

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.

CASE NO.: 2007-CA-186

7 MAR 22 AM 11:10
CIRCUIT CIVIL DIV.
ROYAL PALM
LEON COUNTY FLORIDA

**MOTION FOR APPROVAL OF AGREEMENT WITH SECURITY FIRST INSURANCE
COMPANY AND ROYAL PALM INSURANCE COMPANY**

The Florida Department of Financial Services as Receiver of VANGUARD FIRE AND CASUALTY COMPANY, (“Vanguard”), a Florida corporation in rehabilitation, by and through undersigned counsel, respectfully moves the Court for an Order Approving an Agreement with SECURITY FIRST INSURANCE COMPANY and ROYAL PALM INSURANCE COMPANY (respectively referred to as “Security First” and “Royal Palm”) to offer insurance policies to selected Vanguard homeowners’ insurance, and as grounds therefore states:

1. Vanguard Fire and Casualty Company is a Florida corporation with its principal place of business at 2600 Maitland Center Parkway, Suite 300, Maitland, Florida 32751, and is a domestic insurer authorized to transact an insurance business in this state. This Court ordered the Vanguard into rehabilitation on January 19, 2007.

2. On January 19, 2007, this Court appointed the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay.

3. On March 21, 2007, this Court appointed the Florida Department of Financial Services as Receiver for Purposes of Liquidation, Injunction and Notice of Automatic Stay effective March 26, 2007 at 12:01a.m.

3. As of March 9, 2007, Vanguard had approximately 67,000 in force homeowners’ insurance policies. In an effort to find insurance coverage for the Vanguard’s homeowners’

insurance policyholders, the Receiver initiated discussions with Security First and Royal Palm, two property and casualty insurers domiciled in the State of Florida.

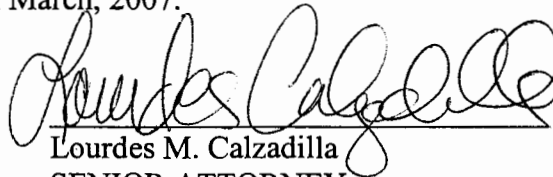
4. As a result of this discussion, Security First and Royal Palm made the following offer: *(A copy of the proposed Agreement is attached as Exhibit "A.")*

A. Security First and Royal Palm agree to pay Vanguard, at its option, consideration of either a renewal rights fee in the amount of 2.5% of written premium based on the first years premium paid by former Vanguard Policyholders to Security First and Royal Palm for a new policy of insurance, or a one time fee in the amount of \$500,000.

5. The Receiver recommends that the Court approve this Agreement because it provides an opportunity for Vanguard's homeowners' insurance Policyholders to obtain a new policy after their Vanguard policy is canceled and / or expires, although Policyholders are under no obligation to accept the coverage offered by Security First and Royal Palm. The Agreement also provides a potential monetary benefit to the Vanguard estate.

WHEREFORE, the Receiver respectfully moves the Court to enter an Order Approving the Agreement with Security First Insurance Company and Royal Palm Insurance Company to offer homeowners' insurance policies to selected Vanguard homeowners' insurance Policyholders.

SUBMITTED on this 22 day of March, 2007.



Lourdes M. Calzadilla
SENIOR ATTORNEY

Florida Bar No. 00139408

Florida Department of Financial Services

Division of Rehabilitation and Liquidation

Post Office Box 110

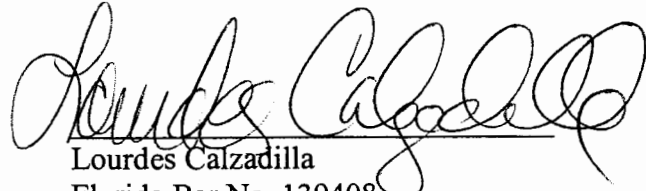
Tallahassee, Florida 32302-0110

(850) 413-4414 – Telephone

(850) 488-1510 – Facsimile

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by U.S. Mail to W. Lockwood Burt , President, Security First Insurance Company and Royal Palm Insurance Company, 140 South Atlantic Avenue, Suite 400, Ormond Beach, FL 32176-6600 this 22 day of March, 2007.


Lourdes Calzadilla
Florida Bar No. 139408

AGREEMENT

This Agreement ("Agreement") is made and effective this 21st day of March, 2007 ("Effective Date"), between the **Florida Department of Financial Services, as Receiver for Vanguard Fire and Casualty Company ("Vanguard")**, whose principal place of business is located at 2020 Capital Circle, S.E., Tallahassee, Florida 32302-0110 and **Security First Insurance Company and Royal Palm Insurance Company** (respectively referred to as "Security First" and "Royal Palm"), whose principal place of business is located at 140 South Atlantic Avenue, Suite 400, Ormond Beach, Florida 32176-6600.

RECITALS

- A. By Court Order entered on January 19, 2007 ("Order"), the Circuit Court of Leon County, Florida ("Court") ordered the rehabilitation of Vanguard Fire and Casualty Company, a property and casualty insurance company, and appointed the Florida Department of Financial Services as its Receiver ("Receiver"); and
- B. Pursuant to the Order of Rehabilitation, the Florida Department of Financial Services as Receiver is in possession of or is now acquiring possession of the assets of Vanguard and is administering those assets under the general supervision of the Circuit Court; and
- C. The Florida Department of Financial Services as Receiver has determined that Vanguard is insolvent and will petition the Circuit Court for an Order of Liquidation and request the Circuit Court's approval to cancel all policies thirty (30) days from the date of the Order; and
- D. Vanguard has outstanding and in force policies issued pursuant to the company's underwriting guidelines, and is exiting this business and canceling those policies pursuant to the Order of Liquidation; and
- E. Security First Insurance Company and Royal Palm Insurance Company are willing to write new policies to replace the policies currently underwritten by Vanguard, marketing those policies under the conditions stated below; and Vanguard has outstanding and in force insurance policies issued pursuant to the company's underwriting guidelines.

NOW, THEREFORE, in consideration of the mutual covenants and understandings contained herein and upon the terms and conditions set forth below, the parties hereto agree as follows:

ARTICLE I

Definitions:

"Agreement" means this Agreement.

"Circuit Court" means the Circuit Court of Leon County, Florida.

"Effective Date" means the effective date of this Agreement, which is March 21st, 2007.

"Liability" means any liability, demand, claim, action or cause of action arising out of or in connection with an insurance policy, including all claims for credits due on the policy, refunds, commission claims of agents in connection with, any premium tax related to, and any special, incidental, consequential, extra-contractual or punitive damages arising out of a policy.

"Notice" means any notice, consent, request, waiver, election and other communication authorized, required or permitted to be given under this Agreement.

"OIR" means the Florida Office of Insurance Regulation.

"Order of Liquidation" means the order for which the Circuit Court will be petitioned to place Vanguard in statutory liquidation.

"Order of Rehabilitation" means the order entered by the Circuit Court on January 19, 2007, that ordered the rehabilitation of Vanguard Fire and Casualty Company and appointed the Florida Department of Financial Services as Receiver.

"Policyholder" means each person identified as an insured in a currently effective insurance policy written by Vanguard.

"Pre-Existing Condition" means damage or loss to property prior to the date of issuance of a policy by Security First or Royal Palm.

"Royal Palm" means Royal Palm Insurance Company, a property and casualty insurance company domiciled in the State of Florida.

"Security First" means Security First Insurance Company, a property and casualty insurance company domiciled in the State of Florida.

"Vanguard" means the Florida Department of Financial Services in its capacity as Receiver of Vanguard Fire and Casualty Company (in Rehabilitation), a property and casualty insurer in the State of Florida.

ARTICLE II

Business Covered /Temporary Exceptions:

Security First and Royal Palm are not assuming any Liability relating to any Vanguard policy. Security First and Royal Palm shall not become a successor in interest of Vanguard that may result in Security First or Royal Palm assuming any obligation or Liability of Vanguard.

Vanguard is not assuming any Liability relating to any Security First or Royal Palm policy. Vanguard shall not be deemed a predecessor in interest of Security First or Royal Palm that may result in Vanguard assuming any obligation or Liability of Security First or Royal Palm.

Security First and Royal Palm will offer a new policy of insurance to all Policyholders of Vanguard in force policies with an effective date of either the thirty first (31st) day following the date of the Order of Liquidation or upon expiration of the Policyholders coverage, whichever event occurs sooner. Vanguard's in force policies that were produced by independent agents, which is seventy-six (76) percent of its current book of business, will be offered policy coverage through Security First. Vanguard's in force policies that were produced by Allstate Floridian Insurance Company agents, which is twenty-four (24) percent of its current book of business, will be offered policy coverage through Royal Palm. Royal Palm and Security First shall not be required to issue policies on properties that have a Pre-Existing Condition until the policyholder submits to Security First or Royal Palm, whichever insurer is offering coverage to the Policyholder, a written representation and warranty that the Pre-Existing Condition has been repaired, together with a picture of the front and back of the insured property. Security First and Royal Palm retain the right to inspect the remedy of any such Pre-Existing Condition, and are only required to offer replacement coverage if the remedy has been performed to Security First or Royal Palm's sole satisfaction.

Upon acceptance of coverage from Security First or Royal Palm, the Policyholder's premium on said policy coverage will be due no later than May 25, 2007.

Vanguard shall provide to Security First and Royal Palm all data from Computer Sciences Corporation ("CSC") or elsewhere in accordance with the data file layout previously provided by Security First and Royal Palm to Vanguard.

ARTICLE III

Notice to Policyholders:

Security First and Royal Palm shall cause to be issued and shall mail to each Policyholder the following:

If the Policyholder's property does not have a Pre-Existing Condition:

1. An introduction letter to each Policyholder from either Security First or Royal Palm.
2. A pre-filled abstract of coverage prepared based on the Vanguard policy data.
3. A premium quote based on the coverage abstract under either Security First or Royal Palm's premium rates.
4. An invoice.

If the Policyholder's property does have a Pre-Existing Condition:

A letter from either Security First or Royal Palm instructing them to contact their

agent or Security First or Royal Palm, whichever insurer is offering the Policyholder coverage, when their Pre-Existing Condition has been remedied.

Vanguard shall cause to be issued and shall mail to each Policyholder the following:

If the Policyholder's property does not have a Pre-Existing Condition:

A letter from Vanguard notifying the Policyholder that his/her policy is being canceled, informing them of this transaction and introducing either Security First or Royal Palm as the replacement insurer. This letter will include information on obtaining a new policy and receiving an unearned premium refund.

If the Policyholder's property does have a Pre-Existing Condition:

A letter from Vanguard notifying the Policyholder that his / her policy is being canceled, informing them of this transaction and introducing either Security First or Royal as the replacement insurer. This letter will include information on the necessity of remedying the Pre-Existing Condition prior to being eligible for obtaining a new policy and receiving an earned premium refund.

All of the materials to be sent out by Security First and Royal Palm shall be reviewed and approved by Vanguard prior to mailing and will be sent out no later than April 20th, 2007.

ARTICLE IV

Indemnification:

Security First and Royal Palm, as applicable, will hold harmless and indemnify Vanguard from and against any liability, cost or expense (including reasonable fees of legal counsel and related disbursements) incurred by Vanguard for any claim, demand, action or cause of action asserted by any third party as a result of or related to: (a) Security First or Royal Palm's breach of any term contained in this Agreement; (b) an insurance policy written by Security First or Royal Palm pursuant to the terms of this Agreement; and (c) Security First or Royal Palm's negligent or wrongful performance or non-performance of its obligations pursuant to this Agreement or any other agreement provided for or contemplated in this Agreement. Neither Security First nor Royal Palm shall be obligated to pay Vanguard any amounts which may be due and payable as a result of the other insurer's indemnity obligations hereunder.

ARTICLE V

Determination of Consideration:

Security First and Royal Palm shall provide Vanguard with documentation reporting all new policies accepted from Vanguard's former Policyholders. This report shall include the

Policyholder's information, the date of the inception of the policy and the premium charged for the coverage. All supporting documentation relating to the reports produced by Security First and Royal Palm will be subject to audit by Vanguard. This report will be provided to the Receiver no later than sixty (60) days after the Order of Liquidation is entered by the Circuit Court. A second "true up" report shall be provided no later than one hundred twenty (120) days after the Order of Liquidation is entered by the Circuit Court and will include final information on any policy cancellations, endorsements, return premium, and other premium data pertaining to the policies issued by Security First and Royal Palm.

Based on the documentation provided by Security First and Royal Palm, Vanguard, at its option, will determine the consideration to be paid by Security First and Royal Palm for the information received from Vanguard that assisted Security First and Royal Palm in writing the new policies. The consideration to be provided by Security First and Royal Palm, as applicable, to Vanguard will be either a renewal rights fee in the amount of 2.5% of written premium based on the first year's premium paid by former Vanguard Policyholders to either Security First or Royal Palm for a new policy of insurance, or a one time fee in the amount of \$500,000.00; in either event, said amount shall be allocated on a prorata basis and paid by either Security First or Royal Palm, based on the number of policies issued by each entity to former Vanguard Policyholders. Neither Security First nor Royal Palm shall be obligated to pay Vanguard any amounts which may be due and payable by the other insurer pursuant to the terms of this Agreement. Once Vanguard establishes the amount of consideration to be paid to it by Security First and Royal Palm, it will notify Security First and Royal Palm in writing of its determination. Security First and Royal Palm will pay the portion of the amount due from such entity based on the formula defined above within thirty (30) days from the date receipt of written communication from Vanguard.

ARTICLE VI

Further Instruments:

The parties hereto agree to execute and deliver such further instruments and do such further acts as may be reasonably necessary and proper to carry out the purposes of this Agreement.

ARTICLE VII

Partial Invalidity:

If any court holds any provision of this Agreement or its applicability to any person or circumstance invalid, the remainder of this Agreement, including the remainder of the section in which such provision appears, or the applicability of such provision to other persons or circumstances, shall not be affected thereby.

ARTICLE VIII

Entire Understanding:

This Agreement contains the entire understanding of the parties with respect to the subject matter hereof; there are no restrictions, promises, warranties, covenants or undertakings with respect to such subject matter, other than those expressly set forth herein; and this Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

ARTICLE IX

Burden and Benefit:

This Agreement is binding on and shall inure to the benefit of the parties hereto, their successors and assigns.

ARTICLE X

Counterparts:

This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ARTICLE XI

Notices:

All notices, consents, requests, waivers, elections and other communications (collectively "Notices") authorized, required or permitted to be given under this Agreement shall be addressed as follows:

If to Security First:

W. Lockwood Burt, President
Security First Insurance Company
140 South Atlantic Avenue, Suite 400
Ormond Beach, Florida 32176-6600

If to Royal Palm:

W. Lockwood Burt, President
Royal Palm Insurance Company
140 South Atlantic Avenue, Suite 400
Ormond Beach, Florida 32176-6600

If to Vanguard:

The Florida Department of Financial Services as Receiver for
Vanguard Fire and Casualty Company
P.O. Box 110
Tallahassee, FL 32302-0110

All Notices must be given in writing, mailed by first class registered or certified mail, and shall be deemed to be received three (3) days after the day of mailing. Either party may change its address for the receipt of Notices or the party to whose attention Notices are sent at any time by giving notice thereof to the other party hereto. In the event that any legal process, notice, regulatory bulletin, is served on one party in a legal action or proceeding against the other party, or for any other reason whatsoever, the party receiving the process, notice or regulatory bulletin, shall promptly and forthwith forward such process, notice or bulletin to the other party as directed above, via registered or certified mail, and with an additional copy sent via fax.

ARTICLE XII

No Intermediary:

The parties represent and warrant to each other that no intermediary was involved in the transactions contemplated by this Agreement nor are any payments being made as a result of the transactions contemplated by this Agreement.

ARTICLE XIII

No Third Party Beneficiaries:

This Agreement shall not confer any rights or remedies upon any person other than the parties and their respective affiliates or successors.

ARTICLE XIV

Jurisdiction:

The Circuit Court of Leon County, Florida ("Receivership Court") shall have exclusive jurisdiction with respect to this Agreement.

ARTICLE XV

Applicable Law:

The laws of the State of Florida shall govern this Agreement.

ARTICLE XVI

Drafting of Agreement:

All parties participated in the drafting of this Agreement. Any language in this Agreement determined to be ambiguous shall not be construed against any party by reason of having drafted said language.

ARTICLE XVII

Approval of Receivership Court:

This enforceability of this Agreement is subject to the approval of the Receivership Court.

**FLORIDA DEPARTMENT OF FINANCIAL SERVICES
AS RECEIVER FOR VANGUARD FIRE AND CASUALTY COMPANY**

By: _____ Witness: _____
Title: _____ Date: _____
Date: _____

SECURITY FIRST INSURANCE COMPANY

By: [Signature] _____ Witness: [Signature] _____
Title: President _____ Date: 4/21/07 _____
Date: 4/21/07 _____

ROYAL PALM INSURANCE COMPANY

By: [Signature] _____ Witness: [Signature] _____
Title: President _____ Date: 4/21/07 _____
Date: 4/21/07 _____