

COPY

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

In Re: The Receivership of
CORAL INSURANCE COMPANY,
a Florida Corporation.

CASE NO. 2009-1367

BOB J. HARRIS
CLERK OF COURT
LEON COUNTY
FLORIDA

09 APR 17 PM 3:58

FILED

RECEIVER'S MOTION FOR ORDER CANCELLING POLICIES, APPROVAL OF PLAN FOR PAYMENT OF RETURN PREMIUM AND PAYMENT OF CLAIMS; AND MODIFICATION OF AUTOMATIC STAY

COMES NOW the State of Florida, Department of Financial Services (hereinafter "DFS") as Receiver for CORAL INSURANCE COMPANY (hereinafter "Receiver") and asks that the Court enter an Order authorizing the Receiver to cancel policies, approving the Receiver's Plan for the payment of unearned premium and payment of claims, and modifying the automatic stay. In support thereof, the Receiver states:

1. On April 9, 2009, this court entered its Consent Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, and Notice of Automatic Stay.
2. In its Petition for Consent Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, and Notice of Automatic Stay, the DFS stated that once appointed Receiver, it expected to make a prompt assessment of Coral Insurance Company's (Coral) current situation and make such additional filings with the Court as necessary.
3. Having reviewed Coral's affairs on a preliminary basis, the Receiver has determined that certain actions are necessary to protect the policyholders.

4. Based on the most recent financial statement filed with the Office of Insurance Regulation, Coral Insurance Company is impaired, as that term is defined in Section 631.011 (13), Florida Statutes. Sufficient information has not yet been developed to make the determination that Coral is insolvent.

5. Coral is no longer writing new policies or renewing existing policies. Thus, the company is in a run off mode.

6. The company lacks the financial resources to purchase catastrophe reinsurance to mitigate its potential exposure in the 2009 hurricane season.

7. This potential exposure presents unacceptable risks to policyholders, claimants, other creditors and the public.

8. Therefore, it is in the best interest of the estate Coral Insurance Company, its policyholders, claimants, creditors and the public to cancel the in force policies before the 2009 hurricane season.

9. The Receiver asks that the Court order the in force policies cancelled as of 12:01 a.m., May 31, 2009.

10. To assist Coral Insurance Company's policyholders in having the funds available to obtain replacement coverage, the Receiver is making arrangements to return the unearned portion of policyholders' premium already paid by the policyholders in advance of this cancellation date. The Receiver will make its best efforts to issue the return premium by May 15, 2009.

11. As previously reported to the Court, on April 7, 2009, Coral entered into an agreement with Security First Insurance Company whereby Security First will offer

coverage by May 30, 2009, to Coral's existing HO3 (Homeowner's Policy Form 3) policy holders with an insured value of \$1,000,000.00 or less.

12. As previously reported to the Court, on April 8, 2009, Coral entered into an agreement with MacNeill Group, Inc. ("MacNeill") whereby MacNeill will use its best efforts to obtain replacement coverage by May 30, 2009, to Coral's existing HO3 policyholders with an insured value of greater than \$1,000,000.00.

13. The company will continue to process cancellations requests received with cancellation dates prior to May 31, 2009 in the normal course of business. Based on current projections, it appears the company will have sufficient funds to meet these obligations.

14. The Company will continue to process claims in the normal course of business. Based on current projections, it appears the Company will have sufficient funds to meet these obligations.

15. Once the mass cancellation process is initiated, the company may receive policyholder cancellation request with a cancellation date effective prior to May 31, 2009. In these cases, any additional return premium due to policyholders will be processed on a supplemental basis.

16. The ability to avoid seeking the liquidation of Coral Insurance Company is dependant upon 1) the timely and prompt receipt of amount shown as receivables on the books of Coral Insurance Company; 2) the losses currently shown on the books of Coral Insurance Company developing as expected, and not materially increasing; 3) minimizing the Company's expenses; and 4) no other adverse developments in the Company's financial affairs.

17. To help assure that 1) the Company has adequate funds to administer the Receivership, and 2) avoid any preference/disparate treatment of policyholders/claimants in the event that Coral Insurance Company is liquidated, the Company will retain the first \$100 of the initial claim/return premium payment. This will assure that any potential post-liquidation claimants are treated equally, given the requirements of Section 631.57 (1)(a)2, Florida Statutes. That provision excludes this \$100 amount from the definition of "covered claim." If the Receiver subsequently determines that adequate funds are available, it will process and pay these \$100 retentions.

18. Should it become necessary, the Receiver would seek to place Coral Insurance Company in liquidation.

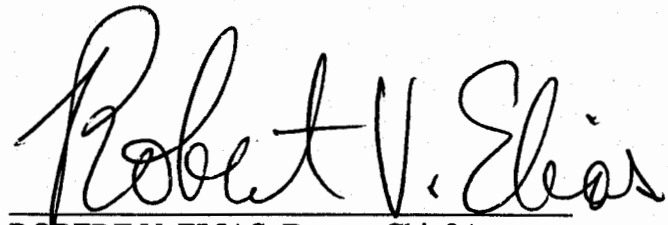
19. This Court's April 9, 2009 Order appointing the department as Receiver for Coral Insurance Company includes Notice of the Automatic Stay, pursuant to Section 631.041, Florida Statutes. The Order prohibits, among other things "The commencement or continuation of any judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof." Given that Coral is continuing to process and pay claims, to the extent necessary, the stay should be modified to allow for the appraisal, mediation and settlement of policyholder claims.

WHEREFORE, the Receiver requests that this Court grant its Motion and entering an Order:

a. Ordering that all policies not otherwise cancelled or otherwise terminated as of 12:01 a.m. on May 31, 2009, be cancelled as of that time and date.

b. Approving the Receiver's plan for payment of claims and return of unearned premium associated with policy cancellations.

c. Modifying the stay entered pursuant to Section 631.041, Florida Statutes, to the extent necessary to allow for the appraisal, mediation and settlement of policyholder claims.



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