

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

State of Florida, ex rel., the
DEPARTMENT OF FINANCIAL SERVICES of
The State of Florida,

Relator,

vs.

CASE NO: _____

SUNSHINE STATE INSURANCE COMPANY,

Respondent,

_____ /

**PETITION FOR ORDER APPOINTING THE FLORIDA DEPARTMENT OF
FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF LIQUIDATION,
INJUNCTION, AND NOTICE OF AUTOMATIC STAY**

The Florida Department of Financial Services (hereinafter the "Department") hereby petitions this Court pursuant to Sections 631.031 and 631.061, Florida Statutes, for a consent order of liquidation of Sunshine State Insurance Company (hereinafter the "Respondent" or "Company"). In support of its Petition, the Department states:

1. This Court has jurisdiction pursuant to Section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a domestic property and casualty insurer since November 21, 1997. Respondent's principal place of business is located at 12724 Gran Bay Parkway West, Suite 150, Jacksonville, FL 32258.
3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled insurer.

4. Sections 631.031 and 631.061, Florida Statutes, empower the Department to petition this Court for an order directing it to liquidate a domestic insurer upon the existence of any of the grounds specified in Section 631.051, Florida Statutes, or if such an insurer is or is about to become insolvent. Further, Section 631.025(2), Florida Statutes, authorizes the Department to initiate delinquency proceedings against any insurer if the statutory grounds are present as to that insurer.

5. Pursuant to Section 631.031(1), Florida Statutes, by letter dated May 30, 2014, Kevin McCarty, Commissioner of the Office of Insurance Regulation, advised Florida's Chief Financial Officer, Jeff Atwater that the Office of Insurance Regulation ("OIR") concluded grounds existed for the initiation of delinquency proceedings against Respondent. A copy of the letter is attached as Exhibit A.

6. On March 10, 2014, Respondent consented to the appointment of the Department as Receiver for the purposes of liquidation pursuant to Sections 631.051(11) and 631.061, Florida Statutes. A copy of the Stipulation and Consent to Receivership and Liquidation signed by Respondent is attached as Exhibit B.

7. Sections 631.051(11) and 631.061, Florida Statutes, authorize the Department to petition this Court for an order directing it to rehabilitate or liquidate a domestic insurer upon the ground that the insurer has consented to such an order through the majority of its directors, stockholders, members or subscribers.

8. In addition to the consent pursuant to Section 631.051(11), Florida Statutes, the Department has learned that the Respondent is insolvent as that term is defined in Section 631.011(14), Florida Statutes. The basis for this determination is as follows:

a. The Respondent has insufficient unearned premium reserves to return unearned premium to all of its policyholders should coverage be terminated, nor is it able to transfer sufficient unearned premium associated with its policies to another insurer interested in assuming the business.

b. An order of liquidation is necessary to trigger the obligations of the Florida Insurance Guaranty Association to cover losses to Respondent's policyholders, including the payment of unearned premium.

c. Respondent has not obtained adequate reinsurance for the 2014 hurricane season, which begins June 1, 2014. The majority of Respondent's current catastrophe reinsurance program, including reinsurance from the Florida Hurricane catastrophe Fund expires June 1, 2014, leaving policyholders of SSIC unprotected.

d. The Department has learned that several material adjustments to the company's financial statements are required, thus rendering it insolvent within the meaning of Section 631.011(14), Florida Statutes.

9. Further grounds for receivership exist pursuant to 631.051(3), Florida Statutes, that the Respondent is in such condition as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, creditors, stockholders, or the public.

10. Therefore, the Department requests, pursuant to Section 631.061(1), Florida Statutes, the entry of an Order Appointing the Department as Receiver for Purposes of Liquidation that will allow the Department to conserve the assets of Respondent and enable the Department to better assist the policyholders/claimants.

11. Accordingly it is in the best interests of Respondent, its creditors and insureds that the relief requested in the petition be granted.

12. The Department advises that it is working with the Office of Insurance Regulation, the Florida Insurance Guaranty Association and United Insurance Holdings Corporation on a Transition Plan to provide continued coverage for Respondent's policyholders. This Transition Plan is still under development and is subject to approvals by the Office, FIGA, United and this Court. This Plan anticipates that pursuant to Section 631.252(1)(c), Florida Statutes, to provide continuous coverage and maximum benefit to policyholders, policies subject to this Transition Plan will be **cancelled effective 12:01a.m. on June 29, 2014**. The Department should be directed to present this plan for approval within 7 days of the issuance of the requested Order, or further advise the Court concerning its efforts to effectuate a transition for these Florida policies.

WHEREFORE, the Florida Department of Financial Services respectfully petitions this Court to appoint the Department as Receiver for the purposes of liquidation as proposed in the Order attached as Exhibit C.

RESPECTFULLY SUBMITTED on this 29 day of June, 2014.



YAMILE BENÍTEZ-TORVISO

Senior Attorney

Florida Bar No.: 151726

HELENA CRUZ SANCHEZ

Senior Attorney

Florida Bar No.: 61250

JAMILA GOODEN

Senior Attorney

Florida Bar No.: 46740

Florida Department of Financial Services

Division of Rehabilitation and Liquidation

2020 Capital Circle, S.E., Suite 310

Tallahassee, FL 32301

Telephone: (850) 413-4474

Facsimile: (850) 413-3990
Helena.Sanchez@myfloridacfo.com



OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

**FINANCIAL SERVICES
COMMISSION**

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF
AGRICULTURE

May 30, 2014

The Honorable Jeff Atwater
Chief Financial Officer
Department of Financial Services
The Capitol, PL-11
Tallahassee, FL 32399

Via Email

Re: Sunshine State Insurance Company

Dear Chief Financial Officer Atwater:

Please be advised that the Office of Insurance Regulation (hereinafter "the Office") has determined that one or more grounds exist for the initiation of delinquency proceedings pursuant to Part I, Chapter 631, Florida Statutes, against Sunshine State Insurance Company (hereinafter "SSIC"). The Office specifically references Sections 631.051 and 631.061, Florida Statutes (2013). SSIC is a domestic insurer authorized to transact insurance business in the State of Florida.

SSIC entered into a Consent Order dated March 11, 2014 in Office Case Number 149915-14-CO, which is attached hereto as Exhibit A (hereinafter "the Order"). Pursuant to paragraph 6.b. of the Order, SSIC agreed to the requirement "to either infuse capital to bring surplus to" \$15 million or "present an executed agreement for the acquisition or recapitalization of [SSIC] to the Office accompanied by a good faith security deposit." In the event these actions did not occur by May 15, 2014, SSIC further agreed "to cancel or transfer policies to another licensed insurer and provide forty-five (45) days written notice to its policyholders" as prescribed by law. Such transfer of policies would require "prior approval by the OFFICE and transfer of the policies will require the transfer of unearned premium associated with those policies." Order, ¶6.b.

Collateral with the entry of the Order discussed above, SSIC executed a Consent to Appointment of Receiver (Exhibit B). By the Consent, SSIC acknowledged "that the failure to comply with

Consent Order 149915-14-CO by 5:00 p.m. on May 30, 2014, establishes grounds for the appointment of a Receiver for the purpose of Rehabilitation or Liquidation pursuant to Sections 631.051 and 631.061, Florida Statutes.” SSIC further agreed that the Department, at its sole discretion, could petition for the appointment of the Department as Receiver “for purposes of Rehabilitation or Liquidation and consents to any injunctions [the] Court deems necessary and appropriate.”

On or about May 14, 2014, SSIC submitted a non-binding Letter of Intent from United Property & Casualty Insurance Company (hereinafter “UPC”) whereby UPC agreed to acquire SSIC, contingent upon UPC’s satisfactory “due diligence” of SSIC.

However, at the conclusion of its due diligence of SSIC, UPC determined that it would “terminate” the Letter of Intent to acquire SSIC (Exhibit C). Further, SSIC failed to present any other proposed transaction or plan for increasing its surplus to \$15 million, being acquired, or transferring SSIC’s policies to another licensed insurer by the close of business, Friday, March 30, 2014. Accordingly, based on the foregoing, the Office has determined that the following ground for the appointment of a Receiver exists:

- Subsection 631.041(11) – consent to an order of rehabilitation or liquidation.

Therefore, the Office refers SSIC to the Department for the appointment of a Receiver, with the recommendation that the Department proceed with the immediate liquidation of SSIC. This recommendation is based in part on the fact that SSIC has not obtained adequate reinsurance for the hurricane season, which begins June 1, 2014. SSIC has not purchased coverage from the Florida Hurricane Catastrophe Fund for the upcoming 2014 hurricane season. Virtually all of SSIC’s current catastrophe reinsurance program, including reinsurance from the Florida Hurricane Catastrophe Fund expires June 1, 2014, leaving policyholders of SSIC unprotected.


Additionally, SSIC has insufficient unearned premium reserves to return unearned premium to all of its policyholders should coverage be terminated, nor is it able to transfer sufficient unearned premium associated with its policies to another insurer interested in assuming the business. An order of liquidation is necessary to trigger the obligations of the Florida Insurance Guaranty Association to cover losses to SSIC policyholders, including the payment of unearned premium, within the association’s statutory limits.

For the protection of SSIC’s policyholders, and for all of the foregoing reasons, the Office recommends and requests that the Department immediately place SSIC in receivership for the purposes of liquidation. The Office will provide by Monday, June 2, 2014, proposals received from Florida domestic property insurers that are interested in immediately providing substitute coverage to SSIC policyholders. The Office will also provide the Receiver with an analysis of various quantitative metrics of those companies to assist the Receiver in its evaluation of the proposals.

As always, the Office stands ready to provide any additional information or assistance the Department requires in order for this matter to proceed as expeditiously as possible.

Thank you for your attention to this matter.

Sincerely,



Kevin M. McCarty
Commissioner

cc: John Hale, Acting General Counsel
Department of Financial Services

Sha'Ron James, Director
Division of Rehabilitation and Liquidation
Department of Financial Services

Attachments



FILED

MAR 11 2014

OFFICE OF
INSURANCE REGULATION
Dictated by TSK

OFFICE OF INSURANCE REGULATION

Kevin M. McCarty
Director

IN THE MATTER OF:

CASE NO.: 149915-14-CO

SUNSHINE STATE INSURANCE COMPANY

CONSENT ORDER

THIS CAUSE came on for consideration upon the agreement between SUNSHINE STATE INSURANCE COMPANY (hereinafter referred to as "SUNSHINE STATE") and the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") regarding the financial condition of SUNSHINE STATE. After a complete review of the entire record and upon consideration thereof, and being otherwise advised in the premises, the OFFICE finds as follows:

1. The OFFICE has jurisdiction over the parties and subject matter of this action.
2. SUNSHINE STATE is a domestic property and casualty insurer authorized to do business in the State of Florida and is subject to regulation by the OFFICE, pursuant to the Florida Insurance Code.
3. On or about February 24, 2014 SUNSHINE STATE notified the OFFICE that the required 2013 annual financial statements, due March 1, 2014, would not be timely filed. SUNSHINE STATE indicated that a possible accounting error, related to catastrophe excess of loss reinsurance contracts entered into in 2008 and 2011, had been recently discovered.

SUNSHINE STATE further indicated that the journal entry required to correct the error was going to reduce SUNSHINE STATE's surplus as regarding policyholders reported in the 2013 annual financial statements. In addition to the impact of correcting this accounting error, SUNSHINE STATE represented that surplus would be negatively impacted by operational losses incurred during the ordinary course of business during the fourth quarter of 2013.

4. SUNSHINE STATE, in a meeting with the OFFICE on Wednesday March 5, 2014, made material representations that the decrease to surplus described in paragraph three (3) will not result in impairment, insolvency, or otherwise result in SUNSHINE STATE being out of compliance with the Florida Insurance Code including solvency requirements under Sections 624.408, 624.4085, and 624.4095, Florida Statutes. SUNSHINE STATE acknowledges that said representations have been relied upon by the OFFICE in its determination to enter into this Consent Order.

5. SUNSHINE STATE acknowledges that at any time an officer or director knows or should know that the capital or surplus of SUNSHINE STATE is impaired, whether or not delinquency proceedings have been or are to be initiated, no officer or director of SUNSHINE STATE shall authorize or permit SUNSHINE STATE to solicit or accept new policies or renewal of policies, pursuant to Section 626.9541(1)(w), Florida Statutes.

6. SUNSHINE STATE agrees that upon execution of this Consent Order, it shall be bound by the following terms and conditions:

a. SUNSHINE STATE agrees to file the 2013 annual financial statements as required by Section 624.424, Florida Statutes, by 5:00 p.m. on March 26, 2014.

b. SUNSHINE STATE agrees that by May 15, 2014, it will have an agreement to either infuse capital to bring surplus to the level required of a newly admitted

company of fifteen million U.S. Dollars (\$15,000,000), pursuant to Section 624.408, Florida Statutes or present an executed agreement for the acquisition or recapitalization of SUNSHINE STATE to the OFFICE accompanied by a good faith security deposit. If the required action has not been accomplished by May 15, 2014, SUNSHINE STATE agrees to cancel or transfer policies to another licensed insurer and provide forty-five (45) days written notice to its policyholders as required by Section 627.4133, Florida Statutes. SUNSHINE STATE agrees that the licensed insurer chosen for transfer of policies will require prior approval by the OFFICE and the transfer of policies will require the transfer of unearned premium associated with those policies.

c. SUNSHINE STATE agrees to discontinue writing any new Florida direct or indirect business until the terms of this consent order are fulfilled.

d. SUNSHINE STATE agrees to continue to service its existing business in Florida and shall continue to honor all claims and liabilities arising under its contractual obligations as they relate to all of its policies issued in this state.

e. SUNSHINE STATE agrees that it will not pay commissions for reinsurance to U.S. Re Companies, Inc. or its affiliates, nor make any payments to affiliates of SUNSHINE STATE unless approved by the OFFICE.

f. SUNSHINE STATE agrees to provide an accounting of all payments to and from affiliates between January 1, 2013 and March 6, 2014 by March 31, 2014.

7. SUNSHINE STATE expressly waives a hearing in this matter, the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which it may be entitled by law or rules of the OFFICE. SUNSHINE STATE hereby knowingly and voluntarily waives all rights to challenge or to contest this Consent Order in any

forum now available to it, including the right to any administrative proceedings, circuit or federal court action or any appeal.

8. SUNSHINE STATE agrees that the failure to adhere to one or more of the terms and conditions of this Consent Order shall constitute a violation of a lawful order of the OFFICE and shall subject SUNSHINE STATE to such administrative action as the OFFICE may deem appropriate.

9. The OFFICE may extend or waive any deadline or requirement in this Consent Order by written notice, subject to any limitations under applicable statutes or administrative regulations.

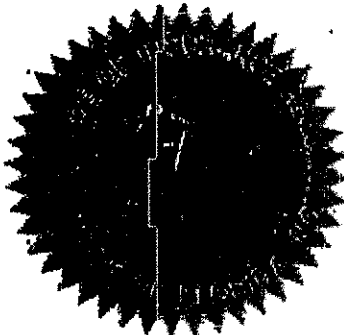
10. Each party to this action shall bear its own costs and attorney fees.

11. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has executed a copy of this Consent Order bearing the signature of SUNSHINE STATE or its authorized representative, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SUNSHINE STATE agrees that its signature as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, the agreement between SUNSHINE STATE and the OFFICE, the terms and conditions of which are set forth above is APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 11th day of March, 2014.




Kevin M. McCarty, Commissioner
Office of Insurance Regulation

By execution hereof, SUNSHINE STATE INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind SUNSHINE STATE INSURANCE COMPANY to the terms and conditions of this Consent Order.



SUNSHINE STATE INSURANCE COMPANY

[Signature]

Name: JOSEPH F. BRONKHORST

Title: PRESIDENT & CEO

Date: 3/10/14

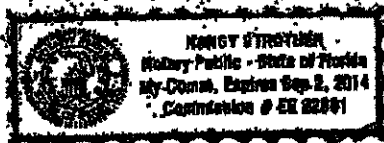
STATE OF FLORIDA

COUNTY OF DUAL

The foregoing instrument was acknowledged before me this 10th day of March 2014

by Joseph F. Bronkhorst Officer
(Name of Person) (Type of Authority - e.g. officer, trustee, manager, etc.)

for SUNSHINE STATE INSURANCE COMPANY
(Company Name)



[Signature]
(Signature of the Notary)

NANCY STROTHER
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known ☒ OR Produced Identification ☐

Type of Identification Produced N/A

COPIES FURNISHED TO:

JOSEPH F. BRAUNSTEIN, JR., CHIEF EXECUTIVE OFFICER
Sunshine State Insurance Company
12724 Gran Bay Parkway West, Suite 150
Jacksonville, FL 32258-9486
Telephone: (904) 365-6200

TAL PICCIONE, CHAIRMAN OF THE BOARD
Sunshine State Insurance Company
12724 Gran Bay Parkway West, Suite 150
Jacksonville, FL 32258-9486
Telephone: (904) 365-6200

BRIAN MAY, GOVERNMENT ADVISOR
Floridian Partners, LLC
235 Catalonia Avenue
Coral Gables, FL 33134
Telephone: (305) 461-4260
Email: bmay@fiapartners.com

BETH A. VECCHIOLI, SENIOR POLICY ADVISOR
Holland & Knight
315 South Calhoun Street, Suite 600
Tallahassee, FL 32301
Telephone: (850) 425-5623
Email: beth.vecchioli@hklaw.com

DAVID ALTMAIER, DIRECTOR
Florida Office of Insurance Regulation
Property and Casualty Financial Oversight
Larson Building, 2nd Floor
200 East Gaines Street
Tallahassee, FL 32399-0327
Telephone: (850) 413-3849
Email: david.altmaier@flor.com

VIRGINIA CHRISTY, ASSISTANT GENERAL COUNSEL
Florida Office of Insurance Regulation
Legal Services Office
Larson Building, 6th Floor
200 East Gaines Street, Room 646A
Tallahassee, FL 32399-0327
Telephone: (850) 413-4220
Email: virginia.christy@flor.com



OFFICE OF INSURANCE REGULATION

KENNETH M. MCCARTHY
COMMISSIONER

CONSENT TO APPOINTMENT OF RECEIVER

IT IS HEREBY agreed as follows:

1. SUNSHINE STATE INSURANCE COMPANY, a property and casualty insurer, (hereinafter referred to as "Respondent"), is a domestic insurer that is authorized to transact insurance business in the State of Florida.
2. Respondent acknowledges that the failure to comply with Consent Order 149915-14-CO by 5:00 p.m. on May 30, 2014 establishes grounds for the appointment of a Receiver for the purpose of Rehabilitation or Liquidation pursuant to Sections 631.051 and 631.051, Florida Statutes.
3. Pursuant to Section 631.051 and 631.051, Florida Statutes, Respondent consents through a majority of its attorney-in-fact, directors, stockholders, members, officers, trustees, or subscribers, to the entry of an Order of Rehabilitation or Liquidation, at the sole discretion of the Department of Financial Services (hereinafter referred to as the "DEPARTMENT"), appointing DEPARTMENT as Receiver, for purposes of Rehabilitation or Liquidation, and consents to any injunctions this Court deems necessary and appropriate.
4. SUNSHINE STATE agrees to waive its right to contest the initiation of delinquency proceedings by the DEPARTMENT in any forum and waives notice and hearing on

the DEPARTMENT's Petition to Appoint Receiver. SUNSHINE STATE further agrees that the DEPARTMENT shall have the sole discretion to determine whether SUNSHINE STATE shall be placed into rehabilitation or liquidation.

By execution of this SUNSHINE STATE INSURANCE COMPANY consents to the appointment of DEPARTMENT OF FINANCIAL SERVICES as receiver for purposes of Rehabilitation or Liquidation, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind SUNSHINE STATE INSURANCE COMPANY to the terms and conditions above.



SUNSHINE STATE INSURANCE COMPANY

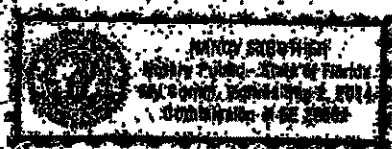
By: Joseph E. Brownstein Jr.
President & Director
Title: President & CEO
Date: 3/16/12

STATE OF FLORIDA
COUNTY OF DUVAL

The foregoing instrument was acknowledged before me this 16th day of March, 2012

By Joseph E. Brownstein Jr. as Officer
(Name of Person) (Type of Authority - e.g. officer, trustee, attorney-in-fact)

For SUNSHINE STATE INSURANCE COMPANY
(Company Name)



Nancy Strother
(Signature of Notary)
NANCY STROTHER
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known 1 OR Produced Identification _____
Type of Identification Produced N/A



May 28, 2014

Confidential

Sunshine State Insurance Holding Company
C/O Mr. Steven H. Nigro
TAG Financial Institutions Group, LLC.
Empire State Building
350 Fifth Avenue, Suite 5310
New York, NY 10020

Re: Proposal to Acquire Sunshine State Insurance Company

Dear Steven:

On behalf of United Insurance Holdings Corporation, we appreciate the opportunity to have evaluated the potential transaction with Sunshine State Insurance Holding Company. We thank you for the tremendous amount of time and effort devoted by you and your client in aiding our review and analysis.

Based on a comprehensive due diligence investigation, a significant investment of resources, and careful consideration, United Insurance Holdings Corporation must terminate the non-binding letter of intent dated May 15, 2014.

Sincerely,

United Insurance Holdings Corporation

A handwritten signature in black ink, appearing to read "John Forney", is written over a horizontal line.

By:

Name: John Forney

Title: President & CEO

EXHIBIT "C"

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

State of Florida, ex rel., the
DEPARTMENT OF FINANCIAL SERVICES of
The State of Florida,

Relator,

vs.

CASE NO: _____

SUNSHINE STATE INSURANCE COMPANY,

Respondent,

_____ /

**CONSENT ORDER APPOINTING THE FLORIDA DEPARTMENT OF FINANCIAL
SERVICES AS RECEIVER FOR PURPOSES OF LIQUIDATION,
INJUNCTION AND NOTICE OF AUTOMATIC STAY**

THIS CAUSE was considered on the Petition of the State of Florida, Department of Financial Services (hereinafter the "Department") for entry of an Order of liquidation of Sunshine State Insurance Company (hereinafter the "Respondent" or "Company"). The Court, having reviewed the pleadings of record, and otherwise being fully informed in the premises finds that:

1. This Court has jurisdiction pursuant to section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the state of Florida as a domestic property and casualty insurer since November 21, 1997. Respondent's principal place of address is located at 12724 Gran Bay Parkway West, Suite 150, Jacksonville, FL 32258.
3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of

liquidating, rehabilitating, reorganizing, or conserving an insurer.

4. Sections 631.031 and 631.061(1), Florida Statutes, authorize the Department to apply to this Court for an Order directing it to liquidate a domestic insurer upon the existence of any grounds specified in Section 631.051, Florida Statutes, or if an insurer is or is about to become insolvent. Further, Section 631.025(2), Florida Statutes, authorizes the Department to initiate delinquency proceedings against any insurer if the statutory grounds are present as to that insurer.

5. Section 631.031 directs the Department to initiate such delinquency proceedings after receiving notification from the Director of the Office of Insurance Regulation as to the existing grounds for the initiation of such proceedings.

6. On May 30, 2014, pursuant to Section 631.031(1), Florida Statutes, Kevin McCarty, Commissioner of the Florida Office of Insurance Regulation ("Office"), advised by letter to Florida's Chief Financial Officer, Jeff Atwater, that the Office determined grounds existed for the initiation of delinquency proceedings against Respondent.

7. Sections 631.051(11) and 631.061, Florida Statutes authorize the Department to apply to this Court for an Order directing it to liquidate a domestic insurer upon grounds that the insurer has consented to such an order through the majority of its directors, stockholders, members or subscribers. Respondent consented to the appointment of the Department as Receiver for purposes of rehabilitation and liquidation.

8. Respondent is insolvent within the meaning of 631.011(14), Florida Statutes.

9. Respondent must be liquidated to protect the remaining assets of Respondent for the benefit of its policyholders, creditors, and the public.

10. In its consent, Respondent waived all rights to contest the Receiver's Petition for

Liquidation and any further proceedings concerning same.

11. Pursuant to Sections 631.051(11) and 631.061, Florida Statutes, and the Respondent's consent to liquidation, this Court finds that it is in the best interests of Respondent, its creditors and its policyholders that the relief requested in the Department's Petition be granted.

THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

12. The Department of Financial Services of the State of Florida shall be and is hereby appointed Receiver of Respondent for purposes of Liquidation, effective immediately.

13. The Receiver shall be authorized and directed to:

A. Take immediate possession of all the property, assets, and estate, and all other property of every kind whatsoever and wherever located belonging to Respondent pursuant to Sections 631.111 and 631.141, Florida Statutes, including but not limited to: offices maintained by Respondent, rights of action, books, papers, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, wherever situate and however titled, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates and all real property of Respondent, wherever situate, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates or other persons.

B. Liquidate the assets of Respondent, including but not limited to, funds held by Respondent's agents, subagents, producing agents, brokers, solicitors, service representatives or others under agency contracts or otherwise which are due and unpaid to Respondent, including premiums, unearned commissions, agents' balances, agents' reserve

funds, and subrogation recoveries.

C. Employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.

D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.

E. Not defend or accept service of process on legal actions wherein Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court; except, however, in actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.

F. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.

G. Collect all debts which are economically feasible to collect which are due and owing to Respondent.

H. Deposit funds and maintain bank accounts in accordance with Section 631.221, Florida Statutes.

I. Take possession of all of Respondent's securities and certificates of

deposit on deposit with the Chief Financial Officer of Florida or any similar official of any other state, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership.

J. Publish notice specifying the time and place fixed for the filing of claims with the Receiver once each week for three consecutive weeks in the Florida Administrative Weekly published by the Secretary of State, and at least once in the Florida Bar News and to publish notice by similar methods in all states where Respondents may have issued insurance policies.

K. Negotiate and settle subrogation claims and Final Judgments without further order of this Court.

L. Sell any salvage recovered property without further order of this Court.

M. Coordinate the operation of the Receivership with the Florida Insurance Guaranty Association pursuant to Part II, Chapter 631, Florida Statutes, with the Mississippi Insurance Guaranty Association, with the South Carolina Property & Casualty Insurance Guaranty Association, or any other affected guaranty association. The Receiver may in its discretion, contract with the appropriate guaranty association to provide services as are necessary to carry out the purposes of Chapter 631.

N. Give notice of this proceeding to Respondent's agents pursuant to Section 631.341, Florida Statutes, and to its insureds, if any.

O. For purposes of this Order, the term "affiliate" shall be defined in accordance with Section 631.011(1), Florida Statutes.

P. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority is hereby suspended, except as such powers are re-

delegated in writing by the Receiver. The Receiver has full power to direct and manage the affairs of Respondent, to hire and discharge employees, and to deal with the property and business of the Respondent.

Q. The Receiver is authorized to update its records to incorporate change of address information for an interested individual/entity (eg. agent, claimant, creditor, policyholder, subscriber) if the Receiver determines that there has been a change of address for an interested individual/entity. The Receiver is authorized to use change of address information for future mailings.

R. The Receiver is authorized to transfer unclaimed funds to the unclaimed property unit(s) of the states(s) reflected in the claimants' last address of record in the Receiver's files.

S. Apply to this Court for further instructions in the discharge of its duties as the Receiver deems necessary.

T. The Receiver is authorized to dispose of and destroy obsolete and unneeded records pursuant to Section 631.171(10), Florida Statutes.

IT IS FURTHER ORDERED AND DIRECTED:

14. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates shall be required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes, notwithstanding the provisions of the above paragraph. Any person who fails to

cooperate with the Receiver, interferes with the Receiver, or fails to follow the instructions of the Receiver, may, at the Receiver's discretion, be excluded from Respondent's business premises.

15. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, is vested in the Receiver pursuant to Sections 631.111 and 631.141, Florida Statutes.

16. All officers, directors, trustees, administrators, agents and employees and all other persons representing Respondent or currently employed or utilized by Respondent in connection with the Conduct of its business are discharged forthwith; provided, however, the Receiver may retain such persons in the Receiver's discretion.

17. All attorneys employed by Respondent as of the date of the Order, within 10 days notice of the Order, are required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report shall also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent shall be discharged as of the date of the Order unless their services are retained by the Receiver. All attorneys employed by Respondent shall be advised that pursuant to Section 631.011(21), Florida Statutes, a claim based on mere possession does not create a secured claim and all attorneys employed by Respondent, pursuant to In Re the Receivership of Syndicate Two, Inc., 538 So.2d 945 (Fla. 1st DCA 1989), who are in possession of litigation files or other material, documents or records belonging to or relating to work performed by the attorney on behalf of Respondent shall be required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, shall not be extinguished by the delivery of these documents.

18. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the Respondent shall be required to account for and pay all premiums and commissions unearned due to cancellation of policies by the Order or in the normal course of business owed to the Respondent directly to Receiver within 30 days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they shall not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company or other person shall use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

19. Any premium finance company which has entered into a contract to finance a premium for a policy which has been issued by the Respondent shall be required to pay any premium owed to the Respondent directly to the Receiver.

20. Reinsurance premiums due to or payable by Respondent shall be remitted to, or disbursed by, the Receiver. Reinsurance losses recoverable or payable by Respondent shall be handled by the Receiver. All correspondence concerning reinsurance shall be between the Receiver and the reinsuring company or intermediary.

21. Upon request by the Receiver, any company providing telephonic services to Respondent shall be required to provide a reference of calls from the number presently assigned to Respondent to any such number designated by the Receiver or perform any other services or changes necessary to the conduct of the receivership.

22. Any bank, savings and loan association, or other financial institution which has on deposit, in its possession, custody or control any funds, accounts and any other assets of Respondent, shall be required to immediately transfer title, custody and control of all such funds,

accounts and other assets to the Receiver. The Receiver shall be authorized to change the name of such accounts and other assets, withdraw them from such bank, savings and loan association or other financial institution, or take any lesser action necessary for the proper conduct of this receivership. No bank, savings and loan association or other financial institution shall be permitted to exercise any form of set-off, alleged set-off, lien, any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court.

23. Any entity furnishing telephone, internet, water, electric, sewage, garbage or trash removal services to Respondent shall be required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.

24. Any information technology service provider or data processing service, including Computer Sciences Corporation, which has custody or control of any data processing information and records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information relating to Respondent is directed to transfer custody and control of such records to the Receiver. The Receiver shall be authorized to compensate any such entity for the actual use of hardware and software and/or other information technology related services, which the Receiver finds to be necessary to this proceeding. Compensation should be based upon the monthly rate provided for in contracts or leases with Respondent which was in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the Receiver. Any past due or pending balances due from the Respondent shall be processed as claims against the estate, and shall not be a basis for

withholding the services contemplated in this Paragraph.

25. The United States Postal Service shall be directed to provide any information requested by the Receiver regarding Respondent and to handle future deliveries of Respondent's mail as directed by the Receiver.

26. All claims shall be filed with the Receiver on or before 11:59:59 p.m., on the date of one year following the entry of this Order, or be forever barred, and all such claims shall be filed on proof of claim forms prepared by the Receiver.

27. In order to assure the validity of claim assignments, to assure that the processing of assignments does not create an undue burden on estate resources, and to assure that assignment decisions are made using the best information available, the Receiver shall not recognize or accept any assignment of claim by the claimant of record unless the following criteria are met:

A. A distribution petition has not been filed with this Court;

B. The Receiver has been provided with a properly executed and notarized assignment of claim agreement entered into between the parties; and

C. The Receiver has been provided with a properly executed and notarized Receiver's Assignment of Claim Change Form and required supporting documentation.

D. The Receiver's Assignment of Claim Change Form shall contain an acknowledgement by the claimant, or someone authorized to act on behalf of the claimant, that:

1) The claimant is aware that financial information regarding claims distributions and payments published on the Receiver's website or otherwise available can assist the claimant in making an independent and informed decision regarding the sale of the claim;

2) The claimant understands that the purchase price being offered in exchange for the assignment may differ from the amount ultimately distributed in the receivership proceeding with respect to the claim;

3) It is the claimant's intent to sell their claim and have the Receiver's records be permanently changed to reflect the new owner; and

4) The claimant understands that that they will no longer have any title, interest, or rights to the claim including future mailings and distributions if they occur.

28. All executory contracts to which the Respondent was a party shall be cancelled and stand cancelled unless specifically adopted by the Receiver within ninety (90) days of the date of this Order or from the date of the Receiver's actual knowledge of the existence of such contract, whichever is later. "Actual Knowledge" means the Receiver has in its possession a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract.

Further, the Receiver shall have the authority to do the following:

1) Pay for services provided by any of Respondent's vendors, in the ninety (90) day period prior to assuming or rejecting the contract, which are necessary to administer the Receivership estate;

2) Once the Receiver determines Respondent's vendor is necessary in the continued administration of the Receivership estate for a period to exceed the ninety (90) days from the date of this order, or from the date of Receiver's actual knowledge of such contract, whichever is later, the Receiver may make minimal modifications to the terms of the contract, including, but not limited to, the expiration date of the agreement, the scope of the

services to be provide, and/or the compensation to be paid to Respondent's vendor pursuant to the contract. "Minimal Modifications" shall mean any minimum alteration made to the contract in order to adapt to the new circumstances of the Receivership estate. In no event will any minimal modification be construed as the receiver entering into a new contract with Respondent's vendor.

Any vendor, including but not limited to, any and all employees / contractors of insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship. This notice shall include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were provided pursuant to the contract, any current, future and/or past due amounts owing under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision shall not be treated as an anticipatory breach of such contracts.

29. All affiliated companies and associations, shall make their books and records available to the Receiver, to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of any records requested by the Receiver whether or not such records are related to Respondent. The Receiver shall have title to all policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an affiliate company or any other person, corporation, or association. The Receiver shall be authorized to take possession of any such records, files, and documents,

and to remove them to any location in the Receiver's discretion. Any disputed records shall not be withheld from the Receiver's review, but shall be safeguarded and presented to this Court for review prior to copying by the Receiver.

30. The Receiver shall have complete access to and administrative control of all information technology resources of the Respondent and its affiliates at all times including, but not limited to, Respondent's computer hardware, software and peripherals. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.

31. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms is directed to appear before this Court to show good cause, if any they may have, as to why they shall not be held in contempt of Court for violation of the provisions of this Order.

32. Except as noted in the following paragraph, pursuant to the provisions of 631.252, Florida Statutes, all policies of insurance or similar contracts of coverage that have not expired are canceled effective 12:01 a.m. on the date 30 days after the entry of the Liquidation Order; provided, however, that any policies of flood insurance issued by Respondent pursuant to the National Flood Insurance Act of 1968, as amended shall not be cancelled. Policies or contracts of coverage with normal expiration dates prior to the dates otherwise applicable under this paragraph, or which are terminated by insureds or lawfully cancelled by the Receiver or insurer before such date, shall stand canceled as of the earlier date.

33. The Receiver advises that it is working with the Office of Insurance Regulation, the Florida Insurance Guaranty Association and United Insurance Holdings Corporation to provide continued coverage for Respondent's policyholders prior to the cancellation date. This

Transition Plan is still under development and is subject to approvals by the Office, FIGA, United and this Court. This Plan anticipates that pursuant to Section 631.252(1)(c), Florida Statutes, to provide continuous coverage and maximum benefit to policyholders, policies subject to this Transition Plan will be **cancelled effective 12:01a.m. on June 29, 2014**. The Receiver is directed to present this plan for approval within 7 days of this Order, or further advise the Court concerning its efforts to effectuate a transition for these Florida policies.

34. Pursuant to Sections 631.041(3) and (4), Florida Statutes, all persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, are enjoined and restrained from the further transaction of the insurance business of the Respondent; from doing, doing through omission, or permitting to be done any action which might waste or dispose of the books, records and assets of the Respondent; from in any means interfering with the Receiver or these proceedings; from the transfer of property and assets of Respondent without the consent of the Receiver; from the removal, concealment, or other disposition of Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against the Respondent or the Receiver together with its agents or employees, the service of process and subpoenas, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and, from the making of any levy or execution against Respondent or any of its property or assets. Notwithstanding the provisions of this paragraph, the Receiver should be permitted to accept and be subpoenaed for non-party production of claims files in its possession, including medical records, which may be contained therein. In such cases, the requesting party must submit an affidavit to the Receiver stating that notice of the non-party production was appropriately issued and provided to the patient and that

the patient was given the opportunity to object and either did not object to the non-party production, or objected and the Court overruled the objection, in which case a copy of the Court's ruling must be attached to the affidavit. The Receiver should be authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07(1)(a), and 624.501, Florida Statutes.

35. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent shall fully cooperate with the Receiver in the effort to liquidate Respondent.

36. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the building located at 12724 Gran Bay Parkway West, Suite 150, Jacksonville, FL 32258 or any other facility in which Respondent may operate, shall make available, at that location and at no charge to the Receiver or to Respondent, office space, and related facilities (telephone service, internet service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

37. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the computer equipment and software currently used by or for Respondent shall make such computer equipment and software available to the Receiver at no charge to the Receiver or Respondent to the extent deemed necessary by the Receiver in its sole discretion.

CONTINUATION OF INVESTIGATION

38. The Receiver shall be authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover

and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its affiliate shall be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. Respondent and the above specified entities shall be required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation shall include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

39. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates shall be required to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution shall be required to immediately disclose to the Receiver the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

40. All Sheriffs and all law enforcement officials of this state shall cooperate with and

assist the Receiver in the implementation of this Order.

41. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger, or other transformation of the Respondent is appropriate, the Receiver shall prepare a plan to effect such changes and submit the plan to this Court for consideration.

NOTICE OF AUTOMATIC STAY

42. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of this order, and which prohibits:

A. The commencement or continuation of judicial, administrative or other action or proceeding against the insurer or against its assets or any part thereof;

B. The enforcement of judgment against the insurer or an affiliate, provided that such affiliate is owned by or constitutes an asset of Respondent, obtained either before or after the commencement of the delinquency proceeding;

C. Any act to obtain possession of property of the insurer;

D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;

E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;

F. The set-off or offset of any debt owing to the insurer except offsets as provided in Section 631.281, Florida Statutes.

43. This Court retains jurisdiction of this cause for the purpose of granting such other

and further relief as from time to time shall be deemed appropriate.

DONE and ORDERED in Chambers at the Leon County Courthouse in Tallahassee, Florida
this ____ day of _____, 2014.

CIRCUIT JUDGE