



CHIEF FINANCIAL OFFICER  
STATE OF FLORIDA

TOM GALLAGHER

April 27, 2006

Dear Members,

I wanted to take the opportunity to communicate directly with you regarding recent and expected action by the Department of Financial Services on Southern Family, Atlantic Preferred and Florida Preferred. Based on recommendations from the Office of Insurance Regulation, a judge has ordered Southern Family into rehabilitation and appointed our department as receiver. The court is expected to also put Atlantic Preferred into rehabilitation by May 1 and Florida Preferred by June 1. As receiver, our department will marshal the company's resources and move quickly to pay outstanding claims.

Insurance Commissioner Kevin McCarty carefully reviewed the financial condition of both companies before recommending they enter into rehabilitation. I firmly believe that his recommendations and the court's action is in the best interest of the policyholders you serve and I am asking for your help during this transition period.

My goal is to ensure policyholders experience no gaps or loss in coverage during the hurricane season. If coverage in the admitted market is unavailable, policyholders will be automatically transitioned to Citizens Property Insurance Corporation by June 30. There will not be a need to fill out any applications or to contact Citizens to obtain coverage. The transition will be implemented over a twelve-month period rather than in a 30-day window.

As an important part of this transition, we are asking for your help in placing customers with the private market where possible. We share in your frustration over the limited choices available. If private replacement coverage is not found by June 30, policyholders will automatically transfer to Citizens without any change in coverage or premium. If by their renewal date they still have not found replacement coverage, a Citizens policy reflecting Citizens rates will be offered.

Thank you in advance for your assistance in making this transition process as smooth as possible. We will keep you informed as new developments arise. If you have any questions or want more information, go to our website at [www.fldfs.com](http://www.fldfs.com) or call us at 1-800-342-2762.

We have met many challenges over the past two hurricane seasons and this is yet another that we will tackle together. Thank you for your service during these challenging times.

Sincerely,

Tom Gallagher

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