

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

In Re: The Receivership of

CASE NO.: 2014 CA 1432

SUNSHINE STATE INSURANCE COMPANY,

ORDER APPROVING RECEIVER'S PLAN OF LIQUIDATION AND TRANSITION

THIS CAUSE came before the Court for consideration of the Receiver's Plan of Liquidation and Transition. After review of the Receiver's Plan of Liquidation and Transition and being otherwise fully advised in all material premises, the Court hereby finds as follows:

1. Effective June 3, 2014, this Court entered an Order Appointing the Florida Department of Financial Services as Receiver of Sunshine State Insurance Company for Purposes of Liquidation, Injunction, and Notice of Automatic Stay (hereinafter the "Liquidation Order").

2. On June 5, 2014, in an effort to effectuate a smooth transition of the Sunshine State Insurance Company ("SSIC") property and casualty policies to another licensed insurer, the Receiver issued a Request For Proposal (hereinafter "RFP"), which sought proposals for the non-exclusive right to offer coverage to SSIC's Homeowners, Builders Risk, and Condominium policyholders. The due date to submit proposals to the Receiver was 9:00 a.m., June 9, 2014.

3. In response to the RFP, ten proposals were submitted. The Receiver reviewed each proposal to determine whether it met the specifications listed in the RFP. Any proposals that did not meet the specifications in the RFP were automatically rejected. The Receiver reviewed the remaining proposals to determine the benefit each proposal offered to the Receivership estate and the SSIC policyholders.

4. The Receiver determined that the proposal submitted by Heritage Property & Casualty Insurance Company ("HPCIC") provided the greatest benefit to the Receivership estate

and to the SSIC policyholders. The Office of Insurance Regulation (“OIR”) has approved of the Receiver’s determination.

5. Working with the Florida Insurance Guaranty Association (“FIGA”) and HPCIC, the Receiver developed a plan to provide for the transition of SSIC’s policyholders to HPCIC, effective 12:01 a.m. June 27, 2014. The Receiver’s Plan of Liquidation and Transition is attached hereto and incorporated herein by reference, as “Attachment A.”

WHEREFORE, it is **ORDERED** and **ADJUGED** that the Receiver’s Plan of Liquidation and Transition is **APPROVED** and the Receiver is authorized to enter into agreements to facilitate the terms and conditions of the Plan of Liquidation and Transition, including an agreement that is materially similar to the agreement attached to the Plan of Liquidation and Transition as “Exhibit C.”

DONE AND ORDERED in Chambers at Leon County Courthouse, Tallahassee, Florida, on this the 13th day of JUNE, 2014.



KEVIN J. CARROLL
CIRCUIT JUDGE

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

In Re: The Receivership of

CASE NO.: 2014 CA 1432

SUNSHINE STATE INSURANCE COMPANY,

RECEIVER'S PLAN OF LIQUIDATION AND TRANSITION

The Florida Department of Financial Services as Receiver of Sunshine State Insurance Company (hereinafter the "Receiver"), hereby submits this Liquidation and Transition Plan (hereinafter the "Transition Plan") on behalf of itself, Heritage Property & Casualty Insurance Company (hereinafter "HPCIC"), and the Florida Insurance Guaranty Association (hereinafter "FIGA").

1. Effective June 3, 2014, this Court entered an Order Appointing the Florida Department of Financial Services as Receiver of Sunshine State Insurance Company for Purposes of Liquidation, Injunction, and Notice of Automatic Stay (hereinafter the "Liquidation Order").

2. To the extent that this Transition Plan contains provisions that are inconsistent with the provisions that are contained in the Liquidation Order, the provisions in the Transition Plan shall control.

3. Pursuant to the Liquidation Order, except unless otherwise provided, and except for policies of flood insurance issued pursuant to the National Flood Insurance Act of 1968, all of SSIC's policies of insurance or similar contracts of coverage that have not expired are canceled effective 12:01 a.m. on July 3, 2014. Policies or contracts of coverage with normal expiration dates prior to the dates otherwise applicable under this paragraph, or which are terminated by the insured or lawfully canceled by the Receiver or insurer before such date, shall stand canceled as of the earlier date.

4. On June 5, 2014, in an effort to effectuate a smooth transition of the SSIC property and casualty policies to another licensed insurer, the Receiver issued a Request For Proposal (hereinafter "RFP"), which sought proposals for the non-exclusive right to offer coverage to SSIC's Homeowners, Builders Risk, and Condominium policies. The due date to submit proposals to the Receiver was 9:00 a.m., June 9, 2014. A copy of the RFP is attached hereto as "Exhibit A."

5. In response to the RFP, ten proposals were submitted. The Receiver reviewed each proposal to determine whether it met the specifications listed in the RFP. Any proposals that did not meet the specifications in the RFP were automatically rejected. The Receiver reviewed the remaining proposals to determine the benefit each proposal offered to the Receivership estate and the SSIC policyholders. The Receiver created a Bid Proposals spreadsheet to capture this analysis. The Bid Proposals Analysis is attached hereto as "Exhibit B."

6. After careful review, the Receiver determined that the HPCIC's proposal offers the greatest benefit to the Receivership estate and to the SSIC policyholders. The Office of Insurance Regulation (hereinafter "OIR") concurs with the Receiver's determination.

7. Under this Transition Plan, HPCIC will provide new coverage for all SSIC's Florida policyholders (except for those policyholders with a Builder's Risk policy) whose policies are canceled pursuant to the Liquidation Order, with such coverage going into effect at 12:01 a.m. on June 27, 2014, immediately following the cancellation of SSIC's policies at 12:01 a.m. on June 27, 2014. HPCIC will utilize SSIC's rates, rules, and forms through the expiration of the original policy periods (hereinafter "Transition Coverage"). Additionally, over a twelve-month period, upon the expiration of the original policy periods, HPCIC will re-write such

policies on HPCIC's own systems, maintained by Computer Sciences Corporation ("CSC"), West Point Underwriters, Inc. ("WPU"), or any other vendor using SSIC's or HPCIC's forms, and utilizing the lesser of SSIC's and HPCIC's rates for the first renewal.

8. HPCIC and the Receiver represent that, without the transition plan provided for herein, on July 3, 2014, as many as 36,000 of SSIC's policyholders will be without coverage.

The terms and conditions of the Liquidation Plan are as follows:

9. Through their execution below, the Receiver, HPCIC, and FIGA hereby agree to this Transition Plan, provided, however, that this Transition Plan shall not be effective unless it is ordered by the Court.

10. Effective 12:01 a.m., June 27, 2014, those policyholders whose policies were canceled as of 12:01 a.m., June 27, 2014, pursuant to the Liquidation Order will be offered Transition Coverage by HPCIC under this Transition Plan, without the need of filing an application with HPCIC or paying premium already paid to SSIC. Transition Coverage will be issued automatically by HPCIC using SSIC's forms and rates through the remainder of the existing policy term and shall be binding on the insured unless such policy is canceled by the insured. All policies issued by HPCIC for Transition Coverage shall be eligible to participate in the Florida Hurricane Catastrophe Fund with HPCIC as the issuing insurer.

11. As a condition to HPCIC's providing Transition Coverage to former policyholders of SSIC, HPCIC will be assigned the entirety of the unearned premium, net of the per policy \$100 FIGA statutory deductible that is associated with the canceled SSIC policies of policyholders whom become insured under the offered Transition Coverage, including unearned commissions. FIGA shall pay such unearned premium to HPCIC as provided in this paragraph provided that the amount of such payment to HPCIC will be reduced by (a) the amount of the unearned commission

of SSIC's independent agents (for which HPCIC retains its assignment), and (b) the amount of unearned premium that is unpaid by SSIC's policyholders (for which HPCIC retains its assignment) and (c) a FIGA estimated holdback to account for policyholders selecting coverage with other insurers or who otherwise opt out of receiving coverage from HPCIC.

12. As consideration for the acquisition of these Transition Policies, HPCIC agrees to deposit \$10 million with the Receiver (the "Acquisition Payment"). HPCIC will receive a credit against the Acquisition Payment for (a) the \$100 FIGA statutory deductible applicable to each Transition Policy and (b) the amount of the unearned commission of SSIC's independent agents. If any of SSIC's existing policies are cancelled before the expiration of the original policy term, HPCIC shall retain the right to collect and retain the unearned agent commissions that have been paid in connection with such policies.

13. Any policies that renew within 60 days of June 27, 2014, shall be deemed to renew with HPCIC using SSIC's policy forms and rates and all premiums collected on such policies shall be paid to HPCIC.

14. In order to reduce the administrative costs associated with this receivership, the unearned premium associated with the Transition Coverage shall be paid by FIGA directly to HPCIC, less the \$100 FIGA statutory deductible per covered claim as set forth in section 631.5791(a)2, Florida Statutes, and other offsets as provided in this transition plan. The Receiver shall make its best efforts to provide FIGA with notification of this unearned premium calculation prior to July 3, 2014. If any of SSIC's existing policies are cancelled before the expiration of the original policy term, HPCIC shall retain the right to collect and retain the unearned agent commissions that have been paid in connection with such policies.

15. HPCIC shall issue to the SSIC policyholders a "Notice of Offer of Automatic Coverage" evidencing HPCIC's offer to provide coverage to such policyholders in accordance with this Liquidation Plan without any further action on the part of the policyholders. The Receiver and HPCIC shall work together and share costs of providing appropriate information to the policyholders and agents regarding the cancellation of coverage and the subsequent Transition Coverage offered by HPCIC.

16. SSIC shall cover losses occurring before 12:01 a.m., June 27, 2014. HPCIC's Transition Coverage shall cover losses occurring on or after 12:01 a.m., June 27, 2014.

17. The Receiver will use its best efforts (i) to provide for security, disaster recovery, and backup of the systems of SSIC's affiliates that HPCIC and FIGA will be using to service the Transition Coverage and associated claims; (ii) to preserve the licenses that enable HPCIC and FIGA to use such systems; and (iii) to provide HPCIC with data feeds to enable it, if possible, to automate the rewriting of policies using its own systems. HPCIC will bear the costs associated with the transfer of the policyholder information systems of SSIC and its service providers, including the Computer Sciences Corporation, to the systems of HPCIC and its service providers.


18. The parties hereto shall take measures to protect the confidentiality and privacy of policyholder and claimant information with respect to the policyholders and claimants of SSIC and HPCIC to the extent required by law.

19. Transition Coverage shall automatically terminate at the end of SSIC's remaining original policy periods, regardless of whether HPCIC issues a notice of cancellation or non-renewal. HPCIC shall issue a renewal offer to all policyholders prior to the expiration of the original policy term in compliance with Florida law and as set forth herein.

20. The Parties acknowledge that the effort to effect the transition of 36,000 policies in a less than thirty (30) day time frame is a complex process. Certain situations will present themselves concerning particular policies, either individually, or as a group, which will require further discussion and agreement to 1) protect the Policyholders and 2) assure that the Parties are fairly compensated as contemplated. In such situations, the Parties agree to work cooperatively towards those common goals and execute such memoranda of understanding as may be necessary to effectuate the transition of those Policyholders and the intent of this Agreement.

21. The Receiver, HPCIC, and FIGA request the authority to enter into other agreements to facilitate the terms and conditions of this Liquidation Plan, including an agreement that is materially similar to the Agreement attached as "Exhibit C."

Respectfully submitted this the 10th day of June 2014, and agreed to by:


FLORIDA DEPARTMENT OF
FINANCIAL SERVICES, DIVISION OF
REHABILITATION AND LIQUIDATION



DEPARTMENT OF FINANCIAL SERVICES

Division of Rehabilitation and Liquidation
www.myfloridacfo.com/division/receiver/

June 5, 2014

**FLORIDA DEPARTMENT OF FINANCIAL SERVICES
DIVISION OF REHABILITATION AND LIQUIDATION
Request for Proposal
Sunshine State Insurance Company**

The Department of Financial Services, acting as the Receiver for Sunshine State Insurance Company ("SSIC"), seeks proposals for the non-exclusive¹ right to offer coverage to a book of homeowners policies.

Company Information

Sunshine State Insurance Company ("SSIC")
12724 Gran Bay Parkway Suite 150
Jacksonville, FL 32258

Background Information

Sunshine State Insurance Company ("SSIC"), based in Jacksonville, Florida was placed in Receivership by the court on June 3, 2014. SSIC was licensed to write multiple lines of property and casualty insurance in Florida, Mississippi and South Carolina. The available details regarding the book of business are described below as well as the process required to submit a proposal for consideration. **All proposals are to be submitted to the Receiver at the email address below no later than 9 a.m. on Monday June 9, 2014.**

Books of Business available

Homeowners, Builders Risk, and Condominium policies – approximately 36,000 policies with annual premium of approximately **\$62,000,000.**

The Receiver will consider non-exclusive offers to provide coverage for this book of business. The Receiver reserves the right to reject any and all offers that are not in the best interest of the receivership

¹ "Non-exclusive" means agents or policyholders retain the right to move the policy elsewhere.

estate and/or the policyholders. If an offer is accepted, the Receiver will petition the Court to approve the proposal and execute an Agreement consistent with the Court's approval.

Parties interested in submitting an offer for this asset are invited to submit a term sheet that includes the following information:

Section I – Minimum Requirements

Proof that it has a minimum of \$15,000,000 in policyholder surplus, as reflected in its March 31, 2014 Quarterly Statement filed with the Florida Office of Insurance Regulation.

Section II - Description of Business

Please provide a written description of your current company and/or proposed business including:

- Brief history since incorporation.
- List of all Florida licenses or authorities held by your company that are required in order to transact the type of business you propose to acquire.
- Description of the current services and products offered by your company.

Section III - Management Team and Proposed Personnel

- Describe the current management/staffing of your business.
- Describe your plans, if any, to retain any of the existing employees of the company.

Section IV – Acquisition Plans

The plan must explain how the bidder would provision, manage and fund the cost of data transmission and migration of the existing policyholder information from SSIC to the bidder on or before June 29, 2014.

The plan must describe the benefits to the SSIC Policyholders and the SSIC estate, including compensation to be paid, if any.

The plan must demonstrate that the bidder has or will obtain adequate reinsurance for the risks it seeks to acquire.

The plan must include a proposed agreement the bidder would be willing to execute with the Receiver to effectuate the transaction. Note: The Receiver reserves the right to modify any such proposed agreement as it deems in the best interest of the estate.

Section V – Proposal Form and Due Date

All proposals should be submitted electronically to Sha`Ron James at sharon.james@myfloridacfo.com and should be received by **9:00 a.m. Monday June 9, 2014.**

Section V –Approval Process

All proposals that meet the specifications in this RFP and are received by the due date will be reviewed by the Receiver to determine which bid, if any, offers the greatest benefit to the company and its policyholders. Any proposal accepted must be presented to the Court for approval as well as OIR. Once approval is granted, the Receiver will enter into a contract with the selected purchaser.

Sincerely,



C. Sha`Ron James, Director
Division of Rehabilitation & Liquidation

Receiver's Bid Proposal Analysis

Sunshine State - Evaluation of Bids Received						
Estimated Total Written Premium:	\$67,252,877	Bidder:	Heritage	\$100 Deductible?	Data Transmission Costs	
Scenarios:	Premium Base	Terms	Benefit to Estate			
10% renewal	\$6,725,287.7	25% of premium; 12M cap	\$1,681,321.93			
25% renewal	\$16,813,219.3		\$4,203,304.81			
50% renewal	\$33,626,438.5		\$8,406,609.63	\$6,606,609.63	up to \$1.6 M	
75% renewal	\$50,439,657.8		\$12,000,000.00			
95% renewal	\$63,890,233.2		\$12,000,000.00			
Estimated Total Written Premium:	\$67,252,877	Bidder:	Security First			
Scenarios:	Premium Base	Terms	Benefit to Estate			
10% renewal	\$6,725,287.7	10% premium (\$2M upfront)	\$672,528.77			
25% renewal	\$16,813,219.3		\$1,681,321.93			
50% renewal	\$33,626,438.5		\$3,362,643.85	Silent on \$100	Receiver paid	
75% renewal	\$50,439,657.8		\$5,043,965.78			
95% renewal	\$63,890,233.2		\$6,389,023.32			

Receiver's Bid Proposal Analysis

Total Written Premium: Scenarios:	Premium Base	Bidder: UPC	
		Terms	Benefit to Estate
10% renewal	\$6,725,287.7	Unrearned Premium less \$100/policy; 1% premium for renewals for 1 year, 2% for second year	\$561,758.63
25% renewal	\$16,813,219.3		\$1,404,396.58
50% renewal	\$33,626,438.5		Paid by UPC
75% renewal	\$50,439,657.8		\$4,213,189.73
95% renewal	\$63,890,233.2		\$5,336,706.99
			paid by UPC
Total Written Premium: Scenarios:	Premium Base	Homeowners' Choice	
	\$67,252,877	Terms	Benefit to Estate
10% renewal	3,600	\$150/policy (\$1.5 M upfront) Assuming 36,000 policies	\$540,000.00
25% renewal	9,000		\$1,350,000.00
50% renewal	18,000		Silent on \$100
75% renewal	27,000		\$4,050,000.00
95% renewal	34,200		\$5,130,000.00

Receiver's Bid Proposal Analysis

Total Written Premium:	Premium Base	\$67,252,877	Bidder: Terms	Bankers Insurance Benefit to Estate
Scenarios:			5% of Premium	
10% renewal	\$6,725,287.7			\$336,264.39
25% renewal	\$16,813,219.3			\$840,660.96
50% renewal	\$33,626,438.5			\$1,681,321.93
75% renewal	\$50,439,657.8			\$2,521,982.89
95% renewal	\$63,890,233.2			\$3,194,511.66
BID \$1M LOWER THAN OTHER RESPONSES				
Total Written Premium:	Premium Base	\$67,252,877	Bidder: Terms	Elements Benefit to Estate
Scenarios:			Assume 90% of unearned premiums + 5% of or Written premiums	
10% renewal	\$6,725,287.7			\$336,264.39
25% renewal	\$16,813,219.3			\$840,660.96
50% renewal	\$33,626,438.5			\$1,681,321.93
75% renewal	\$50,439,657.8			\$2,521,982.89
95% renewal	\$63,890,233.2			\$3,194,511.66
BID \$1M LOWER THAN OTHER RESPONSES				

EXHIBIT "B"
Receiver's Bid Proposal Analysis

Total Written Premium:	Premium Base	Bidder:	American Integrity
Scenarios:		Terms	Benefit to Estate
		Received after deadline; 2% of written premium	
10% renewal	\$6,725,287.7		\$134,505.75
25% renewal	\$16,813,219.3		\$336,264.39
50% renewal	\$33,626,438.5		\$672,528.77
75% renewal	\$50,439,657.8		\$1,008,793.16
95% renewal	\$63,890,233.2		\$1,277,804.66
BID MUCH LOWER THAN OTHER RESPONSES			
Total Written Premium:	Premium Base	Bidder:	GuifStream
Scenarios:		Terms	Benefit to Estate
		2,000 - 4,000 policies only	not computable without knowing which policies and premium affected
10% renewal	\$6,725,287.7		?
25% renewal	\$16,813,219.3		?
50% renewal	\$33,626,438.5		?
75% renewal	\$50,439,657.8		?
95% renewal	\$63,890,233.2		?
INCOMPLETE BID			

EXHIBIT "B"
Receiver's Bid Proposal Analysis

Total Written Premium: Scenarios:	Premium Base	Bidder: Terms	Florida Homebuilders	
			Benefit to Estate	Benefit to Estate
10% renewal	\$6,725,287.7	Builders' Risk Only - need more info; incomplete	?	
25% renewal	\$16,813,219.3		?	
50% renewal	\$33,626,438.5		?	
75% renewal	\$50,439,657.8		?	
95% renewal	\$63,890,233.2		?	
INCOMPLETE BID				
Total Written Premium: Scenarios:	Premium Base	Bidder: Terms	Weston	
			Benefit to Estate	Benefit to Estate
10% renewal	\$6,725,287.7	none in agreement		
25% renewal	\$16,813,219.3			
50% renewal	\$33,626,438.5			
75% renewal	\$50,439,657.8			
95% renewal	\$63,890,233.2			
INCOMPLETE BID				

INSURANCE POLICY ACQUISITION AND TRANSITION AGREEMENT

This Insurance Policy Acquisition and Transition Agreement (hereinafter the "Agreement") is entered into this ____ day of June, 2014, by and among the Florida Department of Financial Services, as Receiver for Sunshine State Insurance Company (hereinafter the "Receiver"), Heritage Property & Casualty Insurance Company (hereinafter "HPCIC") and the Florida Insurance Guaranty Association (hereinafter "FIGA").

RECITALS

WHEREAS, Sunshine State Insurance Company (hereinafter "SSIC") was 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, whose principal place of business is located at 12724 Gran Bay Parkway West, Suite 150, Jacksonville, FL 32258; and

WHEREAS, On March 11, 2014, SSIC entered into a Consent Order with the Florida Office of Insurance Regulation (hereinafter "OIR") in Case Number 149915-14-CO, pursuant to which SSIC agreed to "either infuse capital to bring surplus to" \$15 million or "present an executed agreement for the acquisition or recapitalization" of SSIC to OIR accompanied by a good faith security deposit by May 15, 2014; and

WHEREAS, Collateral with the execution of the above-referenced Order, SSIC executed a Consent to Appointment of Receiver, wherein SSIC acknowledged "that the failure to comply with Consent Order 149915-14-CO by 5:00 p.m. by 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"; and

WHEREAS, As of the close of business, Friday, May 30, 2014, 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; and

WHEREAS, OIR referred SSIC to the Department of Financial Services for the initiation of delinquency proceedings pursuant to Part I, Chapter 631, Florida Statutes; and

WHEREAS, On June 2, 2014, the Department filed a Petition for Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Liquidation, Injunction, and Notice of Automatic Stay with the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida in Case Number 2014-CA-1432; and

WHEREAS, On June 3, 2014, the Honorable Kevin J. Carroll entered a Consent Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Liquidation, Injunction, and Notice of Automatic Stay (hereinafter the "Liquidation Order"); and

WHEREAS, pursuant to the Liquidation Order and sections 631.111 and 631.141, Florida Statutes, the Department as Receiver is vested with title to all property, contracts, rights of action, and books and records of SSIC; and

WHEREAS, SSIC has outstanding and in force policies issued pursuant to the SSIC's underwriting guidelines; and

WHEREAS, pursuant to the Liquidation Order and section 631.252, Florida Statutes, excepting those policies of flood insurance issued pursuant to the National Flood Insurance Act of 1968 that have not expired, all policies of insurance or similar contracts of coverage written by SSIC that have not expired are canceled effective 12:01 a.m. on July 3, 2014 (the date 30 days after the entry of the Liquidation Order); and

WHEREAS, pursuant to the Liquidation Order and sections 631.252 and 631.52, Florida Statutes, the authority of FIGA has been triggered to make payment of covered claims under certain insurance policies; and

WHEREAS, the Receiver desires to effectuate a smooth transition of the SSIC property and casualty policies to another licensed insurer; and

WHEREAS, On June 5, 2014, in an effort to effectuate a smooth transition of the SSIC property and casualty policies to another licensed insurer, the Receiver issued a Request For Proposal (hereinafter "RFP"), which sought proposals for the non-exclusive right to offer coverage to SSIC's Homeowners, Builders Risk, and Condominium policies; and

WHEREAS, In response to the RFP, ten proposals were submitted, all of which were reviewed by the Receiver to determine the benefit each proposal offered to the Receivership estate and the SSIC policyholders; and

WHEREAS, After careful review, the Receiver determined that the HPCIC's proposal offers the greatest benefit to the Receivership estate and to the SSIC policyholders.

NOW, THEREFORE, in consideration of the covenants, conditions, promises, releases contained herein, and for other valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree to the following provisions:

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 June, ____ 2014.

"FIGA" means the Florida Insurance Guaranty Association.

"HPCIC" means Heritage Property & Casualty Insurance Company.

"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.

“Policyholder” means each person identified as an insured in a currently effective insurance policy written by SSIC.

“Pre-Existing Condition” means damage or loss to property that occurred while that property was insured by a SSIC policy.

“Receiver” means the Florida Department of Financial Services, as Receiver for Sunshine State Insurance Company.

“SSIC” means the Sunshine State Insurance Company.

“Transition Coverage” means a policy offered by HPCIC on SSIC’s policy forms and utilizing the SSIC’s rates, which shall take effect at 12:01 a.m. on June 27, 2014, and shall terminate at the end of the policy periods of the original SSIC policies.

“Transition Policy” means a policy issued by HPCIC on SSIC’s policy forms and utilizing SSIC’s rates, which shall take effect at 12:01 a.m. on June 27, 2014, and shall terminate at the end of the policy periods of the original SSIC policies.

ARTICLE II

Transition Coverage

With the exception of policies of flood insurance issued pursuant to the National Flood Insurance Act of 1968, builder’s risk policies, and any policies issued to Mississippi or South Carolina Policyholders, HPCIC will offer a new policy of insurance, effective June 27, 2014, to all Florida SSIC Policyholders having in-force policies, without the need for the SSIC Policyholders to file a new application with HPCIC or pay premium that has already been paid to SSIC. This Transition Coverage shall automatically terminate at the end of the policy periods of the original SSIC policies. Upon termination of each Transition Policy, HPCIC will renew such policies on SSIC’s or HPCIC’s forms and utilizing the lesser of SSIC’s and HPCIC’s rates.

HPCIC may, but shall not be required to issue policies on properties that have a Pre-Existing Condition until the Policyholder submits to HPCIC 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. HPCIC retains the right to inspect the remedy of any such Pre-Existing

Condition, and is only required to offer replacement coverage if the remedy has been performed to HPCIC's sole satisfaction.

HPCIC is not assuming any Liability occurring before 12:01 a.m. on June 27, 2014, relating to any SSIC policy. HPCIC shall not become a successor in interest of SSIC that may result in HPCIC assuming any obligation or Liability of SSIC.

SSIC is not assuming any Liability relating to any HPCIC policy. SSIC shall not be deemed a predecessor in interest of HPCIC that may result in SSIC assuming any obligation or Liability of HPCIC.

Neither the Receiver nor FIGA shall be responsible for or bear the cost to transfer the Policyholder information from the systems of SSIC and its service providers, including the Computer Sciences Corporation, to the systems of HPCIC and its service providers.

ARTICLE III

Consideration

Unearned Premium; True Up Process

HPCIC is assigned the entirety of the unearned premium, paid or not paid, net of the per policy \$100 FIGA statutory deductible that is associated with Transition Coverage, including unearned commissions; and FIGA shall pay such unearned premium to HPCIC as provided in this paragraph provided that the amount of such payment to HPCIC will be reduced by (a) the amount of the unearned commission of SSIC's independent agents (for which HPCIC retains its assignment) and (b) the amount of unearned premium that is unpaid by SSIC's Policyholders (for which HPCIC retains its assignment), and (c) a FIGA estimated holdback to account for policyholders selecting coverage with other insurers or who otherwise opt out of receiving coverage from HPCIC.

HPCIC shall provide the Receiver and FIGA with documentation reporting all Transition Policies issued to SSIC's former Policyholders. This report shall include the Policyholder's information, the date of the inception of the policy, the expiration date of the policy, and the premium charged for the coverage. All supporting documentation relating to the reports produced by HPCIC will be subject to audit by the Receiver and FIGA. This first report will be provided to the Receiver no later than August 31, 2014. A second "true up" report shall be provided no later than October 31, 2014, and will include final information on any policy cancellations, endorsements, return premium, and other premium data pertaining to the policies issued by HPCIC.

On or before July 31, 2015, the Parties shall agree on a final calculation of the unearned premium amount and settle the funds that need to be paid between FIGA and HPCIC with respect to the Unearned Premium, including refunds to FIGA for policies not provided coverage by HPCIC.

Consideration for Rewritten Policies

As consideration for the acquisition of these Transition Policies, HPCIC agrees to deposit \$10 million with the Receiver (the "Acquisition Payment"). HPCIC will receive a credit that reduces the Acquisition Payment by (1) the \$100 FIGA Statutory Deductible applicable to each Transition Policy and (2) the amount of the unearned commission of SSIC's agents.

ARTICLE IV

Notice to Policyholders

Except for the lines of insurance as noted above, HPCIC shall cause to be issued and shall mail to each Policyholder to whom HPCIC offers a policy hereunder the following:

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

1. A letter from the Receiver notifying the Policyholder that his/her policy is being cancelled, informing them of this transaction and introducing HPCIC as the replacement insurer. This letter will include information on obtaining a new policy.
2. An introduction letter to each Policyholder from HPCIC.

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

1. A letter from the Receiver notifying the Policyholder that his / her policy is being canceled, informing them of this transaction and introducing HPCIC 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.
2. A letter from HPCIC instructing them to contact their agent or HPCIC when their Pre-Existing Condition has been remedied.

All of the materials to be sent out by HPCIC shall be reviewed and approved by the Receiver prior to mailing and will be sent out no later than three (3) business days after Court approval of this Agreement.

ARTICLE V

Indemnification:

HPCIC will hold harmless and indemnify the Receiver and FIGA from and against any liability, cost or expense (including reasonable fees of legal counsel and related disbursements) incurred by the Receiver for any claim, demand, action or cause of action asserted by any third party as a result of or related to: (a) HPCIC's breach of any term contained in this Agreement; (b) an insurance policy written by HPCIC pursuant to the terms of this Agreement; and (c) HPCIC'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.

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

Further Agreements:

The Parties acknowledge that the effort to effect the transition of 36,000 policies in a less than thirty (30) day time frame is a complex process. Certain situations will present themselves concerning particular policies, either individually, or as a group, which will require further discussion and agreement to 1) protect the Policyholders and 2) assure that the Parties are fairly compensated as contemplated. In such situations, the Parties agree to work cooperatively towards those common goals and execute such memoranda of understanding as may be necessary to effectuate the transition of those Policyholders and the intent of this Agreement.

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 Sunshine State Insurance Company:

The Florida Department of Financial Services as Receiver for
Sunshine State Insurance Company
2020 Capital Circle SE

Suite 310
Tallahassee, FL 32301

If to the Florida Insurance Guaranty Association:

Florida Insurance Guaranty Association
P.O. Box 14249
Tallahassee, FL 32317

If to Heritage Property & Casualty Insurance Company:

Heritage Property & Casualty Insurance Company
2600 McCormick Drive, Ste. 300
Clearwater, FL 33759

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 SUNSHINE STATE INSURANCE COMPANY**

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

FLORIDA INSURANCE GUARANTY ASSOCIATION

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

HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY

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