

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

In Re: The Receivership of  
VANGUARD FIRE AND CASUALTY  
COMPANY, a Florida corporation.

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CASE NO.: 2007-CA-186

**RECEIVER'S MOTION FOR AN ORDER APPROVING PROCEDURE OF  
DEEMING UNEARNED PREMIUM CLAIMS AS TIMELY FILED**

The Department of Financial Services of the State of Florida, in its capacity as Receiver for Vanguard Fire and Casualty Company (hereinafter the "Receiver"), hereby files this Motion to Approve Procedure of Deeming Unearned Premium Claims as Timely Filed, and in support thereof states as follows:

1. On March 26, 2007, this Court ordered Vanguard Fire and Casualty Company (hereinafter "Vanguard") into Liquidation and appointed the Department of Financial Services of the State of Florida as Receiver.
2. Pursuant to the Liquidation Order, all policies of insurance that had not expired on the date the Liquidation Order was entered, would be canceled effective at 12:01 a.m. on April 25, 2007.
3. Policies or contracts of coverage with normal expiration dates prior to the date mentioned in Paragraph 2, or which were terminated by insureds or lawfully cancelled by the Receiver or insurer before such date, were to stand cancelled as of the earlier date.
4. As the policies being cancelled by the liquidation order or terminated prior to the normal expiration still had a remaining policy term, the policyholders may be

entitled to a refund of the unearned premium on the portion of the policy term that was cancelled. "Policyholder" shall refer to all insureds whose policies were cancelled by the Liquidation Order or that the insureds cancelled prior to the Liquidation Order that still had a remaining policy term and may be owed a refund of unearned premium for the remaining policy term.

5. When an insurer is placed in receivership, the Receiver coordinates with the Florida Insurance Guaranty Association ("FIGA") in order to get the unearned premium refund to the policyholders of the liquidated insurer. The prompt return of the unearned premium to the policyholder is vital so they have the funds available to obtain a new policy.

6. Pursuant to Section 631.54 (3), Florida Statutes, a FIGA "covered claim" means an unpaid claim which arises out of and is within the coverage, and not in excess of, the applicable limits of an insurance policy issued by an insurer if such insurer becomes an insolvent insurer and the claimant or insured is a resident of this state at the time of the insured event or the property from which the claim arises is permanently located in this state. Unearned premium falls within the scope of this definition.

7. Although every effort is made to locate all policyholders that are due a refund of unearned premium, when the policyholder or the insurer cancelled the policy prior to date of liquidation, it may be difficult to ascertain all policyholders that may be due a refund of unearned premium.

8. Under the Receiver's normal course of dealing with the unearned premium portion not paid by FIGA, the Receiver would send a notice to all inforce policyholders of the liquidated insurer. The policyholder would then complete a proof of claim form

("POC") and submit it to the Receiver. After evaluation of the claims, the Receiver would prepare a claims report, obtain approval of the Court and then notice the policyholders again with the Receiver's recommendation, which would allow the policyholder an opportunity to object to the class and/or amount of the claim. A distribution, if there are sufficient funds available, would be made after all the claims were adjudicated. This process takes considerable time and cost.

9. The process described in Paragraph 8 above is not efficient in the circumstances of Vanguard due to the substantial cost of providing and processing notices to the "known" claimants. In an effort to reduce the costs and increase the efficiency of the claims process, the Receiver proposes an alternative whereby it will deem as timely filed all potential claims for return premium. All other claimants will receive a POC via the standard process.

10. The Receiver proposes the following procedure for policyholders who may have an unearned premium claim:

A. The Receiver will not require POCs from policyholders that cancelled their policies prior to the normal expiration and who the Receiver calculates are due an unearned premium refund or policyholders who had their policies cancelled by the Liquidation Order;

B. The policyholders detailed in Paragraph 10.A. do not need to do anything to file their return premium claim or have their claim accepted by the Receiver;

C. The return premium claims identified above will be considered timely filed in the Vanguard estate;

D. Once the claims in the estate have been evaluated, the claimants will be advised of the class and amount of the claim. If they object to either, they will have an opportunity to file an objection with the Receiver and the Court; and

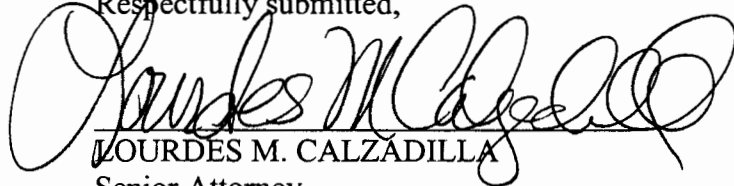
E. If the Receiver cannot resolve the objection with the claimant, then a court hearing will be scheduled.

11. This new procedure will not affect the rights of a policyholder to file a claim in the Vanguard estate for any other claim they believe they may be entitled to file in accordance with Chapter 631, Florida Statutes.

WHEREFORE the Florida Department of Financial Services as Receiver for Vanguard Fire and Casualty Company respectfully requests this Court enter an Order Approving the Procedure of Deeming Return Premium Claims as Timely Filed.

Dated this 1<sup>st</sup> day of April, 2008.

Respectfully submitted,



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