



FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.

ANNUAL REPORT 2015



TABLE OF CONTENTS

▶ THE GUARANTY FUND PURPOSE	1
Auto Claims	2
All Other Claims	2
▶ HISTORY & OVERVIEW	3
▶ NEW INSOLVENCIES	4
▶ BOARD ACTIVITIES	4
▶ CLAIM ACTIVITY	5
2015 Monthly Pending Claims	5
2015 Claims Activity	5
Claims Payments	6
▶ FUNDING	6
Funding Sources	6
Funding by Type	7
5 Year Funding Sources	7
▶ BOARD OF DIRECTORS	8
FIGA Board of Directors	8
▶ FINANCIAL STATEMENTS	9

THE GUARANTY FUND PURPOSE:

Guaranty Fund legislation was enacted in Florida in 1970 to ensure that insurance contracts would be honored, even when an insurance company fails. Although the Florida insurance market has changed significantly over the last 40 years, FIGA remains the insurance safety net for policyholders and claimants. The Merriam-Webster dictionary defines "safety net" as "something that helps someone who is in a difficult situation." Forty five years later, not only is FIGA still protecting Florida policyholders following an insurance company failure, but we continue to work to strengthen that safety net.

Nationwide there were only two insolvencies in 2015 and FIGA received only 1 claim as a result of those two insolvencies.

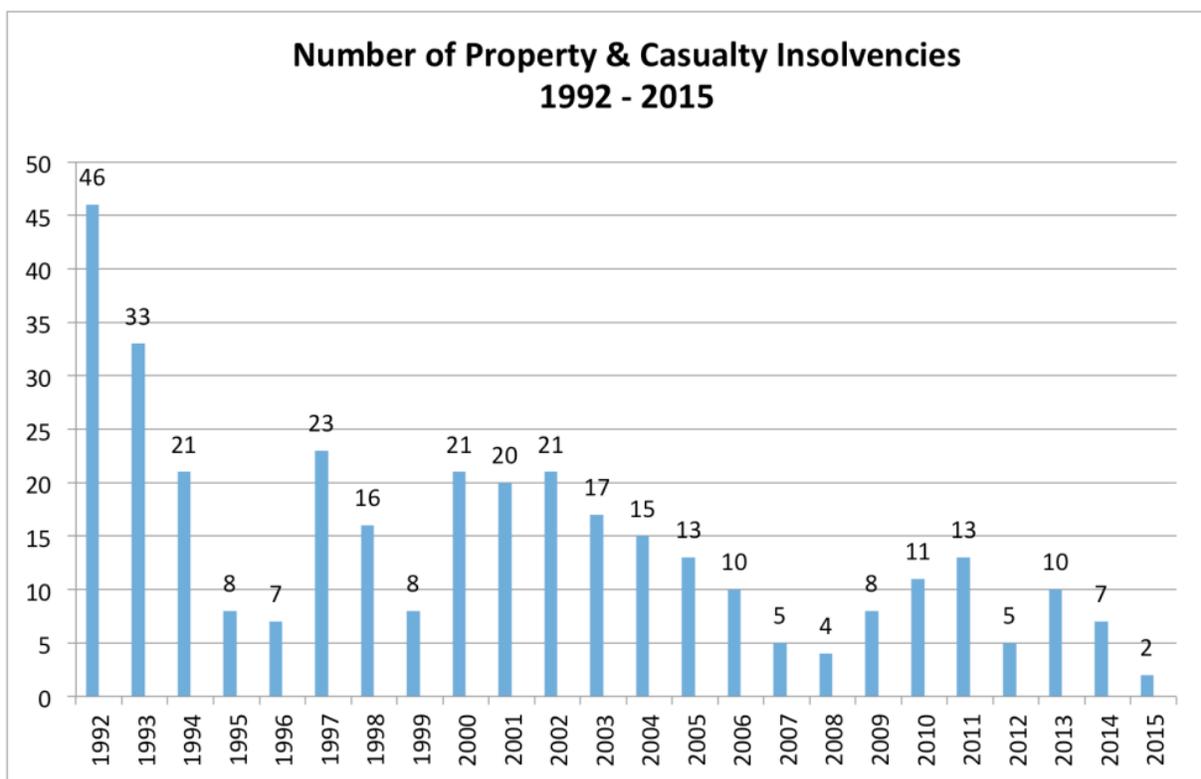


Chart from NCIGF (includes insolvency activity across the country)

Insurance insolvencies are unpredictable. FIGA is notified when there is a court filing for a liquidation order against an insolvent insurance company impacting Florida policyholders. There is no way of knowing when the next insurance insolvency may occur. Throughout 2015, the Association remained very active adjusting open claims from prior insolvencies and preparing for the future.

For assessment purposes, FIGA is divided into two separate accounts: The Auto Account and the All Other Account (Florida Statute 631.55). A more detailed review of the claims and liabilities by Account is provided on the next page:

2015 OVERVIEW

Auto Claims Account

FIGA started 2015 with **155** open auto claims and received **15** new claims. By year end this was reduced to **90** claims or a 47% reduction. Total outstanding liabilities in the Auto Account at year end are **\$5.7 million**.

All Other Claims Account

The open claims count for all other lines of business (except auto) was **676** on January 1st of 2015 and an additional **192** claims were added during the year. FIGA ended the year with **451** open claims or a decrease in the overall claim count of 48%. Total outstanding liabilities in the All Other Claims Account at year end are **\$45.9 million**.

The FIGA Board and staff will continue to work hard to fulfill the statutory purpose of the guaranty association to ***provide a mechanism for the payment of covered claims under certain insurance policies, to avoid excessive delay in payment and to avoid financial loss to claimants or policyholders because of the insolvency of an insurer.***

HISTORY & OVERVIEW

FIGA is an insurance guaranty fund created by *Florida Statute 631.55 in 1970*, to provide a mechanism for the payment of covered claims of insolvent property and casualty insurance companies in Florida. The initial legislation was in response to a number of insolvencies in the automobile insurance market, but the guaranty fund covers multiple lines written by licensed property and casualty carriers in the State of Florida.

The guaranty fund concept originated with the National Association of Insurance Commissioners in 1969 and by 1982 all 50 states, the District of Columbia, and Puerto Rico had established guaranty funds. For more than 40 years, FIGA has acted as the safety net for Florida residents by stepping in and handling the claims of insolvent property and casualty insurers.

This consumer safety net is governed by **Part II of Chapter 631**, Florida Statutes, as well as a Plan of Operation established by its Board of Directors. The Board of Directors is comprised of not less than five or more than nine members who are elected by the member insurers. Elected board members are approved by the Chief Financial Officer who evaluates whether all areas of insurance are fairly represented and that the individuals have the requisite qualifications for service.

Assessments are levied based upon the premiums written by member companies in the state of Florida. Regular assessments are limited to **2%** annually. Emergency Assessments may only be used when the insolvency results from hurricane losses and are also limited to 2% annually.

As a safety net, individual policyholders have up to **\$300,000** in coverage for most insurance lines, with an additional **\$200,000** for damages to structure and contents on residential homeowners' claims. Condominium association claims are limited to the lesser of policy limits or **\$100,000** x the number of residential units. While this may not totally replace the insurance policy issued by the insolvent carrier, it does serve to mitigate the insurance consumer's losses.

FIGA monitors significant insurers that are in "run-off" phases under various regulatory controls in several jurisdictions. Participation in the National Conference of Insurance Guaranty Funds (NCIGF) has facilitated the oversight process for troubled companies. Collaborating with regulators and receivers is critical in preparing guaranty associations for their responsibilities in the event the companies are placed into liquidation. FIGA has a close working relationship with the Florida Office of Insurance Regulation as well as the Florida Division of Rehabilitation and Liquidation. Maintaining open communication between guaranty associations and the regulatory community is key to the overall success and efficient operation of the guaranty association system nationwide.

NEW INSOLVENCIES

Pennsylvania - Domiciled with Liquidation Date of November 5, 2015:

Lincoln General Insurance Company – The insolvency of this entity generated over 500 claims nationwide, but only 1 claim for FIGA as of the end of the year. All claims against the estate of Lincoln General must be filed on or before July 6, 2016.

BOARD ACTIVITIES

The Board's 2015 meetings were held on **March 6, March 16, March 27, April 24, September 2,** and **December 15, 2015.**

The additional meetings held during the month of March were related to legislation which was proposed to change the process for the FIGA assessment. Senate Bill 836 (House Bill 557) was enacted and signed into law effective July 1, 2015. The new assessment process creates a uniform assessment percentage to be collected from all policyholders during the 12 month assessment year. It eliminates rate filings related to FIGA assessments for insurers and exempts the FIGA assessment from the insurance premium tax. Future FIGA assessments may require either payment in advance, prior to the insurer's recoupment from policyholders, or by monthly installments, which will be remitted to FIGA as they are collected.

Additionally, House Bill 189 (Senate Bill 600) allows insurers to record an asset equal to the FIGA advance assessment payment if it is likely that it will be collected as a surcharge during the 12 month assessment year.

The last piece of legislation impacting FIGA in 2015 was related to the prohibition of advertising the existence of FIGA. Florida Statute 631.65 was amended to allow the existence of the Association to be used in an advertisement or solicitation if there is an explanation of the coverage limits included.

The entire FIGA statute can be found on the www.figafacts.com website.

No assessment was recommended during 2015.

At the Board meeting held December 15, 2015, the **\$3,594,403** general and administrative budget for 2016 was approved. This was a 1.5% decrease from the 2015 budget.

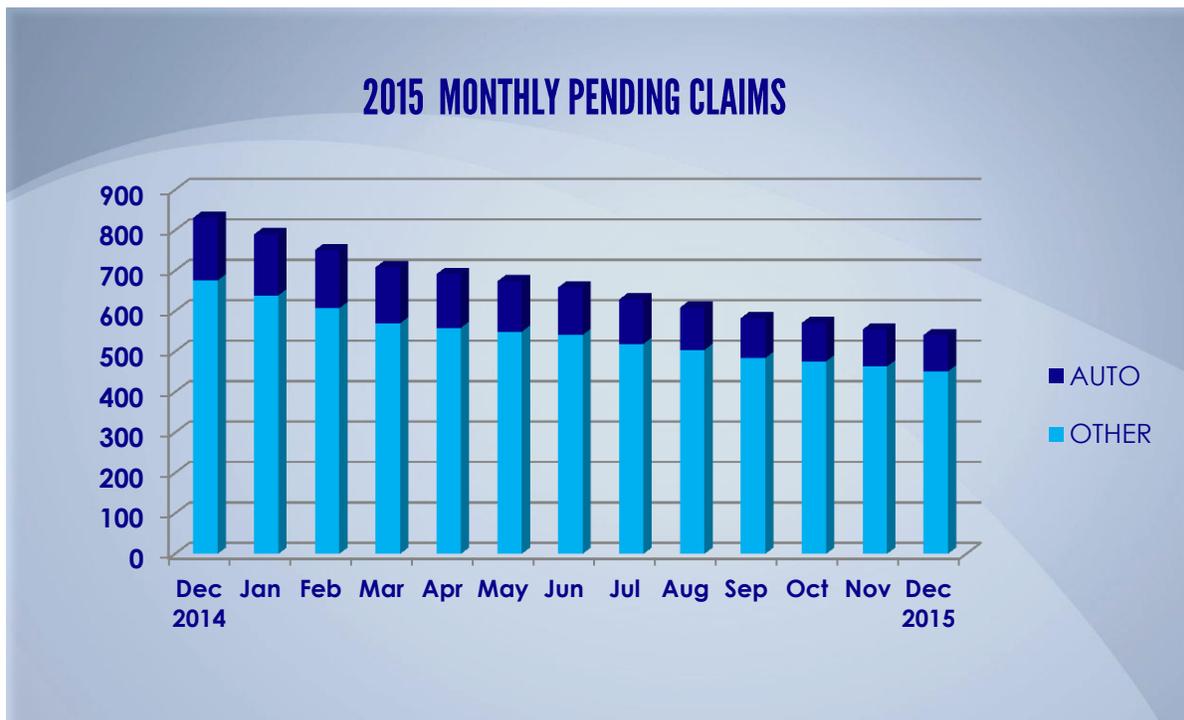
The fieldwork for the Annual Independent Financial Audit performed by Thomas Howell Ferguson P.A. commenced in November with a target date for completion during the 1st quarter of 2016. The unaudited Financial Statements as of December 31, 2015 are included in this report.

ORGANIZATIONAL PROFILE

CLAIM ACTIVITY

The Association began 2015 with a total of **831** open claims. The open claim count decreased by 290 claims to **541** over the course of the year. Those numbers only tell part of the story as **207** new claims were reported to FIGA and **497** claims were closed. The remaining claims are challenging with approximately 80% of the claims in litigation.

2015 Monthly Pending Claims

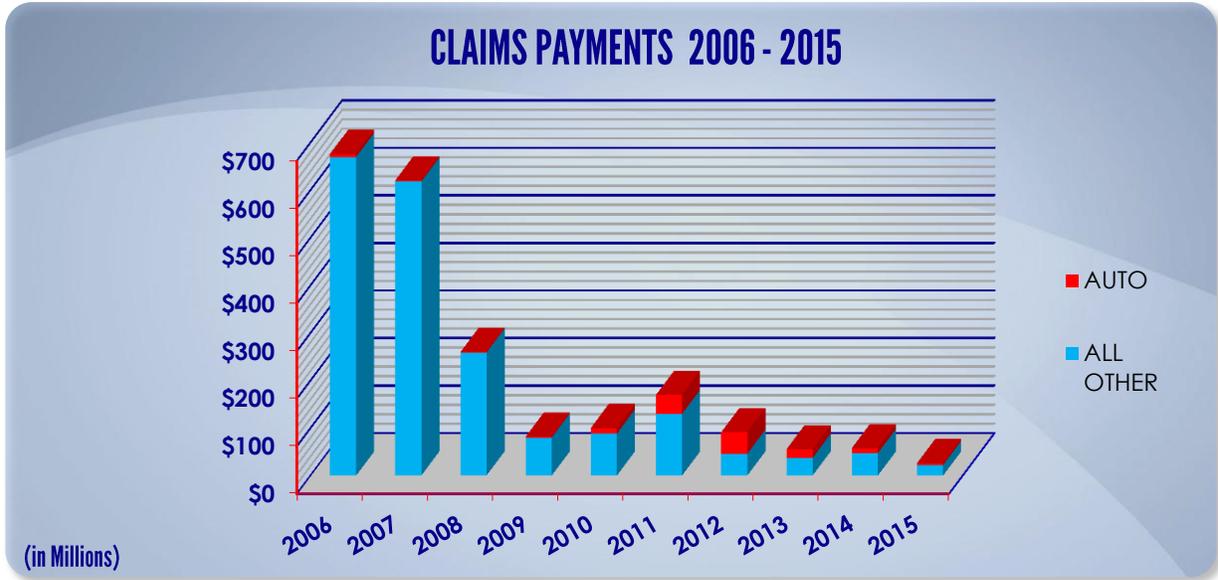


2015 Claims Activity

2015 Loss Claims Activity Summary			
For the 12 months ending 12/31/2015			
	AUTOMOBILE	ALL OTHER	TOTAL
Beginning Claims Count January 1, 2015	155	676	831
New Loss Claims	15	192	207
Claims Closed	80	417	497
Ending Claims Count Dec 31, 2015	90	451	541

ORGANIZATIONAL PROFILE

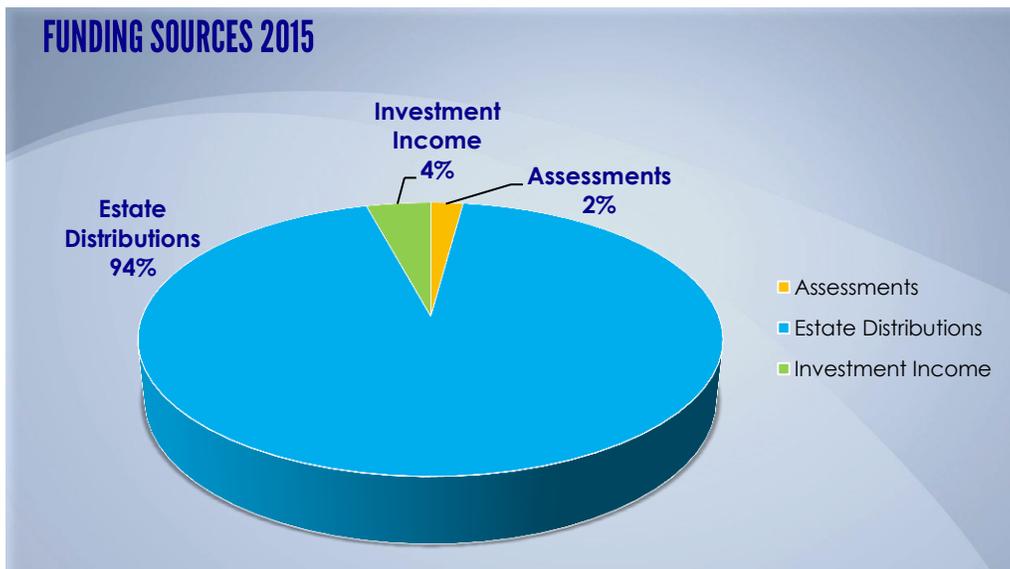
Claims Payments



FUNDING

Funding for FIGA comes primarily from four sources. These include distributions from estates in receivership, recoveries from the Florida Hurricane Catastrophe Fund, investment income, and member company assessments. Distributions from estates may take years to materialize as the Receiver marshals the assets following the liquidation and ensures that those assets are distributed in accordance with the order of priority outlined in state statutes.

Funding Sources



ORGANIZATIONAL PROFILE

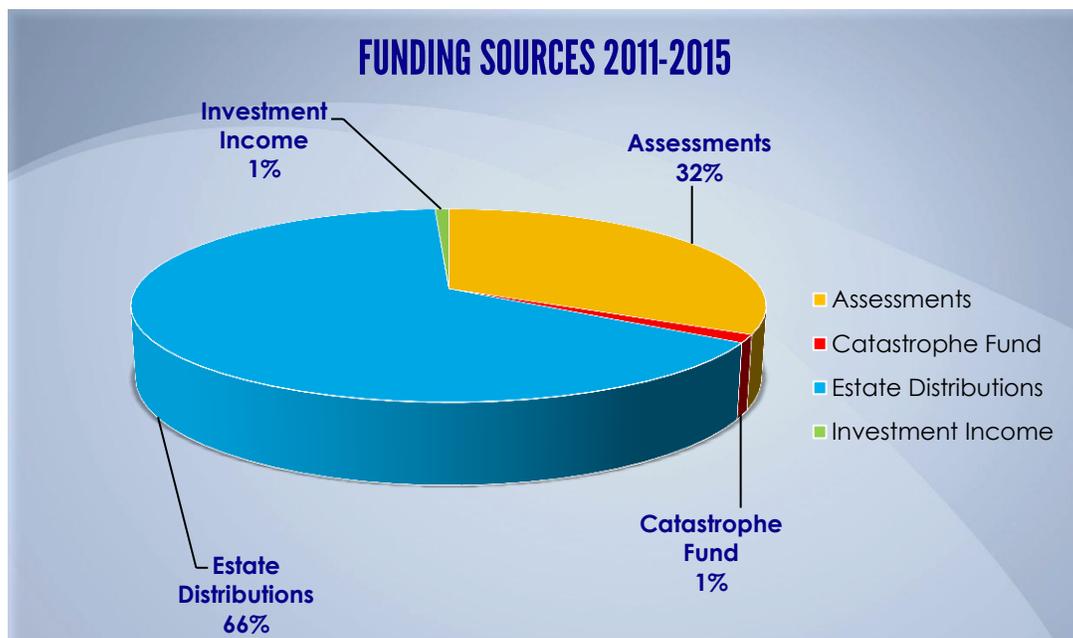
Funding by Type

FUNDING TYPE	2015	2014	2013	2012	2011
Assessments	607,759*	1,995,998*	10,235,359*	122,167,475	2,955,346*
Catastrophe Fund	-	-	-	-	5,670,000
Estate Distributions	28,192,004	51,739,666	46,319,795	55,304,115	97,384,142
Investment Income	1,208,934	545,610	350,636	175,037	1,251,316
	30,008,697	54,281,274	56,905,790	177,646,627	107,260,804

*Assessment receipts in 2011, 2013, 2014 and 2015 were from collection of prior year assessment levy.

Over the last five years, estate distributions and Catastrophe Fund reimbursements have accounted for 67% of total revenues and assessment receipts accounted for 32% of revenues.

5 Year Funding Sources



By statute, FIGA maintains two accounts, the Auto Account and the All Other (lines) Account. To determine future funding requirements for each line of business, the Association compares the timing of future distributions from receivers to projected claims payments and performs a cash flow analysis.

ORGANIZATIONAL PROFILE

BOARD OF DIRECTORS

FIGA Board of Directors

In accordance with the provisions of Florida Statute 631.56, FIGA is governed by a Board of Directors, which acts on the behalf of member insurers. The Board consists of not less than five or more than nine persons who serve four year terms, and may be reappointed. The Florida Chief Financial Officer approves and appoints to the Board individuals recommended by the member insurers following an election process.

2015 BOARD OF DIRECTORS

Kimberly Blackburn, Chairperson
Florida Farm Bureau Casualty Insurance

Rick L. Fish
United Services Automobile Association

Charles Breitstadt, Vice Chair
Nationwide Insurance Company

Paula Lutes
State Farm

Jim Alaniz
Travelers of Florida

Jennifer Montero
Citizens Property Insurance Corporation

Angel D. Conlin
ASI Insurance Group

Shane Robinson
Allstate Insurance Company

Larry Cheesman
Liberty Mutual Insurance Group

The Board of Directors and the FIGA staff will continue to work to improve the Association. Participation at our meetings is always welcome. For additional information please call the **Association** at **(850) 386-9200** or visit our web site at www.figafacts.com.

ORGANIZATIONAL PROFILE

FINANCIAL STATEMENTS

FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2015

MODIFIED CASH BASIS (UNAUDITED)

	CURRENT YEAR TO DATE	PREVIOUS YEAR TO DATE
ASSETS		
CASH ON HAND AND S/T INVESTED ASSETS	12,513,617	19,983,242
SHORT TERM INVESTMENTS	57,135,461	94,143,781
	69,649,078	114,127,023
LONG TERM INVESTMENTS	146,257,530	102,368,674
OTHER ASSETS	896,471	833,445
FIXED ASSETS (Net of Depreciation)	77,894	117,189
BUILDING (Net of Depreciation)	687,164	709,817
LAND	310,000	310,000
TOTAL ASSETS	217,878,137	218,466,148
LIABILITIES AND ACCOUNT BALANCE		
ACCOUNTS PAYABLE	14,201	-
TOTAL LIABILITIES	14,201	-
AUTO ACCOUNT BALANCE	65,631,077	63,241,496
ALL OTHER ACCOUNT BALANCE	152,232,860	155,224,652
TOTAL ACCOUNT BALANCE	217,863,937	218,466,148
TOTAL LIABILITIES AND ACCOUNT BALANCE	217,878,138	218,466,148

ORGANIZATIONAL PROFILE

FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.

STATEMENT OF OPERATIONS

FOR THE 12 MONTH(S) ENDED 12/31/2015

MODIFIED CASH BASIS (UNAUDITED)

	AUTO YTD	ALL OTHER YTD	TOTAL YTD	PREVIOUS YTD
REVENUE				
ASSESSMENT RECEIPTS	\$ -	\$ 607,759	\$ 607,759	\$ 1,995,998
REIMBURSEMENTS	6,286,256	21,905,748	28,192,004	51,739,666
INTEREST INCOME	364,650	844,212	1,208,862	545,182
OTHER RECEIPTS	50	22	72	428
TOTAL REVENUE	\$ 6,650,956	\$ 23,357,741	\$ 30,008,697	\$ 54,281,274
EXPENSES				
<i>CLAIMS FUNDING</i>				
LOSS & EXPENSE PAYMENTS	3,856,669	21,595,524	25,452,193	35,456,444
RETURNED PREMIUM	38,686	1,466,888	1,505,574	22,055,331
<i>TOTAL CLAIMS FUNDING</i>	<i>3,895,355</i>	<i>23,062,412</i>	<i>26,957,767</i>	<i>57,511,775</i>
<i>CLAIMS ADMINISTRATION COSTS</i>				
CLAIMS HANDLING FEES	524	2,611	3,135	11,917
DIRECT ESTATE EXPENSES	1,635	120,464	122,099	156,535
GENERAL & ADMIN EXPENSES	363,860	3,164,048	3,527,908	3,433,344
<i>TOTAL CLAIMS ADMINISTRATION COSTS</i>	<i>366,019</i>	<i>3,287,123</i>	<i>3,653,142</i>	<i>3,601,796</i>
TOTAL EXPENSES	\$ 4,261,374	\$ 26,349,535	\$ 30,610,909	\$ 61,113,571
INCREASE (DECREASE) IN NET ASSETS	\$ 2,389,582	\$ (2,991,794)	\$ (602,212)	\$ (6,832,297)
<i>NET ASSETS - BEGINNING OF PERIOD</i>	<i>63,241,495</i>	<i>155,224,654</i>	<i>218,466,148</i>	<i>225,298,446</i>
NET ASSETS - END OF PERIOD	\$ 65,631,077	\$ 152,232,860	\$ 217,863,936	\$ 218,466,149