



FLORIDA WORKERS' COMPENSATION INSURANCE
GUARANTY ASSOCIATION, INC.

**ANNUAL
REPORT
2015**

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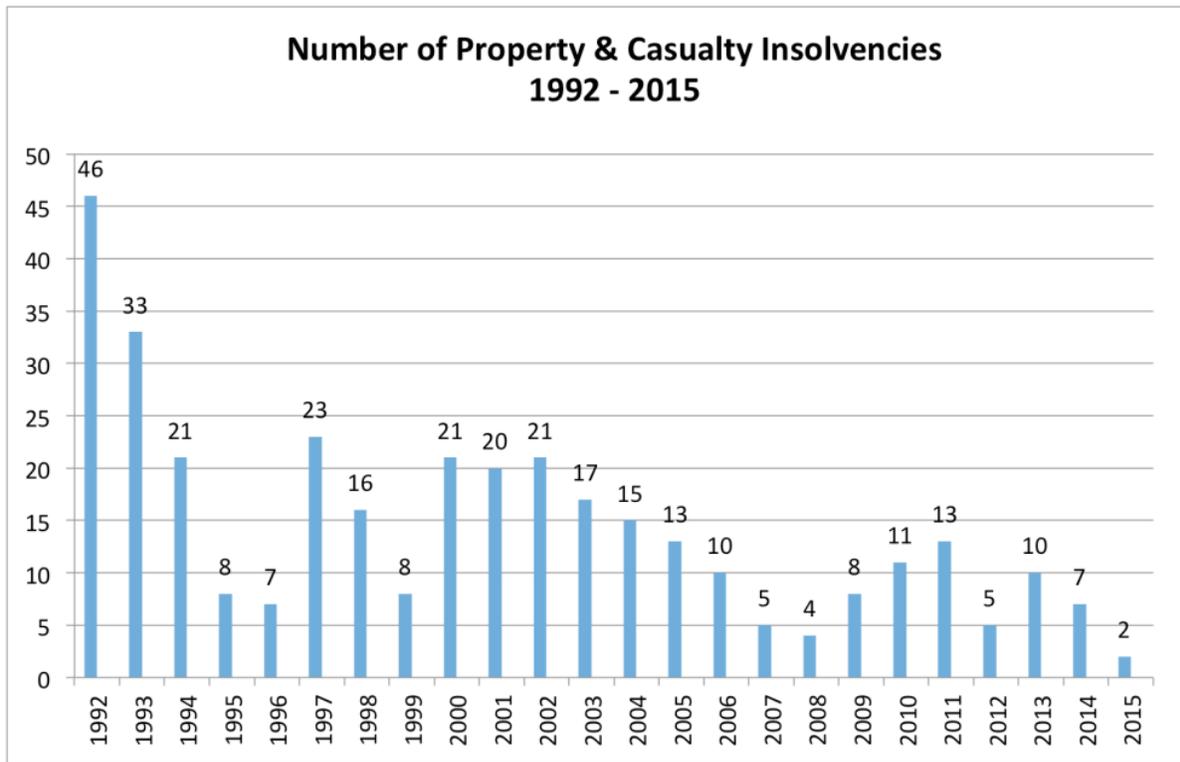
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EXECUTIVE SUMMARY

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. In 1997, the Florida Workers' Compensation Insurance Guaranty Association Act created a stand-alone workers' compensation guaranty fund to "avoid financial loss to claimants because of the insolvency of a member insurer" (Member insurer is defined in Florida Statute 631.904(5) as an insurance carrier or self-insurance fund authorized to insure under chapter 440). Most injured workers have very little input into the purchase of their employer's workers compensation policy; yet they are the ones who depend on this insurance safety net to continue to provide for their care and benefits. The Merriam-Webster dictionary defines "safety net" as "something that helps someone who is in a difficult situation". The **Florida Workers' Compensation Insurance Guaranty Association** ("FWCIGA" or "Association") continues to strive to do just that - help injured workers by stepping in to pay claims when their employer's workers' compensation insurance company has become insolvent.

While there were no new insolvencies in 2015 impacting the Florida workers' compensation market, the Association remained very busy adjusting open claims from prior insolvencies and preparing for future activities. Around the country, the story was similar, with only two small Pennsylvania domiciled insolvencies occurring in 2015.



*Chart from NCIGF (includes insolvency activity across the country)

EXECUTIVE SUMMARY

Historically, there have been ebbs and flows in workload and there is no way of knowing when the next insurance insolvency may occur. Our goal is to work now to prepare for increased activity. FWCIGA ended the year with only 427 open claims, the lowest open claim count since the inception of the separate workers' compensation insurance guaranty fund in 1997. Distributions received from the liquidated entities often are delayed many years while the Receiver marshals the assets by selling off real estate, collecting reinsurance and pursuing other sources of potential recoveries. Significant distributions from older liquidations were received in 2015. As a result, for the tenth straight year, the Board of Directors determined that no assessment was needed to fund the cash needs for the upcoming calendar year.

As activity levels are difficult to predict and insolvencies can occur with little notice, an important role of the Association is to be prepared to meet a variety of challenges. The Board of Directors and staff believe we have created an organization to do just that. We continue to work to protect claimants and policyholders by stepping in to pay claims of insolvent insurers.

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

HISTORY & OVERVIEW

The **FWCIGA** was formed in **1997** as a result of the merger of the former Florida Self-Insurance Fund Guaranty Association ("FSIFGA") and the workers' compensation insurance account of the Florida Insurance Guaranty Association ("FIGA"). Upon the effective date of the merger, the predecessor organizations ceased to exist and were succeeded by FWCIGA.

This consumer safety net is governed by **Part V of Chapter 631**, Florida Statutes, as well as a Plan of Operation established by its Board of Directors. FWCIGA provides for the payment of covered claims for insurance companies or group self-insurance funds authorized under Section 624.4621, Florida Statutes that are declared insolvent and unable to continue making payments to injured workers. All insurance companies and group self-insurance funds authorized under Section 624.4621, Florida Statutes, are members of the FWCIGA as a condition of their authority to offer workers' compensation coverage in the state of Florida. Individual self-insured entities are not entitled to coverage from the FWCIGA. Guaranty fund coverage for individual self-insured entities is governed by the Florida Self-Insurers Guaranty Association as set forth in Section 440.385, Florida Statutes.

The **FWCIGA Board of Directors** is comprised of **eleven** (11) members who meet at least quarterly to discuss the operations of the Association. Board members are elected to four year terms. Eight (8) of the members are elected from licensed insurers in the state of Florida; six (6) from member carriers, the remaining two (2) from group self-insurance funds. The elected members are confirmed by the state's Chief Financial Officer ("CFO") and joined by the Insurance Consumer Advocate, a CFO Appointee and a Governor's Appointee.

Assessments are levied based upon the premiums written by member companies in the state of Florida. Beginning in 2003, the assessment base was modified to include full policy premiums, which represents premiums written without taking into account discounts and credits resulting from large deductible policies. Assessments are limited to **2% annually** for insurance companies and **1.5%** for group self-insurance funds. However, in the event assessments are insufficient to fund all required payments, an additional assessment of 1.5% per year may be levied. To date FWCIGA has never utilized the additional assessment. Insurance companies pay the assessment to FWCIGA and a factor is built into rates filed by the National Council on Compensation Insurance (NCCI) to allow insurance companies to recoup the assessment.

FWCIGA 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. FWCIGA 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 in the overall success and efficient operation of the guaranty association system nationwide.

ORGANIZATIONAL PROFILE

NEW INSOLVENCIES

There were no new insolvencies impacting the Florida Workers' Compensation Insurance Guaranty Association in 2015.

BOARD ACTIVITIES

The Board's 2015 quarterly meetings, as required by the Plan of Operation, were held on **March 6th**, **June 1st**, **August 7th** and **December 8th**.

At the Annual Meeting held December 8th, 2015, the **\$1,382,810** general and administrative budget for 2016 was approved. Administrative expenses represented approximately **5.5%** of the loss and unearned premium costs of the Association for 2015.

During the 2015 legislative session, there were no changes to the FWCIGA Statute. However, the Board has recommended changing the assessment process effective in 2016. The proposed change would remove the guaranty fund assessment from being included in rates and instead list the assessment separately as a surcharge to the policy.

The Audit Committee Charter requires completion of a financial audit each year. The 2015 audit commenced in November 2015 with interim field work and is expected to be completed in the first quarter of 2016. The unaudited Financial Statements as of **December 31, 2015** are included in this report.

BOARD OF DIRECTORS

FWCIGA Board of Directors as of December 31, 2015:

Tom Stahl, Chairman

Florida United Businesses Association

Richard W. Palczynski, Vice Chairman

Guarantee Insurance Company Representative

David Conway

Summit Consulting

Jim Costa

Travelers

Tony Grippa

CFO Appointee

Alan Hair

FFVA Mutual Insurance Company

Brett Stiegel

FRSA Self Insurers Fund

John Weber

Zenith Insurance Company

Cina Welch

FCCI Mutual Insurance Company

Vacant

Governor's Appointee

ShàRon James

Insurance Consumer Advocate

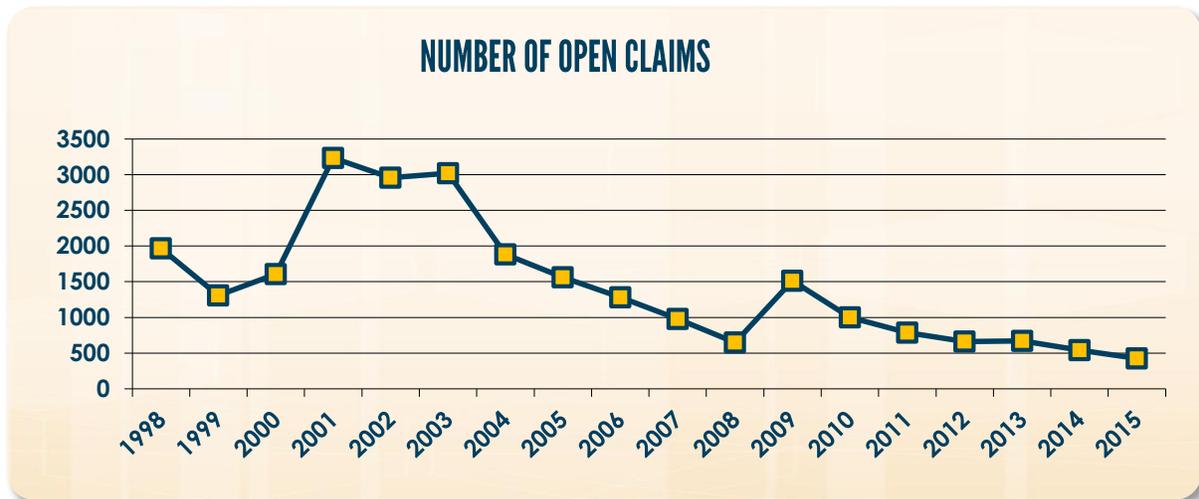
CLAIMS INFORMATION

CLAIM ACTIVITY

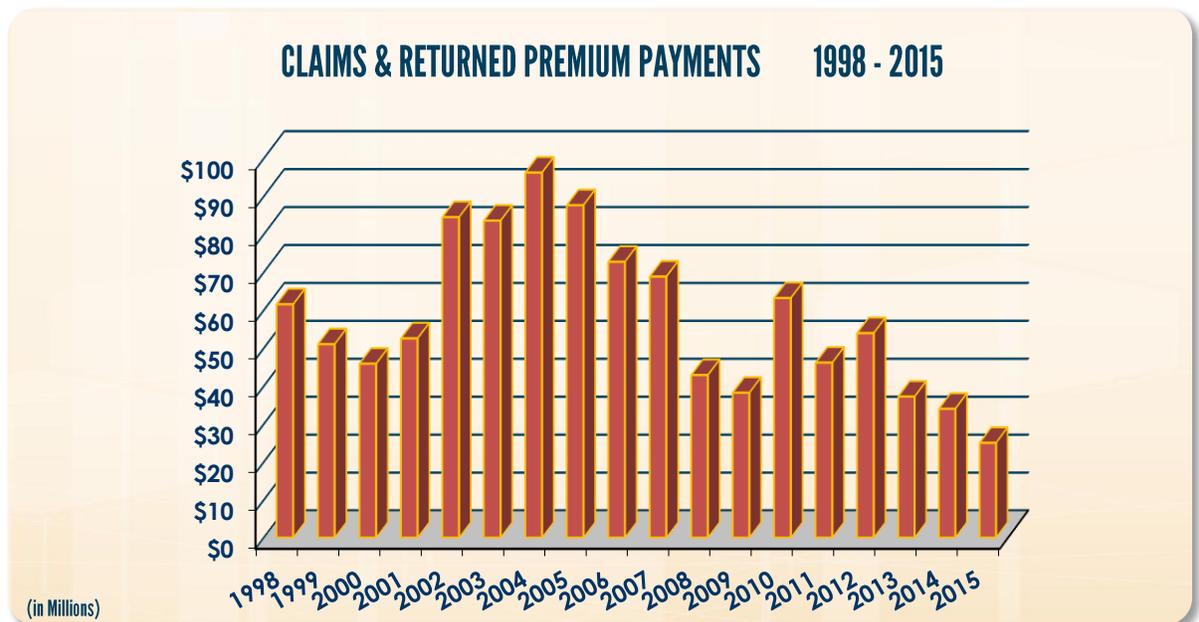
At the beginning of the year, the Association reported a total pending claim count of **539** open files. There were **21** new or reopened claims received during the year and **133** claims were closed. The open claim count at year end was at **427**. Outstanding reserves totaled **\$151,588,753**.

The total net paid on claims for 2015 was **\$24,924,594** compared to \$33,893,717 in 2014. Payments were made on forty-five (**45**) different insolvent estates during the year.

Open Claims



Claims & Returned Premium Payments

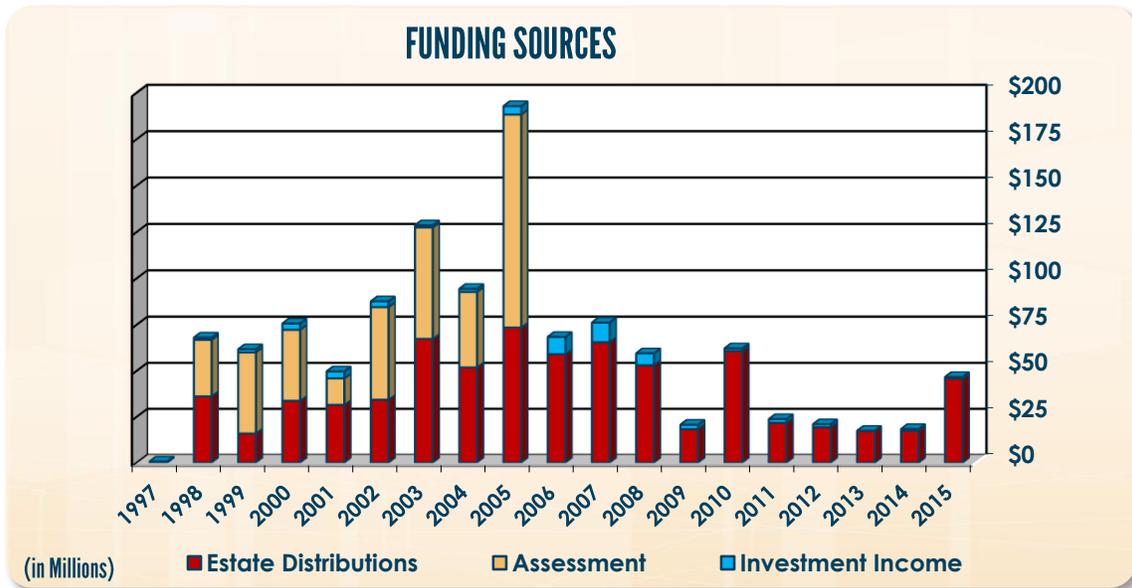


FUNDING SOURCES

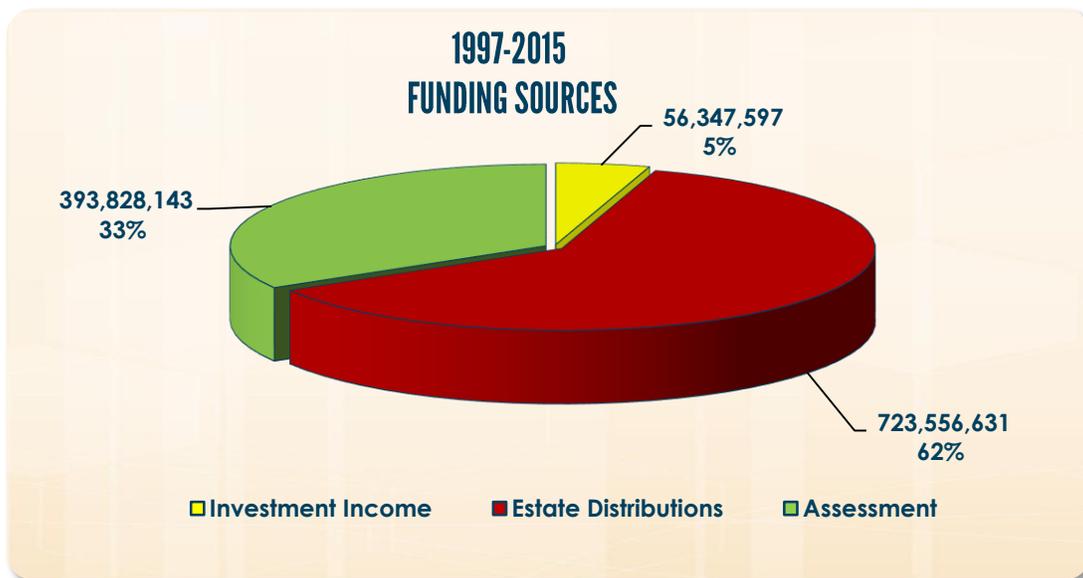
FUNDING

Funding for FWCIGA comes primarily from three sources: distributions obtained from the estates of insolvent insurers, investment income and assessments levied on member insurers. Estate distributions are an essential funding source for the Association; the greater the level and frequency of distributions from receiverships, the smaller the need to assess member companies. As noted in the chart below, the last assessment levied was in 2005.

Funding Sources



Inception to Date Funding



FINANCIAL STATEMENTS

FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION, INC. STATEMENT OF ASSETS AND LIABILITIES

12/31/2015
MODIFIED CASH BASIS (UNAUDITED)

	CURRENT YEAR TO DATE	PREVIOUS YEAR TO DATE
	<u> </u>	<u> </u>
ASSETS		
CASH ON HAND AND ON DEPOSIT	7,901,062	8,946,560
SHORT TERM INVESTMENTS	5,129,278	1,807,582
<i>TOTAL CASH AND S/T INVESTED ASSETS</i>	<u>\$13,030,340</u>	<u>\$10,754,142</u>
LONG TERM INVESTMENTS	98,135,096	80,140,348
ACCRUED INTEREST INCOME	359,345	234,805
FIXED ASSETS (Net of Depreciation)	33,975	41,865
BUILDING (Net of Depreciation)	687,138	709,791
LAND	310,000	310,000
OTHER ASSETS	152,934	146,593
<i>TOTAL ASSETS</i>	<u>\$112,708,827</u>	<u>\$92,337,543</u>
LIABILITIES AND ACCOUNT BALANCE		
ACCOUNTS PAYABLE	811	0
EARLY ACCESS CONTINGENT LIABILITY	4,500,000	4,500,000
FUND/ACCOUNT BALANCE	108,208,015	87,837,543
<i>TOTAL LIABILITIES AND ACCOUNT BALANCE</i>	<u>\$112,708,827</u>	<u>\$92,337,543</u>

FINANCIAL STATEMENTS

FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION, INC.

STATEMENT OF OPERATIONS

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

MODIFIED CASH BASIS (UNAUDITED)

	CURRENT YEAR TO DATE	PREVIOUS YEAR TO DATE
REVENUE		
EARLY ACCESS	45,680,131	17,129,328
REIMBURSEMENTS	131,310	347,473
INTEREST INCOME	851,082	891,021
OTHER RECEIPTS	0	428
TOTAL REVENUE	\$46,662,523	\$18,368,250
EXPENSES		
<i>CLAIMS EXPENSES</i>		
CLAIMS FUNDING	24,603,650	33,484,838
CLAIMS UNEARNED PREMIUM	0	84,966
DIRECT ESTATE EXPENSES	162,583	115,413
CLAIMS HANDLING FEES	158,361	208,500
TOTAL CLAIMS EXPENSES	24,924,594	33,893,717
<i>GENERAL AND ADMINISTRATIVE EXPENSES</i>		
	1,367,457	1,286,987
TOTAL EXPENSES	\$26,292,051	\$35,180,704
<i>INCREASE (DECREASE) IN NET ASSETS</i>	20,370,472	(16,812,454)
NET ASSETS - BEGINNING OF PERIOD	\$87,837,543	\$104,649,998
NET ASSETS - END OF PERIOD	\$108,208,015	\$87,837,543