with the Plan as revised. We understand the Office's concerns and are trying to address them in an uncontested manner. If it is clear that our Plan cannot reasonably be accomplished, then we will work with the Office to ensure an orderly transition.

At all times, there will be two themes which guide our actions during the implementation of this Plan: (a) we are focused on the best interests of the policyholders and FSIC, to the exclusion of other interests such as the role of Florida Specialty Managing General Agency, LLC ("FSMGA"); and (b) FSIC has and will have sufficient funds to address its covered liabilities commensurate with a solvent runoff. FSIC continues to pay claims, discharge all its liabilities, and pay all its debts as they come due in the usual course of business (subject only to independent confirmation of disputed figures per our fiduciary responsibility to FSIC). Approximately two-thirds of the policies are and will remain protected by a 100% quota share reinsurance treaty, with a cut-through clause.

FSMGA is available to FSIC to service the policies during the runoff period. Also, FSMGA has served, and will continue to serve, as a "backstop" to FSIC. By "backstop," we mean that FSMGA will be there to support the financial position of FSIC. In fact, FSMGA has returned \$1.5 million in fees to FSIC to augment the solvency of FSIC, to the detriment of FSMGA and its management. FSMGA will provide additional funds if needed due to adverse development of FSIC's loss reserves or other balance sheet items within FSIC's control.

We remain receptive to an orderly transfer of FSIC policies to another insurer. We will not require that FSMGA be contracted for services to facilitate such a transaction. FSMGA has been part of a proposed solution in certain scenarios because FSMGA has been the only ready, willing and able MGA available to service the affected policies. Where another MGA has been available, we have

Deputy Commissioner Susanne K. Murphy Florida Office of Insurance Regulation September 12, 2019

been amenable to plans which do not involve FSMGA, such as the proposed People's Trust deal or the proposed Tower Hill deal. Under the Plan, as presented, we project any compensation from FSIC to FSMGA declining in a pattern commensurate with policies in-force during the runoff. FSMGA should not charge, nor should it expect to receive, any fees above the minimum fees necessary to compensate FSMGA for the labor and material essential to the runoff. We would hope that FSMGA can find business, aside from these FSIC policies, for which FSMGA can provide its services.

The Plan is focused on funds available (with cash and investments of \$21,236,942.12 as of 8/31/19) and reasonably projected to become available to FSIC, to demonstrate our belief that there will be sufficient funds to address all liability for which FSIC is responsible under the policies which it has issued. In contrast, the Plan is not intended to be a balance sheet conveying a financial picture as of a fixed point in time. We feel that this format best-describes how the company intends with sufficient detail, and cash-on-hand, to respond to its covered liability through the entire runoff period.

We include a role for the deputy supervisor in the Plan as we believe it helpful for the Office's representative to move into the role of monitoring the runoff. We feel that, for the protection of funds to address projected liability, the fees for the deputy supervisor must be reasonable in relation to the monitoring role he will play. This seems consistent with the parties' intent in Paragraph 10 of the Order of Supervision ("FLORIDA SPECIALTY shall reimburse the OFFICE for any reasonable expenses of supervision"). We will coordinate with the Office if a deferral of this expense is needed, in accordance with Section 624.87(5). Along these lines, we hope that the deputy supervisor has advised the Office that we have made our claim expenditures in a prudent manner in accordance with the Code as well as industry customs and standards. We believe that we can also reduce this cost by relieving the deputy supervisor from the arduous task of reviewing every single claim adjudication, which will also make for a much more efficient policyholder response process.

We have been working with the Florida Hurricane Catastrophe Fund ("FHCF"), through our broker Guy Carpenter ("GC"), to determine the correct amount owed. We have learned this morning that the FHCF does agree with the GC-calculated cost for the full 2019 Contract Year of \$11,692,724. Currently, FSIC has adequate reinsurance coverage for this program year of up to a 160 year return period and will purchase additional coverage for Layer 3 attaching at \$63,000,000 if necessary after October 1st.

AIG apparently disagrees with FSIC's position as to the additional reinsurance allowance. AIG has presented its position directly to the Office. We feel confident in our position and will litigate that contractual dispute in another forum. For present purposes, please know that FSIC has not carried this allowance as an asset for purposes of demonstrating solvency.

We would like to revisit with the Office our responsibility to ensure that our HO3 rates are adequate. We agreed with the Office's request that we withdraw our "use and file" submission of August 9, 2019. We indicated the need to adjust these rates in our initial corrective action plan and with our update to that plan on May 7, 2019. We appreciate the Office's position at the time

Deputy Commissioner Susanne K. Murphy Florida Office of Insurance Regulation September 12, 2019

of our filing, to help facilitate a transfer of these policies to another insurer. With that transaction not materializing, our rates remain inadequate under Section 627.062(2)(e)3. Correspondingly, FSIC remains obligated to comply with Section 627.062(1) ("The rates for all classes of insurance to which the provisions of this part are applicable may not be excessive, inadequate, or unfairly discriminatory") in a manner which the Office deems appropriate.

We had hoped that, by this time, no policyholder would be subject to a rate adjustment. But, we must address the current situation as instructed by the Code. Section 627.4133(2)(b) requires that any personal lines residential property insurer "give the first-named insured written notice of nonrenewal, cancellation, or termination at least 120 days before the effective date of the nonrenewal, cancellation, or termination." When the proposed transfer of policies did not materialize, we issued this 120-day notice to our policyholders. We deemed that consistent with our collective intent to reduce the company's exposure. We had earlier proposed a 45-day notice, per Section 627.4133(2)(b), but did not have the Office's approval to issue the shorter notice. Perhaps, revisiting this issue will make for a more expedited runoff and enable us to further reduce the runoff period.

Regardless of notice period, the statute requires that we continue any policy not ripe for nonrenewal. In order to comply with the law we feel compelled to continue these policies until they terminate by lawful nonrenewal. Given this requirement, we do not believe that a violation of Section 626.9541(1)(w)l has or will occur. There are a couple of options to help cure any lingering doubt. First, Section 626.9541(1)(w)l. permits renewals "with the written permission of the office." The Office can give the prescribed written permission solely for purposes of the runoff and we respectfully ask for same. Second, we can bulk cancel all policies with proper notice. We did not believe this latter option tenable, given the lack of a suitor or capacity in the market to accept these policies, many of which are in the South Florida tri-county area. We ask for the Office's instructions as to the preferred route, to the extent that any adjustment is required at this time.

Clearly, we have not tried to address every item in your letter. For instance, and by no means limiting ourselves, we do not agree with the indications in Items 3 (Additional Reinsurance Coverage Required) and 7 (Overstatement of Reinsurance Recoverable). We include what we believe are the corrected numbers in the attached monthly cash flow projections. At this point, we would prefer to find an amicable solution which all stakeholders can abide by. Our initial Plan was presented on 6 hours' notice; so, admittedly, it could be improved upon.

We appreciate this opportunity to revise the Plan and to present our further thoughts as to the manner in which we may conduct an orderly runoff without canceling policies during hurricane season. Cancellation will require policyholders to seek coverage in an unwelcoming market which in many cases will only provide coverage which is more expensive than their current coverage. To cancel these policies mid-term would be a waste of reinsurance already paid and the opportunity to use funds from FSIC without impact to the guaranty fund. We know that, with FSIC, claims will be paid in accordance with parameters established for the guaranty fund under the supervision of the Office. FSIC's role with respect to its policyholders, and our fiduciary role with respect to

Deputy Commissioner Susanne K. Murphy Florida Office of Insurance Regulation September 12, 2019

FSIC, has required that we examine all factors affecting our decisions about the long-term prospects of the company. Thank you for your patience during this deliberative process.

Sincerely,

Vincent T. Rowland

Chairman





### OFFICE OF INSURANCE REGULATION

FINANCIAL SERVICES
COMMISSION

RON DESANTIS

JIMMY PATRONIS CHIEF FINANCIAL OFFICER

ASHLEY MOODY ATTORNEY GENERAL

NICOLE "NIKKI" FRIED COMMISSIONER OF AGRICULTURE

DAVID ALTMAIER
COMMISSIONER

September 17, 2019

VIA ELECTRONIC MAIL: vrowland@floridaspecialty.com

Mr. Vincent Rowland Chairman Florida Specialty Insurance Company 1 S School Avenue, Suite 900 Sarasota, Florida 34237

Dear Mr. Rowland:

We have reviewed your revised RunOff Plan and related documents submitted to the Florida Office of Insurance Regulation ("OIR") on September 12, 2019, on behalf of the Board of Florida Specialty Insurance Company. The OIR's review of the revised RunOff Plan indicates that a number of assumptions are still incorrect or improperly stated and render it deficient and not viable. They include the following:

- 1. Although your cover letter alludes to not incorporating the additional Lexington reinsurance allowance in your analysis by stating "... please know that FSIC has not carried this allowance as an asset for purposes of demonstrating solvency," for cashflow purposes the revised RunOff Plan continues to show the receipt of \$8,543,816 from Lexington as an additional reinsurance allowance. Although the Company implies they will litigate the issue, it should not be included in the revised RunOff Plan since it is not readily available to meet policyholders' obligations, its collection is doubtful, and the Company has not even budgeted the potential litigation costs to pursue its collection.
- 2. Your cover letter states that FSIC "...will purchase additional coverage for Layer 3 attaching at \$63,000,000 if necessary after October 1st". This acknowledges the Company knows it is not adequately protected against losses to which it is exposed. The Property Catastrophe Third Excess of Loss agreement will be needed until May 31, 2020, yet the revised RunOff Plan still does not contemplate purchasing this coverage beyond October 1, 2019, and only if a catastrophic event is eminent. Essentially, the revised RunOff Plan hopes there will not be any major catastrophes during the runoff period and that reinsurance capacity will be there when a catastrophic event is about to occur. The cost for this additional coverage will approximate 25% of half the current limit purchased, which is \$2,150,000 (\$17,200,000 / 2 = \$8,600,000 X 25% = \$2,150,000). To consciously ignore this exposure is contrary to various statements in your letter professing to do what is in "...the best interest of the policyholders and FSIC".

- 3. The Company's revised projections show \$14,833,168 in premium for June through October of 2019. Although the revised projections ignore the HO3 business that was actually written in June, July, and August, using your projection of \$14,833,168, the Company would still need to record the additional reinsurance premium that will be due at June 1, 2020, of approximately \$3,895,322. [The additional reinsurance cost is based on the ratio of the projected written premium of \$97,033,806 (actual Jan May per runoff of \$40,430,752 X 12/5 mo. = \$97,033,806) for the 6/1/18 to 5/31/19 period applied to the reinsurance cost of \$25.5 million for the 6/1/18 to 5/31/19 period (\$14,833,168 / \$97,033,806 X \$25,481,943 = \$3,895,322)].
- 4. We appreciate that the Company agreed with the OIR's opinion and incorporated \$780,000 in its revised RunOff Plan for unallocated loss adjustment expenses ("ULAE"), as recommended by the OIR. However, the Company did not add an amount for ULAE that will be incurred between July and December 2019 that is not covered by reinsurance.
- 5. The Company's revised RunOff Plan continues to ignore the possibility of a major catastrophe during the runoff period. Due to the likelihood of such an event, and to truly protect the interest of the policyholders by considering a worst-case scenario, the revised RunOff Plan is deficient for not recognizing a \$1,000,000 CAT retention.
- 6. The Company continues to budget \$75,000 for twelve months of "OIR Supervision" in its revised RunOff Plan. The revised RunOff Plan continues to understate the amount necessary to fund the proposed continued costs of Administrative Supervision, which should be increased by \$500,000 to be consistent with the amounts currently being paid and owed by the Company to fund the costs of Supervision.
- 7. We appreciate that the Company agreed with the OIR's opinion and reduced the amount shown as the LPT Recovery by \$1,232,550 in its revised RunOff Plan.
- 8. The revised RunOff Plan still indicates the Company is writing new and/or renewal business through October 2019. Since the loss payment pattern is approximately two years, twenty-four months of operating expenses will still be needed from October 2019 for the runoff. The revised RunOff Plan failed to include an additional twelve months (November 2020 to October 2021) of operating expense that approximates \$4,800,000 (\$100,000 policy admin. + \$300,000 operating expenses = \$400,000 X 12 mo. = \$4,800,000).
- 9. We appreciate that the Company increased the amount shown as owed to the Florida Hurricane Catastrophe Fund by \$923,611 in its revised RunOff Plan.

Mr. Vincent Rowland September 17, 2019 Page 3

10. The revised RunOff Plan still does not include amounts that will need to be returned to policyholders resulting from the rate increase on HO3 policies that was implemented without obtaining OIR approval. The revised RunOff Plan failed to reflect the approximately \$292,178 in excess premium charges that would need to be returned to the affected policyholders.

The overall impact of these adjustments (-\$21,181,316) reduce the projected "Excess Funds" in the revised RunOff Plan to a **deficit** of \$15,954,607 (\$5,226,709-\$21,181,316).

We realize that the Company subsequently determined that the revised RunOff Plan was not viable and consented to Receivership on September 12, 2019. However, we felt it was important to at least address some of the most significant deficiencies of the revised RunOff Plan.

Sincerely,

Susanne Murphy

SM/ah

cc (via e-mail only):

Susan Jean Patschak (Spatschak a floridaspecialty.com)

Thomas Mayberry (thomasmayberry@ewmgrouppc.com)

A. Kenneth Levine (klevine a cozen.com)

Susaure K. Murphy

# **EXHIBIT 8**





OFFICE OF INSURANCE REGULATION

DAVID ALTMALER
COMMISSIONER

2019 CA 002328

IN THE MATTER OF:

FLORIDA SPECIALTY INSURANCE COMPANY

CASE NO.: 242640-19-CO

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.
- 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.
- FLORIDA SPECIALTY shall obtain prior written consent from the OFFICE before conducting any of the activities enumerated in Section 624.83, Florida Statutes.
- 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.
- 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 80 day of Morch , 2019.

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 also 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 Juse Sath
[Corporate Seal]	Name: Susan J. Prisc take
	Title: CEO,
	Date: 3/19/19
STATE OF FLARIDA	
COUNTY OF SANLASO	TA
	th
The foregoing affidavit was a	rworm to end subscribed before me this / day of Massel, 2019,
by Sycan Prize Bak	BS OFFICE CONTROL NA Offices, was 37 mascony by find
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(Cattaguay Assas)	
BARBARA RICHMOND	(Sleen of Mark)
EXPRICE February 80, 2021	Bart Tra Tichmord Ortha Type, or things Commissioned Wasse of Newsy)
	·
Personally Known	R Produced Identification
Type of identification produ	
My Commission Expires	Februcia 20, 2021

### COPIES FURNISHED TO:

WILLIAM LODEN, PRESIDENT Florida Specialty Insurance Company 1S School Avenue, Suite 900 Sarasota, Florida 34237-6014 Email: rloden@floridaspecialty.com

WBS STRICKLAND, ESQUIRE
Colodny Fass, P.A.
119 East Park Avenue
Tallahassee, Florida 33301
Email: wstrickland@colodnyfass.com

VIRGINIA CHRISTY, DIRECTOR
Property & Casualty Financial Oversight
200 East Gaines Street
Tallahassee, Florida 32399
Email: virginia.christy@floir.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@floir.com





JUL 1 8 2019

DESCRIPTION DESCRIPTION

### OFFICE OF INSURANCE REGULATION

2019 CA 002328

DAVID ALTMALER 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.
- 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

Page 1 of 4

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.

David Altmaier, Commissioner Office of Insurance Regulation

David Altomacia

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 esercion, based upon the assistance of legal counsel for FLORIDA SPECIALTY INSURANCE COMPANY.

FLORIDA SPECIALTY INSURANCE COMPANY
By: Jusin Yaterhil
Name: Susa J ATSCHAK (Blease type as print)
Title:
Date: 7/18/19
to and subscribed before me this 18day of July, 2019,
(Type of nutboritye.g. officer, trustee attorney in fact)
WESSERICE COMPANY
PS. KOL
(Signature Cotary)
(Print, Type, or Stamp Commissioned Nume of Notary)
duced Identification
N/A
bruary 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

VIRGINIA CHRISTY, DIRECTOR Property & Casualty Financial Oversight 200 East Gaines Street Tallahassee, Florida 32399 Email: virginia.christy@floir.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@floir.com



### 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 <u>Definitions</u>. 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 <u>Wire Transfer Instructions</u>. 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 <u>Additional Florida Specialty Representations and Warranties</u>. 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 <u>Fees and Expenses</u>. 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.

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 <u>Jurisdiction</u>. 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 <u>Assignment</u>. 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 <u>Survival of Certain Claims, Representations and Warranties</u>. 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 <u>Section 4.11</u>.

Section 4.12 <u>Counterparts</u>. 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

Ву

Name: TOM CALLAGHER

Title: Coo

FLORIDA SPECIALTY MANAGING GENERAL AGENCY, LLC

Βv

ame: S.Kaul

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# **EXHIBIT 10**

From: "Murphy, Susanne" < Susanne. Murphy@floir.com >

Date: Tuesday, April 9, 2019 at 9:16 PM

To: Susan Patschak <spatschak@floridaspecialty.com >, Thomas Mayberry

<thomasmayberry@ewmgrouppc.com>

Cc: "Christy, Virginia" < Virginia. Christy@floir.com>

Subject: RE: Renewal Rights Agreement

Susan. I understand that you are anxious to address the issues facing Florida Specialty. However, as we discussed several times before, we need a comprehensive solution that addresses all of the business of the company and its attendant liabilities. We will review this agreement in the context of the larger objective to determine if it is in the best interests of policyholders. The agreement requires approval by the Office under the terms of the Order for Administrative Supervision.

Susanne K. Murphy
Deputy Commissioner
Property and Casualty
Florida Office of Insurance Regulation
(850) 413-5083 (office)
(850) 567-5656 (cell)
susanne.murphy@floir.com

From: Susan Patschak <spatschak@floridaspecialty.com>

Sent: Tuesday, April 9, 2019 6:03 PM

To: Murphy, Susanne < Susanne. Murphy@floir.com >

Cc: Thomas Mayberry < thomasmayberry@ewmgrouppc.com >

Subject: FW: Renewal Rights Agreement

#### Susanne.

Please find attached the fully executed contract for the renewal rights agreement between People's

Trust and Florida Specialty.

Thanks, Susan

Susan J. Patschak
Chief Executive Officer
Florida Specialty Insurance Company
1 S. School Ave., Suite 900
Sarasota, FL 34237
Spatschak@floridaspecialty.com
(W) (941) 210-5671
(M) (941) 323-6818



From: Tom Gallagher < tgallagher@pti.insure > Date: Tuesday, April 9, 2019 at 4:59 PM

To: Susan Patschak <spatschak@floridaspecialty.com>

Cc: Kevin Walton < KWalton@pti.insure >, Brett Frankel < bfrankel@pti.insure >, George De Heer

<gdeheer@pti.insure>, George Schaeffer <georges@pti.insure>, Michael Simhai

<msimhai@pti.insure>, Caitlin Scheinblum <<u>cscheinblum@pti.insure</u>>

Subject: Renewal Rights Agreement

Susan,

Attached is the signed final agreement. Thank you for allowing us to work with you on this transfer. We look forward to making this as smooth as possible for all concerned.

Kindest regards,

Tom

Tom Gallagher Chief Operating Officer

Direct: 561-417-1101 Cell: 850-212-0000

18 People's Trust Way | Deerfield Beach, FL 33441-6270 Peoples Trust Insurance.com



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### **EXHIBIT 11**

From: Murphy, Susanne <Susanne.Murphy@floir.com>

Sent: Tuesday, September 17, 2019 10:07 PM

To: Susan Patschak

Cc: Thomas Mayberry; Levine, A. Kenneth

Subject: Approvals

I have been provided with a notice that was sent to all of Florida Specialty's agents notifying them that all policies issued by the Company will be non renewed 120 days prior to policy expiration. No approval of these notices was sought or received prior to their issuance.

Since Florida Specialty continues to operate under the Administrative Supervision of the Office of Insurance Regulation, any notices such as this one, which affect all of the policies of the Company, must be submitted to the OIR for prior approval. To be crystal clear, no communication to agents or policyholders regarding the status of the Company or its policies may be issued unless approved by the OIR.

Operate under the assumption that any action you contemplate of any nature must be approved by the OIR.

Please let me know if you have any questions.

Get Outlook for iOS

# EXHIBIT 12

2019 CA 002328

#### 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 12th day of JEPTEMBER 2019.

(Corporate Seal)

Directors of	Florida	Specialty	Insurance	Company
		The state of the s		

By:
Print Name: / SES NT ROW D
Title: CARIR NAN
Date:
State of Florida
County of Sarasota
The foregoing instrument was acknowledged before me this 12 day of September 19, 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)
BARBARA RICHMOND MY COMMISSION # GG074459 EXPIRES February 20, 2021  Barkara Richmond  (Signature of Congress)  Barkara 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: Jacob Satisfield
Print Name: Susaw J. PATSCHAK
Title:
Date: 1/12/19
State of Flovida
County of Sarasota
The foregoing instrument was acknowledged before me this 12 day of September 019,
by Susan Patschak as Director (name of person) (type of authority e.g. officer, trustee attorney in fact)
for Florida Specialty Insurance Company
(Signification of Noory)
BARBARA RICHMOND MY COMMISSION # GG074459 EXPIRES February 20, 2021  BOULDAVA RICHMOND  (Print, Type or Stamp Commissioned Name of Notary)
Personally Known OR Produced Identification
Type of Identification Produced AAA