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

In Re: The Receivership of
SAWGRASS MUTUAL INSURANCE COMPANY, a Florida Corporation,

CASE NO.: 2018 CA 001810

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ORDER APPOINTING THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES AS RECEIVER OF SAWGRASS MUTUAL INSURANCE COMPANY FOR PURPOSES OF LIQUIDATION, INJUNCTION, AND NOTICE OF AUTOMATIC STAY

THIS CAUSE was considered on the Application of the Florida Department of Financial Services ("Department"), for an Order to Show Cause on the appointment of a receiver of Sawgrass Mutual Insurance Company ("Respondent" or "Company"), and for injunction, and notice of automatic stay, for purposes of liquidation, which was filed on August 15, 2018, (hereinafter, "Application"). The Court further heard argument of counsel on October 1, 2018. The Court, having reviewed and considered all matters of record, and otherwise being fully informed in the premises, finds as follows:

1. Section 631.021, 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.

2. This Court has jurisdiction over these proceedings pursuant to section 631.021(1), Florida Statutes, and this Court can exercise jurisdiction over any person required to cooperate with the Department and the Office of Insurance Regulation ("the Office") pursuant to section 631.391 Florida Statutes, and over all persons made subject to this Court's jurisdiction by other provisions of law as provided in section 631.025, Florida Statutes. Venue is proper in the Circuit Court of Leon County pursuant to section 631.021(2), Florida Statutes. Pursuant to section 631.021(1), Florida Statutes, this Court has jurisdiction over the receivership and is authorized to

enter all necessary or proper orders to carry out the purpose of the Florida Insurers Rehabilitation and Liquidation Act, sections 631.001 *et seq.*, Florida Statutes.

3. Respondent was licensed as a Florida domiciled insurance company and on April 7, 2009, was authorized by the Office to transact insurance business. Respondent lists its principal place of business as 1000 Sawgrass Corporate Parkway, Suite 100, Sunrise, Florida 33323.

4. Respondent agreed to be placed into administrative supervision, pursuant to Part V of Chapter 624, Florida Statutes, for the purpose of protecting the assets of Sawgrass and protecting the interests of its insureds and to implement an orderly wind-down of the company's assets. Administrative Supervision began on August 18, 2017, pursuant to a Consent Order entered into with the Office, was extended for two 90-day periods, and was again extended through October 9, 2018 to facilitate the effectuation of run-off.

5. Upon a determination by the Office that one or more grounds exist to initiate a delinquency proceeding against an insurer and upon the Office's determination that a delinquency proceeding should be initiated, the Office is required to refer the insurer to the Department for the initiation of such delinquency proceeding. § 631.031(1), Fla. Stat.

6. By letter dated August 3, 2018, pursuant to section 631.031(1), Florida Statutes, David Altmaier, Commissioner of the Office, advised Florida's Chief Financial Officer, Jimmy Patronis, that grounds exist for the initiation of liquidation proceedings against Respondent.

7. Section 631.031(2), Florida Statutes, empowers the Department to apply to this Court for an order directing it to liquidate a domestic insurer, and section 631.061, Florida Statutes, provides that the Department may apply for such an order if the insurer is or is about to become insolvent or upon the existence of any of the grounds specified in section 631.051, Florida Statutes.

8. Based on the evidence presented in the Department's Application, the Court has determined that sufficient grounds exist for the liquidation of Respondent pursuant to the following provisions of law:

A. Section 631.061(1), Florida Statutes, due to Respondent's insolvency within the meaning of section 631.011(14), Florida Statutes;

B. Section 631.051(3), Florida Statutes, due to the existence of the foregoing grounds for liquidation, Respondent's further transaction of insurance is presently or prospectively hazardous to policyholders, if any, creditors, stockholders, or the public; and

C. Section 631.051(14), Florida Statutes, due to the insurer's systematic attempts to compromise with creditors on the ground that it is financially unable to pay its claims in full.

9. The Court therefore finds that it is in the best interests of Respondent, its policyholders, if any, creditors, stockholders, and the public that the Department be appointed receiver of Respondent for purposes of liquidation.

THEREFORE, IT IS ORDERED AND ADJUDGED:

10. The Department shall be and is hereby appointed receiver of Respondent for purposes of liquidation, effective October 1, 2018.

11. The Department 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.

12. 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 Department may retain such persons in the Department's discretion.

13. For purposes of this Order, the term "affiliate" shall be defined in accordance with section 631.011(1), Florida Statutes, and shall include, but not be limited to, the following affiliates:

Sawgrass Management Advisors, Inc

Intuitive Software Development, Inc

American Insurance Exchange, Inc.

Virtual Video Solutions, Inc

Insurance Operators Network, Inc

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

15. **THE DEPARTMENT IS AUTHORIZED AND DIRECTED TO**:

A. Take immediate possession of all the assets, estate, and property of every kind whatsoever and wherever located belonging to Respondent pursuant to sections 631.111 and 631.141, Florida Statutes, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents, affiliates, or other persons, including but not limited to: offices maintained by Respondent; furniture; fixtures; equipment; office supplies; choses in action; rights of action; contract rights; books, papers, claims and claim files, policy files, application files, premium records, rate books, underwriting manuals, personnel records, and all other records and data that are otherwise the property of the Respondent, in whatever form maintained; evidences of debt; bank accounts; savings accounts; certificates of deposit, stocks, bonds, debentures, and other securities; mortgages; real property; and all funds held by Respondent's agents, subagents, producing agents, brokers, solicitors, service representatives, premium finance companies, 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.

B. Marshal and liquidate the assets of Respondent.

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

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

E. 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 Department or coming into its possession.

F. 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.

G. Not defend or accept service of process on legal actions wherein Respondent, the Department, 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 Department may file appropriate pleadings in its discretion.

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

I. Collect all debts that are economically feasible to collect that are due and owing to Respondent.

J. Deposit funds and maintain bank accounts in accordance with section 631.221, Florida Statutes.

K. 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.

L. Negotiate and settle subrogation claims and final judgments without further order of this Court.

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

N. Update its records to incorporate change of address information for interested individuals/entities (e.g., agent, claimant, creditor, policyholder, subscriber) if the Department determines that there has been a change of address for any interested individuals/entities. The Department is authorized to use change of address information for future mailings.

O. Transfer unclaimed funds to the unclaimed property unit(s) of the states(s) reflected in the claimants' last address of record in the Department's files.

P. Dispose of and destroy obsolete and unneeded records pursuant to section

631.141(12), Florida Statutes.

Q. Authorize the applicable guaranty associations to dispose of and destroy obsolete and unneeded records after they have been scanned, verified, and added to the guaranty associations' records management system so long as the guaranty associations provide access to these electronic records to the Department as required to handle its duties.

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

IT IS FURTHER ORDERED AND DIRECTED:

16. Any "Covered Entity" or "Business Associate" in possession of "Protected Health Information" ("PHI") as defined in and governed by the federal Health Insurance Portability and Accountability of 1996, is authorized and directed to disclose such PHI to the Department as receiver of Respondent, to the same extent that such disclosure would have been permissible if made directly to Respondent prior to the entry of this Order.

17. Any "financial institution" in possession of "nonpublic personal information" ("NPI"), as defined in and governed by the Gramm-Leach-Bliley Financial Modernization Act of 1999, is authorized and directed to disclosed such NPI to the Department as receiver of Respondent, to the same extent that such disclosure would have been permissible if made directly to Respondent prior to the entry of this Order.

18. Pursuant to the provisions of section 631.252, Florida Statutes, all policies of insurance or similar contracts of coverage that have not expired ~~or were not previously transferred to Heritage Property and Casualty Insurance Company~~ are canceled **on the date 30 days from the entry of this Order, effective 12:01 AM.** 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 Department or insurer before such date, shall stand canceled as of the earlier date.

19. The Department shall continue to coordinate with the applicable Guaranty Associations to provide continued coverage for Respondent's policyholders, if any, prior to the cancellation of policies pursuant to section 631.252, Florida Statutes.

20. All agents, brokers, or other persons having sold policies of insurance and/or collected premiums on behalf of Respondent are required to account for and pay all premiums and commissions unearned due to cancellation of policies in the normal course of business owed to Respondent directly to the Department within twenty (20) days of demand by the Department or appear before this Court to show cause, if any they may have, as to why they should not be required to account to the Department or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company, or other person should use premium monies owed to Respondent for refund of unearned premium or for any purpose other than payment to the Department.

21. Any premium finance company that has entered into a contract to finance a premium for a policy issued by Respondent is required to pay any premium owed to Respondent directly to the Department.

22. Reinsurance premiums due to or payable by Respondent shall be remitted to, or disbursed by, the Department. The Department shall handle reinsurance losses recoverable or payable by Respondent. All correspondence concerning reinsurance shall be between the Department and the reinsuring company or intermediary.

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

24. Any bank, savings and loan association, financial institution, or other person which has on deposit, in its possession, custody or control any funds, accounts and any other assets of Respondent is directed to immediately transfer title, custody, and control of all such funds, accounts, and other assets to the Department. The Department 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 Department's control without permission of this Court.

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

26. Upon request by the Department, any company providing telephonic services to Respondent is directed to provide a reference of calls from the number presently assigned to Respondent to any such number designated by the Department or perform any other services or changes necessary to the conduct of the receivership.

27. Respondent shall surrender all insurance licenses and certificates of authority issued by any and all states that permitted Respondent to operate any insurance business in any state.

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

A. Further, the Department shall have the authority to do the following:

i. 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; and

ii. Once the Department 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 Department's actual knowledge of such contract, whichever is later, the Department 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 to adapt to the new circumstances of the receivership estate. In no event will any minimal modification be construed as the Department entering into a new contract with Respondent's vendor.

B. **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 Department 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 Department. 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. Any information technology service provider or data processing service which has custody or control of any data processing information and records, including William Giffin of Total Computer & Communication Group, Inc., including, but not limited to, source documents, claims data, policy administration data, 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 Department. The Department shall be authorized to compensate any such entity for the actual use of hardware and software, which the Department finds to be necessary to this proceeding. Compensation should be based upon the monthly rate provided for in contracts or leases with Respondent which were in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Department, for the actual time such equipment and software is used by the Department. Any past due or pending balances due from Respondent shall be processed as claims against the estate, and shall not be a basis for withholding the services contemplated in this Paragraph.

30. All attorneys employed by Respondent as of the date of the Order are required, **within ten (10) days of receiving notice of this Order**, to report to the Department on the name,

company claim number, and status of each file they are handling on behalf of Respondent. Said report should also include an accounting of any funds received from or on behalf of Respondent. All attorneys employed by Respondent are advised that pursuant to sections 631.011(17) and 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 are required to deliver such litigation files, material, documents, or records intact and without purging to the Department, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, should not be extinguished by the delivery of these documents.

31. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the building located at 1000 Sawgrass Corporate Parkway, Suite 100, Sunrise, Florida 33323, or any other facility in which Respondent may operate, shall make available, at that location and at no charge to the Department or to Respondent, office space and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Department in its sole discretion.

32. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the computer equipment, software, and peripherals currently used by or for Respondent shall provide complete access to and administrative control of all such computer equipment, software, and peripherals to the Department at no charge to the Department to the extent deemed necessary by the Department in its sole discretion.

33. All claims shall be filed with the Department **on or before the date that is six months from the date this Order is entered**, and all such claims shall be filed on proof of claim forms prepared by the Department. If the deadline for filing claims falls on a Saturday, Sunday, or a legal holiday, the deadline is extended to the next business day. It is intended that this deadline also be the date certain specified in section 631.181(5), Florida Statutes, after which no further claims may be filed. For any claim filed after the deadline, the Department will send a letter to the claimant advising the claimant that their claim was not filed in compliance with Florida Statutes and this Court's Order and, therefore, will not be treated as a filed claim. A copy of this letter will be filed with the Court.

34. 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 Department 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 Department has been provided with a properly executed and notarized assignment of claim agreement entered between the parties; and

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

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

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

ii. 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;

iii. It is the claimant's intent to sell their claim and have the Department's records be permanently changed to reflect the new owner; and

iv. 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.

35. 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 should not be held in contempt of Court for violation of the provisions of this Order.

CONTINUATION OF INVESTIGATION

36. The Department shall be authorized to conduct an investigation as authorized by section 631.156, Florida Statutes, to determine the causes of the insolvency, to discover assets for recovery, to determine the location of assets and their manner of recovery, and to make fully available to the Court the true state of Respondent's financial affairs.

37. The Department may take statements under oath and examine and review the books, records, and documents of any present or former officer, director, manager, trustee, agent, adjuster, employee, or independent contractor of Respondent or its affiliates and any other person possessing any executive authority over, or exercising or having exercised any control over, any segment of the affairs of the Respondent (hereinafter "Controlling Persons").

38. Section 631.391, Florida Statutes, imposes on Controlling Persons a duty to cooperate with the Department during its investigation. Such cooperation shall include, but not be limited to, providing oral testimony under oath, 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. In furtherance of this investigation, Respondent's parent corporations, its subsidiaries, and affiliates are required to make all books, documents, accounts, records, including all records located in any premises occupied by such parent corporations, subsidiaries or affiliates available for full, free and unhindered inspection and examination by the Department during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order and to provide copies of any records requested by the Department whether or not such records are related to Respondent.

40. Upon receipt of a certified copy of this order by whom the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent shall be made available for the Department's inspection and copying.

41. All Sheriffs and all law enforcement officials of this state shall cooperate with and assist the Department in the implementation of this Order.

INJUNCTION

42. 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, affiliates, members, subscribers, agents, and all other persons 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 Respondent; from in any means interfering with the Department or these proceedings; from the transfer of property and assets of Respondent without the consent of the Department; from the removal, concealment, or other

disposition of Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against Respondent or the Department 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.

43. Notwithstanding the provisions of this paragraph, the Department 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 Department 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 Department 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.

NOTICE OF AUTOMATIC STAY

44. Notice is hereby given that, pursuant to section 631.041(1), Florida Statutes, the filing of the Department's Application herein operates as an automatic stay applicable to all persons and entities, other than the Department and the Office, which shall be permanent and survive the entry of the 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 a judgment against the insurer or an affiliate 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, Florida Statutes; and

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

45. 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.

46. The Respondent is ordered into liquidation.

DONE and ORDERED in Chambers at the Leon County Courthouse in Tallahassee, Leon County, Florida this 28th day of November, 2018 *nunc pro tunc* to October 1, 2018.

James O. Shelfer

JUDGE JAMES O. SHELFER

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