



DEPARTMENT OF FINANCIAL SERVICES

Division of Rehabilitation and Liquidation
www.floridainsurancereceiver.org

Si necesita una versión en español de este aviso, visite el sitio web de la
División de Rehabilitación y Liquidación www.floridainsurancereceiver.org
(If you need a Spanish version of this notice, visit the Receiver's website at www.floridainsurancereceiver.org)

NOTICE TO AGENT OR BROKER – May 5, 2010

Liquidation of Magnolia Insurance Company

On April 30, 2010, Magnolia Insurance Company (“Magnolia”) was ordered into receivership for purposes of liquidation by the Second Judicial Circuit Court in Leon County, Florida. The Florida Department of Financial Services is the court appointed Receiver of Magnolia. A copy of the Liquidation Order for Magnolia is available on the Receiver's website, www.floridainsurancereceiver.org.

Background Company Information:

Magnolia, a Florida corporation licensed in 2008, is headquartered in Coconut Grove, Florida. The company previously wrote homeowners policies in Florida and has been in a run-off mode while in a public Administrative Supervision since December 2009. Magnolia had approximately 36,000 policies in force as of the liquidation date. The company is only licensed in the state of Florida.

DUTY OF AGENTS TO NOTIFY POLICYHOLDERS:

The Receiver is sending this notice of the receivership proceedings to all of the Magnolia agents of record in order to provide them with information to better assist them in advising the Magnolia policyholders who are their clients. **As you are an agent of record, you are advised that the April 30, 2010 Liquidation Order significantly affects the company's policyholders and legally imposes certain obligations on you.**

As agent for Magnolia and pursuant to Section 631.341, Florida Statutes, you are required to provide a written notice of the receivership, by registered or certified mail, to policyholders whose policy has not been replaced or reinsured with a solvent authorized insurer. A copy of Section 631.341, Florida Statutes, is found at the end of this notice. At this time, the Receiver intends to send a notice of the liquidation proceeding to each of the Magnolia policyholders. Please note, however, that you are still required to

provide notice to policyholders under Section 631.341, Florida Statutes. When providing notice of the liquidation to the policyholders, you should inform them that:

- Magnolia's insurance policies are cancelled effective 11:59:59 p.m. on May 30, 2010, unless otherwise terminated prior to that date
- The claims filing deadline for filing claims in the receivership proceeding after liquidation is 11:59 p.m. on May 2, 2011; and
- The deadline for pursuing any claims with the Florida Insurance Guaranty Association ("FIGA"), after liquidation, is May 2, 2012.

POLICY CANCELLATION UNDER LIQUIDATION ORDER:

Under the Liquidation Order, all policies are cancelled effective 11:59:59 p.m. on May 30, 2010, unless otherwise terminated prior to that date. Upon liquidation, property and casualty insurance policies are covered by the Florida Insurance Guaranty Association ("FIGA") for a period of no more than 30 days and subject to the limits provided in Florida Statute. See below for further details. Until further notice, please continue to contact Magnolia's customer service department by phone at 1-877-828-2149 or by fax at 1-954-837-4355 for all questions relating to Magnolia policy and coverage issues.

The Receiver is *strongly* urging policyholders to work with their agents in seeking replacement insurance coverage as soon as possible prior to the beginning of the 2010 hurricane season.

PREMIUM ISSUES:

Until directed otherwise, policyholders with installment payment plans should continue to pay premiums as usual in order to continue their insurance coverage with Magnolia until 11:59:59 p.m. on May 30, 2010. Upon liquidation, the FIGA is responsible for paying claims for premium refunds/unearned premium. A \$100 statutory deductible will be taken from the amount owed. If the premium refund due is \$100 or less, a refund will not be processed by or on behalf of FIGA. A policyholder may have a claim in the Magnolia liquidation proceeding for the \$100 deductible or the gross refund less than \$100.

In accordance with Section 631.155, Florida Statutes, and paragraph "S" on page 7 of the Magnolia Liquidation Order, all premiums and unearned commissions you collected on behalf of Magnolia must be accounted for and paid directly to the Receiver within 30 days. No agent, broker, premium finance company or other person may use premium monies owed to Magnolia for refund of unearned premium or for any purpose other than payment to the Receiver. Violation constitutes contempt of Court. You have the right to appear before the Court and show cause if you feel that you are not required to account to the Receiver.

Until further notice, please remit premiums and unearned commissions to Magnolia as normal.

POST LIQUIDATION CLAIMS ISSUES (FOR LOSSES INCURRED PRIOR TO 11:59:59 P.M. ON MAY 30, 2010):

With the entry of the Liquidation Order, FIGA was activated to help pay outstanding claims for property and casualty policies. The processing and payment of pending covered claims will be made by FIGA (subject to the lesser of policy limits or FIGA's maximum cap) after the liquidation date. The maximum amount FIGA will cover is \$300,000 with special limits applying to (1) damages to structure and contents on homeowners' claims and (2) condominium and homeowners' association claims. For damages to structure and contents on homeowners' claims, the FIGA cap is an additional \$200,000. For condominium and homeowners' association claims the cap will be \$100,000 multiplied by the number of units in the association. No claim will be paid in excess of this cap. All claims are subject to a \$100 deductible over and above any deductible identified in the Magnolia policy. A policyholder may file a claim in the Magnolia receivership for the \$100 deductible and for amounts over the cap. See below for information on filing a claim in the liquidation proceeding. For additional general information regarding FIGA, please visit the guaranty association's website at www.figafacts.com.

Claims Filing Deadline: All policyholders should be informed that, under the Liquidation Order, the deadline for filing claims in the Magnolia receivership is 11:59 p.m. on May 2, 2011. Instructions on filing a claim in the Magnolia liquidation proceeding will be posted on the Receiver's website, www.floridainsurancereceiver.org. In accordance with Section 631.68, Florida Statutes, the deadline for settling a claim or filing suit against FIGA is May 2, 2012 (i.e., one year after the Receiver's claim filing deadline).

CONTACT INFORMATION:

Until further notice, all policy and claims related questions regarding Magnolia should be directed to Magnolia's Customer Service Department by phone at 1-877-828-2149 or by fax at 1-954-837-4355. Hours of operation are Monday – Friday from 8:00 AM – 4:45 PM, Eastern Time.

CONTACTING THE RECEIVER:

You may contact the Receiver by using the “Contact Us” form at the Receiver's website, www.floridainsurancereceiver.org if you have any non-claims related questions regarding the receivership (for claims questions, please refer to the phone numbers provided above). You may also contact the Florida Department of Financial Services, as Receiver, at (850) 413-3081 or toll free at 1-800-882-3054 (for Florida residents only).

Your anticipated cooperation and assistance in these matters is greatly appreciated.

AGENTS DUTY TO THEIR POLICYHOLDERS IN AN INSOLVENCY OF AN INSURANCE COMPANY

Section 631.341, Florida Statutes (2009)

631.341 Notice of insolvency to policyholders by insurer, general agent, or agent.—

- (1) The receiver shall, immediately after appointment in any delinquency proceeding against an insurer in which the policies have been canceled, give written notice of such proceeding to each general agent and licensed agent of the insurer in this state. Each general agent and licensed agent of the insurer in this state shall forthwith give written notice of such proceeding to all subagents, producing agents, brokers, and service representatives writing business through such general agent or licensed agent, whether or not such subagents, producing agents, brokers, and servicing representatives are licensed or permitted by the insurer and whether or not they are operating under a written agency contract.
- (2) Unless, within 15 days subsequent to the date of such notice, all agents referred to in subsection (1) have either replaced or reinsured in a solvent authorized insurer the insurance coverages placed by or through such agent in the delinquent insurer, such agents shall then, by registered or certified mail, send to the last known address of any policyholder a written notice of the insolvency of the delinquent insurer.
- (3) The license, permit, or certificate of authority of any person, firm, or corporation which fails to comply with the provisions of this section is subject to revocation as otherwise provided by law.
- (4) If such person, firm, or corporation is not licensed or permitted or the holder of a certificate of authority under any section of this code, such person, firm, or corporation, or the officers and directors thereof, are, upon failure to comply with the provisions of this section, guilty of a misdemeanor of the first degree, punishable as provided in s. 775.082 or by a fine of not more than \$5,000.

History.--s. 750, ch. 59-205; s. 15, ch. 70-27; s. 809(1st), ch. 82-243; s. 24, ch. 83-38; ss. 187, 188, ch. 91-108; s. 4, ch. 91-429; s. 68, ch. 2002-206.