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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

**RECEIVER'S STATUS REPORT AND
MOTION FOR APPROVAL OF REHABILITATION PLAN**

Comes now the Florida Department of Financial Services, as Receiver of FLORIDA SELECT INSURANCE COMPANY ("Florida Select"), by and through undersigned counsel, respectfully submits its Status Report and moves this honorable Court for an order approving the *Receiver's Status Report and Motion for Approval of Rehabilitation Plan* as set forth herein and, as good cause therefore, would show this Court:

I. STATUS REPORT

A. BACKGROUND

1. Florida Select 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. The company was initially licensed in Florida in 1996 and wrote homeowner's multi-peril, allied lines, and fire insurance coverage. Florida Select also wrote business in South Carolina and had policies in force in that state. Additionally, the company has been licensed in the states of Virginia and Texas.

2. Florida Select's corporate offices were previously located at 3760 River Run Drive, Birmingham, Alabama 35243. The company's last principal place of business in Florida

prior to the receivership was 1819 Main Street, Suite #700 and Suite #1101, Sarasota, Florida 34236.

3. Florida Select was one of several companies affiliated with the Vesta Insurance Group, Inc. ("VIG"). VIG entered Chapter 11 Bankruptcy proceedings on August 8, 2006. VIG owns Vesta Fire Insurance Corporation ("Vesta Fire"). Vesta Fire in turn holds several insurance subsidiaries including Florida Select (100% shareholder of Florida Select) and Texas Select Lloyds Insurance Company ("Texas Select"). Vesta Fire was placed in receivership for purposes of liquidation on August 1, 2006. Each of the insurance subsidiaries affiliated with Vesta Fire are currently in receivership under the control of the Texas Department of Insurance ("Texas Receiver").

4. On June 30, 2006, the Receiver filed its *Petition for Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, And Notice of Automatic Stay* ("Petition").

5. Incorporated with the Petition, the Receiver filed the *Consent to Order of Rehabilitation or Liquidation* executed by Mr. David W. Lacefield, President of Florida Select Insurance Company, on June 29, 2006. The Receiver also filed the *Joint Resolution Of The President, Directors And Majority Stockholders of Florida Select Insurance Company* consenting to the entry of an Order Appointing the Florida Department of Financial Services as Receiver for Rehabilitation or for Liquidation.

6. On June 30, 2006, this Court entered the *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* ("Consent Order"). This Court has exclusive jurisdiction over the Florida Select Receivership and is authorized to enter all necessary and/or

proper order to carry out the purpose of the Florida Insurers Rehabilitation and Liquidation Act, Chapter 631, Florida Statutes (2008).

7. Pursuant to Sections 631.101 and 631.141, Florida Statutes (2008), and as provided for in the Consent Order, the Receiver is conducting the business of Florida Select and taking all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.

8. Pursuant to Section 631.041(1), Florida Statutes (2008), and as provided for in the Consent Order, 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 the Consent Order, and which prohibits "... the commencement or continuation of judicial, administrative or other action or proceeding against the insurer, administrative or other action or proceeding against the insurer or against its assets or any part thereof."

9. Additionally, Section 631.041(4), Florida Statutes (2008), provides, in pertinent part, for the issuance of "...such other injunctions or orders as may be deemed necessary to prevent interference with the department or the proceeding; waste of the assets of the insurer; the commencement or prosecution of any actions; the obtaining of preferences, judgments, attachments, or other liens; or the making of any levy against the insurer or against its assets or any part thereof."

B. FINANCIAL CONDITION

10. Florida Select continues to be financially impaired due to its surplus (as regards policyholders) being under the minimum amount mandated by §624.408(1)(a), Florida Statutes

(2008). A copy of the most current financial statement dated June 30, 2009, is incorporated herein as Exhibit A.

11. Based on the rehabilitation efforts to date, the financial statement reflects a positive change in the actual cash and invested net admitted assets of the company during the course of the past year. More specifically, the asset recovery and cost reductions steps carried out by the Receiver have resulted in a positive change in cash and invested assets from the December 31, 2008 Annual Statement figure of \$1,532,099, to the latest financial statement total of \$8,430,049.

12. Since the initiation of these receivership proceedings, the Receiver has made substantial efforts to reduce expenses in the estate while maintaining the ability to maximize value to claimants. As part of those efforts, the Receiver has taken several steps to reduce necessary costs associated with the estate including, but not limited to:

- a) The reduction of staffing levels and associated labor costs at an annual savings exceeding \$175,000.00;
- b) The closing of previously leased office space and associated costs of over \$17,000.00 per month¹; and
- c) Renegotiated and reduced costs affiliated with various service providers for Florida Select at an annual savings exceeding \$350,000.00.

13. As a result of the rehabilitation efforts, the current financial statement reflects a decrease in total liabilities from the December 31, 2008 prior year figure of \$23,114,533 to the latest figure of \$8,523,482.

C. FLORIDA SELECT POLICYHOLDERS

14. One of the factors that resulted in this receivership was the inability of Florida

¹As part of its ongoing duties, the Receiver's initial role was to inventory, track, and value the personal property items for the estate. The particular methodology of purchases of personal property provided some challenges in identifying specific ownership of some limited personal property items that were subject to claims by various entities including, but not limited to, those of the previous managing general agency, Florida Select Insurance Agency, that was in federal court bankruptcy proceedings. The minimal value of the personal property items in question compared to the potential costs in litigating such issues, as well as contributing to any overhead expenses, rendered it cost efficient to abandon such property. In order to avoid diminishing the assets in the receivership on May 21, 2007, the Court entered its *Order Approving Receiver's Motion for Authorization to Abandon Certain Property and Effects*. As a result, the prior office of Florida Select in Sarasota was able to be closed and estate expenses minimized.

Select to obtain a Property Catastrophe Excess of Loss Reinsurance Contract ("CAT Contract") to cover the risk affiliated with the outstanding policies of the company. At the inception of this receivership, Florida Select had approximately 14,000 policyholders in the State of South Carolina and 70,000 policyholders in the State of Florida.

15. As a result of this immediate need, the Receiver focused its efforts on developing methods through which the Florida Select policyholders would be safeguarded from risk throughout the 2006 hurricane season and the course of the receivership. In furtherance of those efforts, the Receiver initiated the following separate actions:

South Carolina Policies (Approximately 14,000 policyholders)

16. In furtherance of the efforts to assist the policyholders of Florida Select, the Receiver entered discussions with Capitol Preferred Insurance Company ("Capitol Preferred") regarding the assumption by Capitol Preferred of the policies held or serviced by Florida Select in the state of South Carolina.

17. The Receiver, working closely with the South Carolina Department of Insurance, was able to develop a plan that allowed for Florida Select's South Carolina policyholders to continue their homeowners and flood insurance coverage through Capitol Preferred.

18. Capitol Preferred is an "A" rated (Financial Stability Rating maintained with Demotech, Inc.) company licensed to operate in the state of South Carolina with rates and forms on file with the South Carolina Department of Insurance. Capitol Preferred, being 100% reinsured, was also in a position to assume all of the Florida Select South Carolina policies and assist in the efforts to protect policyholders.

19. After extensive negotiations, the Receiver and Capitol Preferred were able to reach an agreement on a plan for the assumption of this book of business. The terms and

conditions for the assumption of these policies by Capitol Preferred were set forth in an Assumption Agreement entered into between the parties.

20. The Florida Office of Insurance Regulation and South Carolina Department of Insurance also reviewed and approved the Assumption Agreement between the parties.

21. On October 4, 2006, the Receiver filed its *Motion for Order Approving Assumption Agreement between Florida Select Insurance Company and Capital Preferred Insurance Company* (“Assumption Motion”). A copy is incorporated herein as Exhibit “B.”

22. On October 4, 2006, the Court entered its *Order Approving Assumption Agreement between Florida Select Insurance Company and Capital Preferred Insurance Company* (“Assumption Order”). A copy is incorporated herein as Exhibit “C.”

23. Pursuant to the Court approved Assumption Agreement, Capitol Preferred assumed Florida Select’s South Carolina policies and responsibility for payment of any claims under those policies which occurred on or after September 15, 2006. Claims incurred prior to September 15, 2006, remain the responsibility of Florida Select.

24. In order to ensure Florida Select’s South Carolina policyholders were informed of the assumption of their policies by Capitol Preferred, the Receiver issued its’ Notice to Policyholders on October 10, 2006. A similar Notice to the Agents/Brokers of the same policies was issued by the Receiver on October 24, 2006. Together, these were the “Assumption Notices.” The Assumption Notices advised the policyholders and agents/brokers of the status of Florida Select in receivership, the assumption of Florida Select policies in the State of South Carolina by Capitol Preferred, and the mechanism through which claims could continue to be submitted against the policies. Copies of the Assumption Notices are incorporated herein as Exhibit “D.”

25. In furtherance of resolving any and all remaining monetary issues existing between the parties to the Assumption Agreement, the Receiver filed its Notice of Filing Settlement Statement on November 30, 2006. A copy is incorporated herein as Exhibit "E."

Florida Policies (Approximately 70,000 policyholders)

26. The Receiver explored all available options in its efforts to ensure that Florida Select's Florida policyholders would be safeguarded from risk throughout the 2006 hurricane season and the course of the receivership. The alternatives reviewed included, but were not limited to, the potential purchase of the Florida Select company by another authorized insurer, as well as the potential assumption of the Florida Select policies in the state of Florida by another authorized insurer.

27. Despite these repeated efforts by the Receiver, no companies presented an offer to purchase Florida Select. Additionally, the financial status of the company resulted in there being insufficient capital on hand to complete an assumption of the Florida book of business. Consequently, the Receiver had no viable alternative but to continue its efforts to procure a CAT Contract to ensure the Florida policyholders were protected during the 2006 hurricane season.

28. The Receiver made extensive efforts to procure a CAT Contract on its own. However, the financial condition and receivership status of the company resulted in any potential coverage costing in excess of \$20,000,000. That figure was cost prohibitive to the receivership and would have necessitated the imminent liquidation of the company.

29. During this same period of time, the Receiver entered discussions with Southern Fidelity Insurance Company ("Southern Fidelity") regarding the efforts to safeguard Florida Select policyholders. Southern Fidelity is a Florida domiciled authorized insurer, and has earned an "A" Exceptional Demotech Financial Stability Rating.

30. In furtherance of the discussions between the parties, Southern Fidelity was able to coordinate the arrangement of a CAT Contract for the benefit of Florida Select policyholders in the state of Florida at a substantial cost savings to the receivership. Consequently, the Receiver and Southern Fidelity entered into a Memorandum of Understanding which enabled the Receiver to secure the CAT Contract coverage and ensure policyholder risks were covered throughout the 2006 hurricane season. The premium due for the CAT Contract procured by Southern Fidelity was approximately \$12,360,200.

31. As part of its duties, the Receiver continued to assess the financial ability of Florida Select to renew policies and provide ongoing coverage to existing policyholders. The Receiver was also cognizant of the fact that if Florida Select continued to have in-force policies as of June 1, 2007, a substantial premium of several million dollars would be due from Florida Select to the Florida Hurricane Catastrophe Fund ("FHCF"). In addition, the Receiver would have needed to procure additional CAT Contract coverage for the 2007 hurricane season to protect the policyholders of Florida Select in the state of Florida. The cost for such coverage is unknown, but would most certainly have exceeded the premium paid for the coverage outlined in Paragraph 30 of this Motion.

32. Based upon the financial circumstances of the company, the uncertainty of continuing cash flows to the company necessary to cover future costs, and the need to ensure the policyholders of Florida Select were protected, the Receiver recommended that the Court direct it to stop renewing policies and authorize it to non-renew or cancel policies of the Florida Select book of business in the state of Florida.

33. In furtherance of that recommendation, the Receiver had ongoing discussions with Southern Fidelity, as well as with Computer Sciences Corporation ("CSC"), which has been

the service provider to Florida Select over the past several years (dating back to pre-receivership activities), regarding renewing, cancelling, and reinstating coverage to its policyholders.

34. In an effort to ensure the policyholders were provided with as much written notice of this recommendation as is reasonable, necessary, and allowable while still ensuring an orderly transition during the non-renewal/cancellation process, CSC indicated that it was necessary to limit the amount of notice given to policyholders or agents to sixty (60) days. CSC worked with the Receiver to prepare a transition plan ("Transition Plan") that outlined the process recommended to be used for Florida Select policyholders.

35. In order to ensure a smooth transition for Florida Select policyholders whose policies were non-renewed or cancelled, Southern Fidelity agreed to provide the policyholders with an offer for a replacement policy ("Offer of Coverage") with their company on the company's standard homeowner's and dwelling fire policy forms and rates that have been approved by the Office of Insurance Regulation and were based upon the coverage that was contained within the expired/non-renewed/cancelled policy.

36. As part of the Transition Plan, Florida Select policyholders were not required to accept the offer of coverage from Southern Fidelity. If the policyholder chose to accept the Offer of Coverage from Southern Fidelity, they only needed make their premium payment to Southern Fidelity as outlined in the Offer of Coverage they received. If the policyholder chose not to accept the Offer of Coverage, they were free to contact their agent to ascertain other available options.

37. An additional factor involved in the Receiver recommending the Transition Plan was that the ongoing receivership status of the company resulted in several mortgage companies initiating a process of "force-placing" Florida Select policyholders. In doing so, the mortgage companies indicated that they would no longer accept the policy coverage being offered through

Florida Select as being in compliance with the terms of the policyholder's mortgage(s). Consequently, several mortgage companies procured coverage elsewhere for the policyholders under the terms of the mortgage. Any additional costs have been directly borne by the policyholders without benefit of a choice in the matter. The Transition Plan provided the opportunity for policyholders to receive the Offer of Coverage from Southern Fidelity and presented them a viable choice of coverage to assist policyholders in resolving the "force-placing" problem.

38. Based upon all of these variables, on December 21, 2006, the Receiver filed its *Motion for Order Approving Plan for Transition of Florida Select Policies* ("Transition Motion"). A copy is incorporated herein as Exhibit "F."

39. As part of the Transition Motion, the Receiver submitted proposed Notices of Non-Renewal and a Notices of Cancellation for review to the Receivership Court and requested authority to issue those notices to policyholders in the State of Florida. The notices provided those remaining policyholders with sixty (60) days notification of either their non-renewal or cancellation, as may have been appropriate depending on the policy, during the rehabilitation. Copies of the Notice of Non-Renewal and Notice of Cancellation issued to policyholders are incorporated as part of the Transition Motion attached herein as Exhibit "F."

40. The Receiver also submitted the proposed Southern Fidelity general template Offer of Coverage as part of the Transition Motion and recommended that it be allowed to be issued to Florida Select policyholders receiving the Notice of Non-Renewal or Notice of Cancellation. A copy of the Offer of Coverage issued to policyholders is incorporated as part of the Transition Motion attached herein as Exhibit "F."

41. On December 21, 2006, the Court entered its *Order Approving the Receiver's Motion for Order Approving Plan for Transition of Florida Select Policies* ("Transition Order"). A copy of the Transition Order is incorporated herein as Exhibit "G."

42. Pursuant to the Transition Order, the Receiver worked to finalize the issuance of non-renewals, cancellations, and transition of all remaining Florida Select policies in the State of Florida. During this process, the Receiver focused a substantial amount of resources to ensure that policyholders who received a notice of cancellation from Florida Select also received a check representing their return premium that had not been earned by the company. The basis for this focus was to ensure policyholders received their unearned premium prior to the date of the cancellation date of their Florida Select policy so that the funds were available for them to secure new coverage.

43. As a result of these efforts, over 51,000 checks totaling in excess of \$26,970,000.00 were issued to policyholders. The majority of policyholders received their unearned premium approximately 3-5 weeks prior to the cancellation date of their policy. The transition of the remaining Florida Select policies in the State of Florida was completed by June of 2007.

D. CLAIM ISSUES

44. Since its appointment, the Receiver has continued to manage the receivership so as to maximize value to claimants and the public, while minimizing costs to the estate.

45. Prior to the inception of the receivership, Florida Select had an extensive amount of outstanding claims liability and claims-related litigation. All existing claim litigation directly against Florida Select was subject to the automatic stay provision of Section 631.041, Florida Statutes (2008), as well as the terms of this Court's Consent Order.

46. In furtherance of its duties, the Receiver has successfully completed the following tasks associated with legal actions and claims pertaining to Florida Select policyholders and the receivership estate:

Policyholder Claim Issues in South Carolina

47. At the inception of the receivership, there were approximately 176 Florida Select open policyholder claim features in the state of South Carolina. A particular claim may have multiple features if, for example, a given policy includes coverage for property damage and bodily injury. A claim submitted against such a policy with both Bodily Injury (BI) and Property Damage (PD) would be counted as having two (2) features. The loss reserves attributable to the claims in South Carolina at that time totaled approximately \$775,000.00.

48. Pursuant to the Assumption Order noted in Paragraph 22 above, the Florida Select South Carolina book of business was assumed by Capitol Preferred as of September 15, 2006. Capitol Preferred assumed Florida Select's South Carolina policies and responsibility for payment of any claims under those policies which occurred on or after September 15, 2006. Claims incurred prior to September 15, 2006, remain the responsibility of Florida Select.

49. During the course of the receivership, the Receiver has continued to review and adjust the claims that were incurred prior to the September 15, 2006 assumption date. As a result of the continuing efforts during this rehabilitation process, there are currently two (2) open claim files (with a total of three (3) open claim features) remaining. The loss reserves retained for the underlying South Carolina policy liability totals approximately \$250,000.00.

Policyholder Claim Issues in Florida

50. At the inception of the receivership, there were approximately 750 open pending claim features in the state of Florida representing a monetary loss reserve amount of

approximately \$7,700,000. Additional claims have continued to be submitted to the company throughout the course of the receivership.

51. In furtherance of the rehabilitation efforts, the Receiver has continued to diligently work to settle all claims. As a result of these efforts, the total number of open claims in the state of Florida was reduced to 124 (encompassing 131 open claim features) through August of 2009. This represented a loss reserve of approximately \$2,997,000.00.

52. While the rehabilitation efforts continue to be successful in reducing the total amount of claims outstanding, as well as the extent of total liability, the claim activity trend does show a number of additional incoming claims (re-opens, public adjuster issues, etc.). This increased activity has continued to negatively impact Florida Select's cash position. Consequently, as part of the Plan of Rehabilitation, the Receiver is recommending the Court establish a definitive filing deadline for claims to be submitted to the receivership in order to diminish the continuing administrative costs in the estate and maximize value for claimants.

Computer Science Corporation ("CSC") Litigated Creditor Claim Issue

53. Since its appointment, the Receiver has continued to pay for services it has authorized vendors to perform as being necessary in furtherance of the receivership and the protection of policyholders. As more particularly outlined in Paragraph 33 above, CSC has been the service provider to Florida Select over the past several years (dating back to pre-receivership activities), regarding renewing, cancelling, and reinstating coverage to its policyholders. The Receiver has continued to pay CSC for services it has performed at the direction of the Receiver as authorized by the contract between the parties.

54. Subsequent to the inception of the receivership, CSC submitted several invoices to the Receiver for payment that pertained to pre-receivership work performed by their company. CSC also submitted invoices for post-receivership work not authorized by the Receiver. All of

these submitted invoices, totaling \$1,527,528.08, identified the work performed by CSC to be for services delivered for “Texas Select Operation Activities,” not Florida Select. As noted in Paragraph 3 above, Texas Select is in receivership under the authority of the Texas Receiver.

55. As a result of the Receiver not agreeing to pay CSC for services it did not authorize; nor pay for services by CSC prior to the inception of the receivership that related to services delivered to Texas Select for “Texas Select Operation Activities” (a company for which the Receiver has no authority over), CSC filed a *Petition to Enforce Ratified and Assumed Contract* in the receivership claiming Florida Select owed it the invoiced amounts totaling \$1,527,528.08.

56. On March 14, 2008, this Court entered its *Order Denying Petition to Enforce Ratified and Assumed Contract*. Pursuant to a request by CSC, that Order was incorporated into a *Final Judgment as to Petition of Computer Sciences Corporation* (“Final Judgment”) that was entered on April 1, 2008. Pursuant to the Final Judgment, CSC was to take nothing from the receivership estate. A copy of the Final Judgment is incorporated herein as Exhibit “H.”

57. CSC subsequently appealed that Final Judgment to the First District Court of Appeal. Following oral arguments, the First District Court of Appeal issued its Per Curiam Affirmed decision on February 20, 2009, affirming the Final Judgment entered by this Court. A subsequent motion by CSC for rehearing, rehearing en banc and written opinion was denied by the First District Court of Appeal on April 2, 2009 (collectively the “PCA Orders”). Copies of the PCA Orders are incorporated herein as Exhibit “I.”

58. As a result of the efforts by the Receiver, the \$1,527,528.08 claim alleged by CSC has been resolved and closed out with no additional liability to the receivership estate.

Florida Select Insurance Agency ("FSIA") Receivership Claim Issue

59. As identified in Paragraph 3 above, Florida Select was one of several companies affiliated with the Vesta Insurance Group, Inc. ("VIG"). VIG entered Chapter 11 Federal Bankruptcy proceedings in 2006. FSIA was a wholly owned subsidiary of J. Gordon Gaines, Inc. ("Gaines"), which acted as the management company within VIG. Gaines, like VIG, was the subject of Chapter 11 Federal Bankruptcy proceedings entered in 2006. The VIG and Gaines proceedings were jointly administered and are the subject of confirmed plans of liquidation.

60. Subsequent to the entry of the VIG and Gaines confirmed plans of liquidation, FSIA entered Chapter 11 Federal Bankruptcy proceedings (In re Florida Select Insurance Agency, Inc., Case No. 07-07849).

61. Prior to the receivership, FSIA and Florida Select were parties to a Managing General Agency Agreement ("MGA Agreement"). FSIA asserted certain claims against the Florida Select receivership estate relating to or arising out of the aforementioned MGA Agreement for earned commissions and policy fees in an amount exceeding \$2,170,153.53, as well as the additional sum of \$743,370.00 for a post-receivership transfer of funds pertaining to Florida Select policies. The substance and merits of the claims were disputed by both parties (collectively the "Disputed Claims"). The amount of the Disputed Claims totaled \$2,913,523.53.

62. In furtherance of the efforts to resolve the outstanding Disputed Claims and minimize costs to the receivership estate, a settlement agreement was reached between the parties subject to approval by their respective courts. On February 6, 2009, the Receiver filed its *Motion for Approval of Settlement with Florida Select Insurance Agency, Inc.* ("FSIA Motion"). Pursuant to the terms of the proposed settlement, FSIA was to receive only the sum of \$743,370.00 and released any further claim in the receivership estate. A copy of the FSIA Motion is incorporated herein as Exhibit "J."

63. On February 11, 2009, the Court entered its Order Approving the Receiver's Motion for Approval of Settlement Agreement with Florida Select Insurance Agency, Inc. ("FSIA Order"). A copy of the FSIA Order is incorporated herein as Exhibit "K."

64. The Receiver has finalized all actions necessary in furtherance of the FSIA Order. As a result, all claims pertaining to this matter have been resolved and \$2,170,153.53 of additional potential liability exposure (not inclusive of potential legal fees and costs) to the receivership estate has been eliminated.

Florida Hurricane Catastrophe Fund Claim Issue

65. The Florida Hurricane Catastrophe Fund ("FHCF") is established by the provisions of Section 215.555, Florida Statutes (2008). Due to the catastrophic losses incurred and sustained in previous years in Florida due to hurricanes, the FHCF was established for the purpose of protecting and advancing the state's interest in maintaining insurance capacity in this state. The FHCF provides a stable and ongoing source of reimbursement to insurers for a portion of their catastrophic hurricane losses. The insurer is required to pay an annual, actuarially-indicated premium to FHCF. The premium is calculated from data provided from the insurance company detailing all policies as of June 1st of each year. The premium derived is meant to cover the company for loss until June 1st of the following year.

66. Florida Select was, during the period of June 1, 2004 through May 31, 2005 ("2004 Contract Year"), and during the period of June 1, 2005 through May 31, 2006 ("2005 Contract Year") an authorized insurer in Florida writing homeowners and other lines of business. As such, the company was required to participate in the FHCF for both the 2004 and 2005 Contract Years.

67. Florida Select experienced covered losses during the 2004 and 2005 Contract Years, submitted Proof of Loss reports (“POLs”) for such losses and received reimbursement from the FHCF. During a routine loss examination after the inception of the receivership, the FHCF alleged errors to those previously submitted POLs and requested that the Receiver update the 2004 POLs filed for the company with respect to Hurricane Charley, Frances and Ivan and the 2005 POLs filed for Florida Select with respect to Hurricane Wilma. The errors noted in the examination by the FHCF indicated substantial overpayments to Florida Select for the 2004 Contract Year losses. Until the amount of this alleged excess could be determined with finality by the FHCF, it withheld the requested loss payments relating to Hurricane Wilma from the company.

68. The Receiver reviewed and evaluated the FHCF’s request for revised POLs. The Receiver notified the FHCF that providing the additional information sought would be cost prohibitive and not in the best interests of the receivership estate based upon the FHCF’s estimate that the amounts overpaid to the company for the 2004 Contract Year were close to the loss reimbursements withheld by the FHCF for the 2005 Contract Year.

69. In furtherance of working to resolve the outstanding issues between them regarding these outstanding claims, the parties engaged in settlement discussions. As a result of these discussions, the parties reached a settlement agreement of any and all outstanding claims pertaining to the 2004 and 2005 Contract Years.

70. On June 24th, 2009, the Receiver filed its *Motion for Approval of Settlement Agreement with the State Board of Administration of Florida* (“SBA Motion”). The SBA is charged with administering the FHCF. Pursuant to the agreement, the Receiver was not required to reconstruct data and update POLs for the 2004 and 2005 Contract Years. Additionally, the SBA agreed not to seek repayment from Florida Select for overpayments alleged made to it

during the 2004 Contract Year and agreed not to file any claim for such monies in the receivership estate. A copy of the SBA Motion is incorporated herein as Exhibit “L.”

71. On June 29th, 2009, the Court entered its *Order Approving the Receiver’s Motion for Approval of Settlement Agreement with the State Board of Administration of Florida* (“SBA Order”). A copy of the SBA Order is incorporated herein as Exhibit “M.”

72. Pursuant to the SBA Order, the Receiver executed all agreements necessary to finalize the terms of the settlement with the SBA. As a result, all claims associated with this matter have been closed out and resolved with no liability to the receivership estate.

E. ASSET RECOVERY EFFORTS

73. In furtherance of recovering monies for the benefit of the estate, the Receiver has initiated substantial asset recovery efforts. A summary of those efforts is as follows:

Special Deposits

74. Florida Select was required to place statutory deposits with various respective state regulatory departments of insurance in furtherance of its being granted initial licenses in those states including Florida (approximately \$1,265,000.00), South Carolina (approximately \$149,000.00), and Virginia (approximately \$550,000.00).

75. In an effort to ensure the continued processing of payments for policyholders and the ongoing operations of the company, the Receiver drew down upon the Florida statutory deposit funds in the amount of \$1,265,000.00. Those funds were transferred to the Receiver and are part of the assets of the estate.

76. The Receiver successfully worked in collaboration with the Virginia State Corporation Commission, Bureau of Insurance, to recover the deposit funds held by that state and utilize those monies to maximize value to claimants. As a result of those efforts, the

Receiver was able to finalize the necessary requirements and complete the recovery of the \$550,000.00 in statutory deposit funds previously held in that state.

77. The remaining statutory special deposit funds in South Carolina remain outstanding. The Receiver has made inquiries in furtherance of recovering this special deposit. Those efforts have been complicated due to the remaining open claims pending in that state, along with the current lack of a specific claims filing deadline bar date which would assist in bringing certainty to any potential risk associated with the release of that identified deposit.

78. At this time, the Receiver believes it is unable to complete the additional recovery of these deposit funds, and conversely maximize available assets for claimants in the receivership, without this Court establishing a specific claims filing deadline bar date for the estate.

Unearned Commission Recoveries

79. In furtherance of recovering monies for the benefit of the estate, the Receiver initiated a substantial effort to recover unearned commissions associated with the cancellation of Florida Select policies in the state of Florida pursuant to the Transition Order previously noted above in Paragraph 41. The Receiver initiated this process in conjunction with the finalization of the transition of policies from Florida Select to ensure an orderly and accurate process.

80. As part of this process, on June 21, 2007, the Receiver issued an initial billing to approximately 3500 agents totaling \$1,188,565.18 in unearned commissions. The Receiver followed these initial efforts with supplemental billings and initiated additional recovery mechanisms to ensure the maximum recovery possible for the estate.

81. Based upon these efforts, the Receiver successfully recovered in excess of \$1,028,300.00 (over 86%) of the outstanding unearned commissions for the receivership estate.

St. James Insurance Group ("SJIG") Recovery

82. As part of its duties and efforts to maximize value to claimants, the Receiver has continued to review, analyze, and collect any balances appropriately due Florida Select.

83. Prior to the inception of the receivership, Florida Select and SJIG had entered into a Letter Agreement dated May 22, 2003, regarding the procurement of agents on behalf of Florida Select. The aforementioned Letter Agreement replaced, in its entirety, a Program Business Agreement previously entered in to by Florida Select and SJIG.

84. In furtherance of recovering any balances appropriately due Florida Select, the Receiver initiated recovery efforts for monies due from SJIG. The Receiver asserted certain claims against SJIG relating to or arising out of the aforementioned Letter Agreement business relationship between SJIG and Florida Select, the substance and merits of which were disputed by SJIG (hereinafter "Disputed Claims"). SJIG asserted various defenses to the payment of these monies, inclusive of alleging their right to certain bonuses (as procuring agents for Florida Select, etc.) as offset to the funds.

85. The parties recognized that the issues presented in connection with the Disputed Claims were unlikely to be resolved without extensive and costly litigation that would have caused further delay in the efforts to maximize recoveries in the receivership, while incurring additional unknown risk and expense to the estate. As a result, a settlement agreement was reached between the parties subject to approval by the Court.

86. On July 1, 2008, the Receiver filed its *Motion for Approval of Settlement Agreement* ("SJIG Motion"). Pursuant to the settlement agreement, SJIG agreed to pay to the Receiver the sum of \$700,000.00 in consideration for the complete and final settlement of the Disputed Claims. A copy of the SJIG Motion is incorporated herein as Exhibit "N."

87. On July 2, 2008, the Court entered its Order Approving the Receiver's Motion for Approval of Settlement Agreement ("SJIG Order"). A copy of the SJIG Order is incorporated herein as Exhibit "O."

88. SJIG subsequently tendered payment in the amount of \$700,000.00 to the Receiver in accordance with the SJIG Order. As a result, the Disputed Claims were fully resolved without the necessity of incurring additional costly litigation expenses against the receivership and recoveries in this matter were maximized for the benefit of the estate.

Reinsurance Recovery Issues

89. As specified in Paragraph 3 above, Florida Select was one of several companies affiliated with the Vesta Insurance Group, Inc. ("VIG"). VIG entered Chapter 11 Federal Bankruptcy proceedings on August 8, 2006. VIG owns 100% of the stock of Vesta Fire Insurance Corporation ("Vesta Fire"). Vesta Fire in turn owns 100% of the stock in several insurance subsidiaries including, but not limited to, Florida Select and the Hawaiian Insurance and Guaranty Company, Limited ("HIG").

90. On June 28, 2006, the 126th Judicial District Court of Travis County, Texas entered its *Agreed Order Appointing Rehabilitator And Permanent Injunctions For Vesta Fire Insurance Company, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Company, and Vesta Insurance Corporation* ("Texas Companies"). Each of these insurance subsidiaries affiliated with Vesta Fire are currently in receivership under the authority of the Texas Receivership Court. The Honorable Mike Geeslin, Commissioner of Insurance for the State of Texas, has been appointed as the Receiver ("Texas Liquidator") for the Texas Companies. The Texas Receiver has been authorized by the Texas Court to conduct the daily operational activities on behalf of the aforementioned Texas Companies.

91. On July 11, 2006, the Texas Liquidator designated Prime Tempus, Inc. as Special Deputy Receiver of the Texas Companies.

92. On August 1, 2006, the Texas Court entered its order placing Vesta Fire, Shelby Casualty, Shelby Insurance, Texas Select and Select Insurance in liquidation. Vesta Insurance remained in rehabilitation.

93. On August 21, 2006, HIG was placed in receivership for purposes of liquidation by Order of the First Circuit Court in and for The State of Hawaii. The Honorable J.P. Schmidt, Commissioner of Insurance for the State of Hawaii, is the court appointed Liquidator of HIG ("Hawaii Liquidator").

94. Prior to the respective receiverships noted above, Vesta Fire, Florida Select, HIG, and other affiliated Vesta companies were parties to various intercompany reinsurance arrangements and other reinsurance contracts with several subscribing reinsurance companies.

95. During the course of their respective receiverships, the Florida Receiver, Texas Liquidator, and Hawaii Liquidator ("Collective Estates") recognized that there were outstanding issues between them regarding the rights, duties and obligations of the Collective Estates as it pertained to the reinsurance contract(s) for which they had been parties to. However, in order to try to maximize the potential recovery for each estate, as well to minimize the potential costs to each estate, the Collective Estates collaborated to recover unearned premiums and other amounts appropriately due under the terms of the aforementioned reinsurance contract(s).

96. In furtherance of those recovery efforts, the Collective Estates entered into an Escrow Agreement establishing a separate escrow account to facilitate the transfer of any such unearned premiums and other amounts from the subscribing reinsurance companies to the Collective Estates. Based upon the collaborative collection efforts, in excess of \$99,000,000 was recovered into this separate escrow account ("Escrow Account").

97. In furtherance of working to try to resolve the outstanding issues between them regarding the rights, duties and obligations of the Collective Estates, representatives from each respective party met in Houston, Texas on September 18, 2007. The parties were not able to reach a final resolution of all the issues at that time. However, subject to approval by each of the respective receivership courts, an interim settlement agreement (“Stipulated Agreement”) was reached by the Collective Estates.

98. On November 28, 2007, the Florida Receiver filed its *Motion for Approval of Stipulated Agreement* (“Stipulated Motion”).

99. On November 28, 2007, the Court entered its *Order Approving the Receiver’s Motion for Approval of Stipulated Agreement* (“Stipulated Agreement Order”).

100. The Stipulated Agreement was also subsequently approved by the respective receivership courts in both Texas and Hawaii.

101. As a result of the approval of the Stipulated Agreement by the respective receivership courts, the following initial distributions were able to be made to the Collective Estates:

- a) The sum of \$2,000,000 was distributed from the Escrow Account to the Florida Receiver for the receivership of Florida Select;
- b) The sum of \$2,000,000 was distributed from the Escrow Account to the Hawaii Liquidator for the receivership of HIG; and
- c) The sum of \$10,000,000 was distributed from the Escrow Account to the Texas Liquidator for the Texas Companies (five companies) in receivership.

102. Pursuant to the terms of the Stipulated Agreement, the Collective Estates agreed to continue their settlement discussions and exchange documents, financial information and other available data to each other in furtherance of the efforts to resolve their outstanding claims to the funds remaining in the Escrow Account.

103. In furtherance of the provisions authorized and directed in the Stipulated Agreement Order, the Florida Receiver engaged in ongoing settlement discussions with the respective parties to bring finality to all of the outstanding issues in this matter.

104. After numerous settlement discussions between the parties, along with extensive exchange of documents, financial information, and other available data, the Collective Estates, subject to approval by each of the respective receivership courts, entered into a final settlement agreement ("Final Settlement Agreement") to bring closure to all of the outstanding issues pertaining to the funds remaining in the Escrow Account.

105. On January 22, 2009, the Receiver filed its *Motion for Approval of Settlement and Release Agreement* ("Final Settlement Motion"). A copy of the Final Settlement Motion (inclusive of a copy of the Final Settlement Agreement and accompanying exhibits) is incorporated herein as Exhibit "P."

106. The Final Settlement Agreement was negotiated and recommended by the Receiver to this Court to bring closure to the underlying issues between the Collective Estates and allow each party to avoid the uncertainty associated with litigation that could take years to resolve, significantly reduce any potential distribution to the respective parties, and critically delay potential distributions, if any, to claimants in their respective receiverships.

107. Subject to approval by the respective receivership courts, several key components of the Final Settlement Agreement were as follows:

- a) The sum of \$16,000,000 was to be distributed from the Escrow Account to the Hawaii Liquidator for the receivership of HIG;
- b) The sum of \$13,500,000 was to be distributed from the Escrow Account to the Florida Receiver for the receivership of Florida Select;
- c) The balance of funds remaining in the Escrow Account was to be allocated between or among the Texas Companies in receivership;

- d) The Texas Receiver agrees to reserve an amount totaling \$6,500,000 as a restricted asset on Vesta Fire Insurance Corporation's books and records for the benefit of Florida Select ("Restricted Asset Funds"). The Restricted Asset funds are subject to release to Florida by Texas under certain conditions more particularly described in Paragraph 3 (Page 4 of 17) of the Final Settlement Agreement.
- e) To the extent permitted by applicable law, the Florida Receiver agreed to request a bar date for the filing of claims against Florida Select within 180 days of the Final Settlement Agreement becoming final.
- f) Upon receipt of payment from the Escrow Funds, the respective parties released each other from additional claims arising under or related to the Escrow Account.

108. On January 23, 2009, the Court entered its *Order Approving the Receiver's Motion for Approval of Settlement and Release Agreement* ("Final Settlement Order"). A copy of the Final Settlement Order is incorporated herein as Exhibit "Q."

109. The Final Settlement Agreement was also subsequently approved by the respective receivership courts in both Texas and Hawaii and became final as of April 6, 2009. As authorized by the receivership courts, the distribution of funds contemplated within the Final Settlement Agreement was completed on April 17, 2009.

II. PLAN OF REHABILITATION

110. The Receiver believes that a formal liquidation of the company would appreciably increase costs to the estate, lower potential distribution amounts, and result in significant delays (by several years) in any payout of monies to remaining claimants of the company.

111. The Receiver has made continuing efforts to resolve all outstanding claims of the company. Despite the successful resolution of over 80% of the claims pending at the inception of the receivership, as well as those claims received since the entry of the Consent Order, approximately 126 open claims (134 total claim features) currently remain outstanding.

112. Additionally, the receivership has had a substantial quantity of incoming claims that have been brought on matters where damages were previously alleged under a given Florida Select policy, the company adjusted the claim and paid the loss under that policy, and the claim file was appropriately closed. In many cases, additional damages have been alleged years later under that same policy due to a wide variety of reasons. As a result, the Receiver has had to handle numerous “re-opened” claims involving the same underlying policy and damage circumstances. This has resulted in significant additional expense to the estate and reduction in assets otherwise available to potential claimants. The Receiver believes that the only way to resolve such issues, accurately quantify additional potential liabilities for the estate, and enable the receivership to reach ultimate closure, is for the Court to establish a claims filing deadline bar date for the estate.

113. In order to address the aforementioned issues and prevent the waste of assets of the insurer, the Receiver recommends the following receivership plan of rehabilitation be authorized by this Court pursuant to the Consent Order, as well as Chapter 631, Florida Statutes (2008) (as more specifically set forth in Sections 631.021, 631.041, 631.101, 631.141, 631.153, 631.181, and 631.182 Florida Statutes (2008)), in furtherance of maximizing value to claimants and the public:

A. **CLAIM ISSUES**

1) **Establish a Claim Filing Deadline Bar Date of 180 Days**

- a) The receivership proceedings were initiated over three years (3) ago on June 30, 2006. The respective states that licensed Florida Select, as well as the prior agents, policyholders, claimants, and other interested parties of the company have been made aware of these delinquency proceedings since the inception of the receivership.
- b) Since the inception of the receivership, the respective former agents and policyholders of Florida Select have received multiple communications from the Receiver pertaining to various issues

including the receivership status of the company; assumption of company policies in the state of South Carolina; cancellation/non-renewal/transition of policies in the state of Florida; as well as information pertaining to the ability to report a claim(s) to the company. These communications to date have included, but not necessarily been limited to, the following:

- i. *Notice to Agent or Broker Regarding the Receivership of Florida of Florida Select Insurance Company* (July 7, 2006);
 - ii. *Notice to Florida Select Policyholders Regarding the Assumption of South Carolina Policies* (October 10, 2006 - see Exhibit "D");
 - iii. *Notice to Agent or Broker Regarding the Receivership of Florida Select Insurance Company and the Assumption of the Company's South Carolina Policies* (October 24, 2006 - see Exhibit "D");
 - iv. *Notice of Non-Renewal of Policy* (As authorized by the December 21, 2006, Transition Order for Florida Select policyholders in the state of Florida - see Exhibit "F");
 - v. *Notice of Cancellation of Policy* (As authorized by the December 21, 2006, Transition Order for Florida Select policyholders in the state of Florida - See Exhibit "F"); and
 - vi. *Offer of Coverage* (Issued by Southern Fidelity as authorized by the December 21, 2006, Transition Order for Florida Select policyholders in the state of Florida who were non-renewed or cancelled - See Exhibit "F").
- c) The last hurricane related claim damage activity as it pertains to Florida Select policyholders in the State of Florida resulted from the landfall of Hurricane Wilma almost four (4) years ago on October 25th, 2005.
- d) There is no specific statutorily imposed claim filing deadline bar date for a company while in rehabilitation. The only specific timing limitation under Section 631.181, Florida Statutes (2008) is that any notice shall not be less than six (6) months after the entry of the order of insolvency.
- e) The rehabilitation efforts to recover assets, minimize costs, and maximize potential value to claimants have been successful to date. However, in order to bring closure to any claim issues that are pending or which may arise in the future in the Florida Select estate, it will be necessary to have a definitive time deadline within which any and all claims must be filed with the Receiver.
- f) In order to carry out its duties prescribed in Chapter 631, Florida Statutes (2008), and ensure an equitable approach for all potential

claimants, the Receiver recommends the Court establish a claim filing deadline bar date of one hundred eighty (180) days from the date of entry of an Order approving this status report and plan of rehabilitation. The one hundred eighty (180) day deadline should apply to the claim filing timeframes set forth under Chapter 631, Florida Statutes (2008).

g) The Receiver believes that the one hundred eighty (180) day time frame is reasonable and equitable for several reasons including, but not limited to:

- i. The receivership has been active since June 30, 2006. Potential claimants have been able to submit claims to the company both before and after the inception of the receivership;
- ii. Florida Select's South Carolina policies and responsibility for payment of any claims under those policies which occurred on or after September 15, 2006, were assumed by Capitol Preferred. Any claims for damages occurring prior to September 15, 2006, have been able to be submitted to Florida Select throughout the course of the receivership;
- iii. Florida Select's South Carolina policyholders and agents were provided with notice (2006) regarding the assumption of those policies by Capitol Preferred and the process for submitting claims;
- iv. Florida Select's Florida policyholders were informed of the transitioning of their policies as authorized by the December 21, 2006, Transition Order. Those policyholders were subsequently issued a Notice of Cancellation or Notice of Non-Renewal (as may have been appropriate for the specific policy), as well as an Offer of Coverage from Southern Fidelity;
- v. Florida Select's remaining Florida policies were transitioned out of the company as of June 1, 2007;
- vi. The last hurricanes to affect the State of Florida and create additional potential mass claim exposure relating to Florida Select policyholders in the State of Florida occurred in 2005:
 - i. Hurricane Wilma - October of 2005
 - ii. Hurricane Rita - September of 2005
 - iii. Hurricane Dennis - August of 2005
 - iv. Hurricane Jeanne - September of 2004
 - v. Hurricane Ivan - September of 2004
 - vi. Hurricane Frances - September of 2004
 - vii. Hurricane Charley - August of 2004

h) Claims have been able to be filed with the company prior to, and during the course of, this receivership. Subject to approval by this Court, the Receiver intends to provide notice to the former

policyholders of Florida Select of the approved claim filing deadline bar date to file any additional claim(s) in the receivership.

- i. At this time, the Receiver estimates this will result in notification being issued to:
 1. In excess of 119,000 former Florida Select Florida policyholders; and
 2. In excess of 23,000 former Florida Select South Carolina policyholders.
- i) As a result of the aforementioned factors, the proposed timeframe will enable all claimants to be treated fairly and equitably as designed under Section 631.181, Florida Statutes (2008). Any claims filed after the claim filing deadline should be deemed denied and barred, unless otherwise ordered by this Court.

2) **Authorize the Issuance of Notice to Claimants**

- a) In order to ensure all persons who may have claims against Florida Select are afforded an opportunity to submit such claims in this estate, the Receiver requests this Court authorize it to issue a *Notice* ("Notice") to potential claimants.
- b) The Receiver has drafted a proposed Notice for issuance to potential claimants. The Notice provides the following to each recipient:
 - i) Information concerning the status of the receivership;
 - ii) Information concerning this plan of rehabilitation;
 - iii) Notice of the opportunity to submit a claim in the Florida Select receivership;
 - iv) Notice of the claims filing deadline bar date;
 - v) Information concerning how to obtain a Florida Select Proof of Claim Form; and
 - vi) Notice of the Receiver's website where claimants may obtain additional information regarding the receivership, as well as copies of the *Receiver's Status Report and Motion for Approval of Rehabilitation Plan*, *Order Approving Receiver's Status Report and Motion for Approval of Rehabilitation Plan*, and Florida Select Proof of Claim Form for submitting a claim to the Receiver.
- c) The Receiver proposes to issue the aforementioned Notice to:
 - i) The appropriate regulatory entities in those states where the company was licensed and/or issued policies;
 - ii) Former policyholders of the company (as noted in Paragraph 113. A. 1) h) above);

- iii) Known creditors of Florida Select whose claims have not already been adjudicated, or otherwise resolved, through the receivership estate; and
 - iv) Additional potential claimants as may be deemed necessary and appropriate by the Receiver.
- d) Copies of the proposed Notice for issuance to claimants, as well as the proposed Florida Select Proof of Claim Form, in the same or substantially similar form, are submitted for review and approval to this Court and are incorporated herein as Exhibit "R."
- e) In order to provide broad disclosure and ensure all potential claimants are provided an opportunity to submit a claim in the estate, the Receiver also proposes circulating notice through the following mechanisms and publications:
 - i) The Florida Bar News;
 - ii) Florida Administrative Law Weekly;
 - iii) The Florida Association of Insurance Agents; and
 - iv) A Florida newspaper publication that is among the top five (5) highest circulated newspapers in the state.
- f) Florida Select has already obtained claims and claim information concerning approximately 134 outstanding open claims on file with the company. The Receiver does not believe it to be fair for those claimants who already have an open claim on file with the company to be required to re-submit an approved claim form. Consequently, the Receiver requests authority of this Court to allow it to consider such open pending claims already submitted to Florida Select as timely filed and appropriate for evaluation in accordance with this plan of rehabilitation.
- g) The Receiver will continue its efforts to ensure value to all claimants is maximized and claims resolved in an expeditious manner.

B. MISCELLANEOUS ISSUES

1) Authorize the Continuation of Ongoing Operational Activities

- a) The Receiver has reduced operational costs in the receivership to a minimal amount.
- b) The Receiver will continue to analyze the financial condition of Florida Select and periodically advise the Court of the company's solvency.

- c) The Receiver recommends that the operational status of the company continue as may be deemed necessary by the Receiver during the processing of claims as part of the plan of rehabilitation, or until such further order of this Court.

2) **Authorize Continuing Asset Recovery Efforts**

- a) As authorized by the Consent Order and Chapter 631, Florida Statutes (2008), the Receiver is continuing its efforts to collect funds, assets, or property that it determines to rightfully be property of the estate.
- b) These efforts are inclusive of, but not necessarily limited to, the resolution of outstanding account balance issues, subrogation collection activities, and the collection of any other property or assets determined to belong to the estate, as well as potentially assisting the Texas Receiver as may be necessary and appropriate in furtherance of the terms of the Final Settlement Agreement between the parties (as approved by this Court on January 23, 2009).
- c) The Receiver recommends that it be authorized to continue these asset recovery efforts as part of this plan of rehabilitation so that potential assets may be made available to the estate and value maximized for claimants.

3) **Authorize the Continuation of Automatic Stay and Consent Order Terms**

- a) To enable the Receiver to fully implement the provisions of this plan of rehabilitation, the Receiver recommends that the Court enter its Order continuing the automatic stay provisions set forth under 631.041, Florida Statutes (2008), and entered as part of the original Consent Order establishing this receivership estate.
- b) The Receiver further recommends that all authority extended to it under Chapter 631, Florida Statutes (2008), and the terms in the Consent Order be reaffirmed by this Court in furtherance of the resolution of claim activities and plan of rehabilitation.

WHEREFORE and with good cause shown, the Receiver respectfully moves this Court to enter its Order: 1) approving the *Receiver's Status Report and Motion for Approval of Rehabilitation Plan* as set forth herein; 2) establishing a claim filing deadline bar date of one hundred eighty (180) days from the date of such Order; 3) authorizing the Receiver to issue Notice to claimants including, but not limited to, publication as set forth in the *Receiver's Status*

Report and Motion for Approval of Rehabilitation Plan; 4) authorizing the continuation of ongoing operational activities in the receivership as deemed necessary and appropriate by the Receiver; 5) authorizing the continuation of asset recovery efforts as deemed necessary and appropriate by the Receiver; 6) authorizing the continuation of the authority granted to the Receiver under Chapter 631, Florida Statutes (2008) and the terms of the Consent Order previously entered by this Court on June 30, 2006; 7) authorizing the continuation of the automatic stay provisions set forth in Section 631.041, Florida Statutes (2008); and 8) providing such other relief as deemed necessary and appropriate by this Court.

DATED this 2nd day of October 2009.



MARK S. HAMILTON, Senior Attorney
Florida Bar No. 0063819
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
as Receiver of Florida Select Insurance Company
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 Telephone
(850) 488-1510 - Facsimile

QUARTERLY STATEMENT
OF THE
FLORIDA SELECT INSURANCE
COMPANY IN RECEIVERSHIP

Of
TALLAHASSEE
in the state of FL

to the Insurance Department
of the State of

For the Period Ended
June 30, 2009

2009



QUARTERLY STATEMENT

As of June 30, 2009
of the Condition and Affairs of the

FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP

NAIC Group Code.....958, 958
(Current Period) (Prior Period)
Organized under the Laws of Florida
Incorporated/Organized..... May 29, 1996
Statutory Home Office

NAIC Company Code..... 10663
State of Domicile or Port of Entry Florida
Country of Domicile US
Commenced Business..... August 16, 1996

Employer's ID Number..... 59-3390361

2020 CAPITAL CIR SE ALEXANDER BLG #350..... TALLAHASSEE FL 32301
(Street and Number) (City or Town, State and Zip Code)

2020 CAPITAL CIR SE ALEXANDER BLG #350..... TALLAHASSEE FL 32301
(Street and Number) (City or Town, State and Zip Code)

2020 CAPITAL CIR SE ALEXANDER BLG #350..... TALLAHASSEE FL 32301
(Street and Number or P. O. Box) (City or Town, State and Zip Code)

2020 CAPITAL CIR SE ALEXANDER BLG #350..... TALLAHASSEE FL 32301
(Street and Number) (City or Town, State and Zip Code)

Main Administrative Office
Mail Address
Primary Location of Books and Records
Internet Web Site Address
Statutory Statement Contact

N/A
EDWARD W. STEWART
(Name)
Edward.Stewart@myfloridacfo.com
(E-Mail Address)

850-413-4452
(Area Code) (Telephone Number) (Extension)
850-922-0289
(Fax Number)

OFFICERS

Name	Title	Name	Title
1. PATTI TURPIN	DEPUTY RECEIVER	2.	
3.		4.	

OTHER

DIRECTORS OR TRUSTEES

PATTI TURPIN

State of..... Florida
County of..... Leon

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
PATTI TURPIN		
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
DEPUTY RECEIVER		
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This 10th day of August 2009

NOTARY PUBLIC - STATE OF FLORIDA
Galicia Alvarez
Commission # DD645699
Expires: MAR. 01, 2011
BONDED THRU ATLANTIC & OCEANIC, INC.

a. Is this an original filing?
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes [X] No []

08/07/2009 11:32:44 AM

ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	149,791		149,791	149,734
2. Stocks:				
2.1 Preferred stocks.....			.0	
2.2 Common stocks.....			.0	
3. Mortgage loans on real estate:				
3.1 First liens.....			.0	
3.2 Other than first liens.....			.0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			.0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			.0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			.0	
5. Cash (\$.....8,280,258), cash equivalents (\$.....0) and short-term investments (\$.....0).....	8,280,258		8,280,258	1,382,365
6. Contract loans (including \$.....0 premium notes).....			.0	
7. Other invested assets.....			.0	
8. Receivables for securities.....			.0	
9. Aggregate write-ins for invested assets.....	.0	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	8,430,049	.0	8,430,049	1,532,099
11. Title plants less \$.....0 charged off (for Title insurers only).....			.0	
12. Investment income due and accrued.....	19,879		19,879	3,163
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection.....	119,090	119,090	.0	.0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			.0	
13.3 Accrued retrospective premiums.....			.0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			.0	10,016,047
14.2 Funds held by or deposited with reinsured companies.....			.0	
14.3 Other amounts receivable under reinsurance contracts.....			.0	233,630
15. Amounts receivable relating to uninsured plans.....			.0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.0	
16.2 Net deferred tax asset.....	181,379	181,379	.0	
17. Guaranty funds receivable or on deposit.....			.0	
18. Electronic data processing equipment and software.....			.0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....			.0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0	
21. Receivables from parent, subsidiaries and affiliates.....			.0	
22. Health care (\$.....0) and other amounts receivable.....			.0	
23. Aggregate write-ins for other than invested assets.....	.985	.0	.985	.985
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	8,751,382	300,469	8,450,913	11,785,924
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0	
26. Total (Lines 24 and 25).....	8,751,382	300,469	8,450,913	11,785,924

DETAILS OF WRITE-INS

0901. ....			.0	
0902. ....			.0	
0903. ....			.0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.0	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.0	.0	.0	.0
2301. Premium Refunds/Suspense.....	.985		.985	.985
2302. ....			.0	
2303. ....			.0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.0	.0	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	.985	.0	.985	.985

Statement for June 30, 2009 of the **FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP**
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Losses (current accident year \$.....0).....	5,182,512	1,456,315
2. Reinsurance payable on paid losses and loss adjustment expenses.....		
3. Loss adjustment expenses.....	729,886	407,935
4. Commissions payable, contingent commissions and other similar charges.....		
5. Other expenses (excluding taxes, licenses and fees).....	105,693	5,112,653
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	221,990	590,941
7.1 Current federal and foreign income taxes (including \$.....0 on realized capital gains (losses)).....		2,686,852
7.2 Net deferred tax liability.....		
8. Borrowed money \$.....0 and interest thereon \$.....0.....		
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$.....0 and including warranty reserves of \$.....0).....		
10. Advance premium.....		
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....		421,655
13. Funds held by company under reinsurance treaties.....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....	1,733,002	1,683,368
16. Provision for reinsurance.....		10,204,415
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....		
19. Payable to parent, subsidiaries and affiliates.....	550,399	550,399
20. Payable for securities.....		
21. Liability for amounts held under uninsured plans.....		
22. Capital notes \$.....0 and interest thereon \$.....0.....		
23. Aggregate write-ins for liabilities.....	0	0
24. Total liabilities excluding protected cell liabilities (Lines 1 through 23).....	8,523,482	23,114,533
25. Protected cell liabilities.....		
26. Total liabilities (Lines 24 and 25).....	8,523,482	23,114,533
27. Aggregate write-ins for special surplus funds.....	0	0
28. Common capital stock.....	2,500,000	2,500,000
29. Preferred capital stock.....		
30. Aggregate write-ins for other than special surplus funds.....	0	0
31. Surplus notes.....		
32. Gross paid in and contributed surplus.....	16,575,875	16,575,875
33. Unassigned funds (surplus).....	(19,148,444)	(30,404,484)
34. Less treasury stock, at cost:		
34.1 .....0.000 shares common (value included in Line 28 \$.....0).....		
34.2 .....0.000 shares preferred (value included in Line 29 \$.....0).....		
35. Surplus as regards policyholders (Lines 27 to 33, less 34).....	(72,569)	(11,328,609)
36. Totals.....	8,450,913	11,785,924

DETAILS OF WRITE-INS

2301. Premium Refunds/Suspense.....		
2302.		
2303.		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	0	0
2701.		
2702.		
2703.		
2798. Summary of remaining write-ins for Line 27 from overflow page.....	0	0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	0	0
3001.		
3002.		
3003.		
3098. Summary of remaining write-ins for Line 30 from overflow page.....	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098) (Line 30 above).....	0	0

FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP

STATEMENT OF INCOME

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct..... (written \$.....0)		(251,875)	(258,156)
1.2 Assumed..... (written \$.....0)			
1.3 Ceded..... (written \$.....0)			
1.4 Net..... (written \$.....0)	0	(251,875)	(258,156)
DEDUCTIONS:			
2. Losses incurred (current accident year \$.....0):			
2.1 Direct.....	1,134,816	(556,468)	(2,113,374)
2.2 Assumed.....			
2.3 Ceded.....	(25,566,822)	582,172	(991,656)
2.4 Net.....	26,701,638	(1,138,640)	(1,121,718)
3. Loss adjustment expenses incurred.....	403,560	64,674	(265,207)
4. Other underwriting expenses incurred.....	412,333	1,141,988	1,865,971
5. Aggregate write-ins for underwriting deductions.....	0	0	0
6. Total underwriting deductions (Lines 2 through 5).....	27,517,531	68,022	479,046
7. Net income of protected cells.....			
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7).....	(27,517,531)	(319,897)	(737,202)
INVESTMENT INCOME			
9. Net investment income earned.....	47,401	82,808	116,536
10. Net realized capital gains (losses) less capital gains tax of \$.....0.....			
11. Net investment gain (loss) (Lines 9 + 10).....	47,401	82,808	116,536
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$.....0 amount charged off \$.....0).....	0	(3)	11
13. Finance and service charges not included in premiums.....			
14. Aggregate write-ins for miscellaneous income.....	(11,192)	0	(147,168)
15. Total other income (Lines 12 through 14).....	(11,192)	(3)	(147,157)
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	(27,481,322)	(237,092)	(767,823)
17. Dividends to policyholders.....			
18. Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17).....	(27,481,322)	(237,092)	(767,823)
19. Federal and foreign income taxes incurred.....	(2,686,852)	(58,927)	(167,567)
20. Net income (Line 18 minus Line 19) (to Line 22).....	(24,794,470)	(178,165)	(600,256)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year.....	(11,328,609)	(10,449,527)	(13,458,522)
22. Net income (from Line 20).....	(24,794,470)	(178,165)	(600,256)
23. Net transfers (to) from Protected Cell accounts.....			
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....0.....			
25. Change in net unrealized foreign exchange capital gain (loss).....			
26. Change in net deferred income tax.....	(8,691,208)	2,603,627	(71,866)
27. Change in nonadmitted assets.....	34,537,303	(2,735,967)	132,768
28. Change in provision for reinsurance.....	10,204,415	1,296,360	2,669,267
29. Change in surplus notes.....			
30. Surplus (contributed to) withdrawn from protected cells.....			
31. Cumulative effect of changes in accounting principles.....			
32. Capital changes:			
32.1 Paid in.....			
32.2 Transferred from surplus (Stock Dividend).....			
32.3 Transferred to surplus.....			
33. Surplus adjustments:			
33.1 Paid in.....			
33.2 Transferred to capital (Stock Dividend).....			
33.3 Transferred from capital.....			
34. Net remittances from or (to) Home Office.....			
35. Dividends to stockholders.....			
36. Change in treasury stock.....			
37. Aggregate write-ins for gains and losses in surplus.....	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37).....	11,256,040	985,855	2,129,913
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38).....	(72,569)	(9,463,672)	(11,328,609)
DETAILS OF WRITE-INS			
0501. Unearned Ceding Commissions.....			
0502.			
0503.			
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....	0	0	0
1401. Miscellaneous Income/Expense.....	(11,192)		(147,168)
1402. Gain of Sale of Assets.....			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	(11,192)	0	(147,168)
3701. Other effects of 2006 amended annual statement on surplus.....			
3702.			
3703.			
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0	0
3799. Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....	0	0	0

CASH FLOW

	1 Current Year to Date	2 Prior Year Ended December 31
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	(416,075)	1,256,370
2. Net investment income.....	30,628	135,997
3. Miscellaneous income.....	(11,192)	(147,157)
4. Total (Lines 1 through 3).....	(396,639)	1,245,210
5. Benefit and loss related payments.....	12,725,764	1,946,981
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	5,869,853	2,480,450
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	18,595,617	4,427,431
11. Net cash from operations (Line 4 minus Line 10).....	(18,992,256)	(3,182,221)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....		
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	0	0
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....		
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	0
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	0	0
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....	25,890,149	(871,557)
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	25,890,149	(871,557)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	6,897,893	(4,053,778)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	1,382,365	5,436,143
19.2 End of period (Line 18 plus Line 19.1).....	8,280,258	1,382,365

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Florida Select Insurance Company ("the Company") have been prepared in conformity with National Association of Insurance Commissioners' (NAIC) Annual Statement instructions and the Accounting Practices and Procedures Manual, and the state laws of Florida.

The state of Florida requires insurance companies domiciled in the state of Florida to prepare their statutory financial statements in accordance with the NAIC Accounting Practices and Procedures Manual subject to any deviations prescribed or permitted by the State of Florida, Office of Insurance Regulation. There are no differences between Florida prescribed practices and NAIC statutory practices which affect the Company.

B. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in these financial statements and notes. Actual results could differ from those estimates.

C. Accounting Policies

Direct, assumed and ceded premiums are earned over the terms of the related insurance policies and reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premiums written. Such reserves are computed by pro rate methods for direct business and for reinsurance ceded.

Expenses incurred in connection with acquiring new insurance business, including acquisition costs, such as commissions and service company fees, are charged to operations as incurred. Expenses incurred are reduced for ceding allowances received or receivable.

Net investment income earned consists primarily of interest and dividends less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Net realized capital gains and (losses) are recognized on a specific identification basis when securities are sold, redeemed, or otherwise disposed. Realized capital losses include write downs for impairments considered to be other than temporary.

In addition, the company uses the following accounting policies:

1. Investment grade short-term fixed income investments are stated at amortized cost. Amortized cost is computed using the interest method.
2. Investment grade long-term bonds are stated at amortized cost using the interest method. Non-investment grade bonds are stated at the lower of amortized value or fair value.
3. Common Stock - None to report.
4. Investment grade redeemable preferred stocks are stated at fair value.
5. First lien mortgage loans on real estate - None to Report.
6. Investment grade loan-backed securities are stated at amortized value. The retrospective adjustment method is used to value all loan-backed securities. Non-Investment grade loan-backed securities are stated at the lower of amortized value or fair value.
7. Investment in subsidiary and affiliated companies - None to Report.
8. Investments in joint ventures - None to Report.
9. The accounting for derivatives - None to Report.
10. The Company does not anticipate investment income when evaluating the need for premium deficiency reserves (see Note 30).
11. Unpaid losses and loss adjustment expenses include amounts determined from individual case estimates, loss reports and amounts, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amounts are adequate, the ultimate liabilities may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.
12. The Company does not have any expenses which were capitalized.
13. Not applicable as the Company does not write major medical insurance with prescription drug coverage.

Note 2 - Accounting Changes and Corrections of Errors

No significant change.

Note 3 - Business Combinations and Goodwill

No significant change.

Note 4 - Discontinued Operations

No significant change.

NOTES TO FINANCIAL STATEMENTS**Note 5 - Investments**

No significant change.

Note 6 - Joint Ventures, Partnerships and Limited Liability Companies

No significant change.

Note 7 - Investment Income

No significant change.

Note 8 - Derivative Instruments

No significant change.

Note 9 - Income Taxes

A. Components of Deferred Tax Assets (DTAs) and Deferred Tax Liabilities (DTLs):

Description	June 30, 2009	December 31, 2008
Gross deferred tax assets	\$ 181,379	\$ 8,872,587
Gross deferred tax liabilities	-	-
Net deferred tax asset (liability)	181,379	8,872,587
Nonadmitted deferred tax asset	(181,379)	(8,872,587)
Admitted deferred tax asset (liability)	-	-
Increase (decrease) in deferred tax assets nonadmitted	\$ -	\$ 71,865

B. Unrecognized DTLs:

Not applicable.

C. Current Tax and Change in Deferred Tax:

2. The tax effect of temporary differences that give rise to the significant portions of the deferred tax assets and deferred tax liabilities are as follows:

Description	June 30, 2009	December 31, 2008
Deferred Tax Assets:		
Unearned Premiums	\$ -	\$ -
Unpaid loss and loss adjustment expenses	140,888	44,424
Nonadmitted assets	40,491	8,828,163
Total gross deferred tax assets	181,379	8,872,587
Deferred Tax Liabilities:		
Other	-	-
Net Deferred Tax Asset	181,379	8,872,587
Nonadmitted deferred tax assets	(181,379)	8,872,587
Admitted deferred tax assets	-	-

3. The change in net deferred income taxes was comprised of the following:

Description	June 30, 2009	December 31, 2008	Change
Total gross deferred tax assets	\$ 181,379	\$ 8,872,587	(\$8,691,208)
Total gross deferred tax liabilities	-	-	-
Net deferred tax asset	181,379	8,872,587	
Deferred tax on change in unrealized gains			
Change in net deferred income tax			(\$8,691,208)

Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

No significant change.

NOTES TO FINANCIAL STATEMENTS**Note 11 - Debt**

No significant change.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No significant change.

Note 13 - Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Description	Current Year Increase (Decrease) in Surplus
1. Unrealized Gain	\$ -
2. Non-Admitted Assets	34,537,303
3. Net Deferred Income Tax	(8,691,208)
4. Provision for Reinsurance	10,204,415
5. Retroactive Reinsurance Reserve Non-Admitted	-

Note 14 - Contingencies**D. All Other Contingencies**

The Company is engaged in routine litigation arising in the normal course of claims settlement. Accruals for these contingencies are considered in the actuarial estimates of unpaid losses and loss adjustment expenses. The Company does not believe that the eventual outcome of such suits will have a material effect on the financial condition or results of operations of the Company.

The Company participated in a group quota share reinsurance treaty. This treaty, effective July 1, 2005, provided 50% quota share reinsurance through Swiss Reinsurance America Corporation and Ace Property and Casualty Insurance Company. Effective December 1, 2005, the quota share reinsurance agreement was increased to 75%, with the additional 25% coverage placed with Hannover Reinsurance (Ireland) and E&S Reinsurance. Additionally, the Company ceded to Vesta Fire Insurance Company (VFI) all underwriting results after giving effect to unaffiliated reinsurance agreements. In response to directives from the Florida Office of Insurance Regulation, the reinsurance contract ceded to VFI was terminated effective January 31, 2006. The remaining external quota share contract was terminated June 30, 2006 and was not renewed.

On January 8, 2007, an Escrow Agreement was established among the various states' Receivers and Liquidators of the Vesta companies, Texas, Hawaii, and Florida. Monies paid in January and February 2007 approximating \$70 million, by certain reinsurers relating to ceded unearned premium at the termination of the reinsurance agreement, were placed in an Escrow Account governed by the Escrow Agreement. Distributions cannot be made from the Escrow Account without the agreement of all parties to the Escrow Agreement. On December 13, 2007, the parties to the Escrow Agreement agreed to a distribution totaling \$14,000,000, of which \$10,000,000 was issued to the Texas Liquidator, \$2,000,000 was issued to the Hawaii Liquidator, and \$2,000,000 was issued to the Florida Receiver. The Company received this distribution on December 21, 2007.

At December 31, 2008, the Company's records reflect assets of approximately \$18.2 million due from the Escrow Account for ceded unearned premium. As the amounts in the Escrow Account are unavailable to the Company, the asset has been nonadmitted.

Reinsurance recoverable, other than amounts due from the Florida Hurricane Catastrophe Fund (FHCF), on paid losses at December 31, 2008 and on future paid losses were deposited into the Escrow account. As such, the ultimate valuation at December 31, 2008, of the aggregate of all reinsurance recoverables other than the amounts due from the FHCF, for losses paid and unpaid including IBNR, loss adjustment expenses, unearned premium and contingent commissions which relate to the reinsurance agreements, is uncertain as well as unavailable to the Company until such time as the respective Receivers and Liquidators agree to a distribution. As such, the net positive balances for reinsurance contracts other than amounts due from the FHCF have been included in the provision for reinsurance or non-admitted.

During April of 2009, the Company received \$13.4 million in final distribution from the escrow account. As such, the remaining balance of the escrow account, which had been nonadmitted, was written off and the nonadmitted portion was reversed. All related reinsurance recoverables and receivables have been written off as of June 30, 2009. The related reinsurance recoverables and receivables had been offset by the provision for reinsurance in the prior periods. Accordingly, the Company no longer carries a provision for reinsurance as all balances have been written off along with related nonadmitted assets.

Effective June 30, 2009, the Company reached a settlement agreement with the Florida Hurricane Catastrophe Fund whereby all losses were commuted back to the Company. Accordingly, all related related reinsurance recoverables and receivables have been written off effective June 30, 2009.

Note 15 - Leases

No significant change.

NOTES TO FINANCIAL STATEMENTS

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No significant change.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. NOTE: This disclosure is required in every filing for the Quarterly Statement.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

No significant change.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No significant change.

Note 20 - Other Items

No significant change.

Note 21 - Events Subsequent

No significant change.

Note 22 - Reinsurance

No significant change.

Note 23 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

No significant change.

Note 24 - Change in Incurred Losses and Loss Adjustment Expenses

NOTE: This disclosure is required in every filing for the Quarterly Statement.

Note 25 - Intercompany Pooling Arrangements

No significant change.

Note 26 - Structured Settlements

No significant change.

Note 27 - Health Care Receivables

No significant change.

Note 28 - Participating Policies

No significant change.

Note 29 - Premium Deficiency Reserves

No significant change.

Note 30 - High Deductibles

No significant change.

NOTES TO FINANCIAL STATEMENTS

Note 31 - Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses

No significant change.

Note 32 - Asbestos/Environmental Reserves

No significant change.

Note 33 - Subscriber Savings Accounts

No significant change.

Note 34 - Multiple Peril Crop Insurance

No significant change.

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? Yes ☐ No ☒
- 1.2 If yes, has the report been filed with the domiciliary state? Yes ☐ No ☐
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes ☐ No ☒
- 2.2 If yes, date of change:
3. Have there been any substantial changes in the organizational chart since the prior quarter end? Yes ☐ No ☒
If yes, complete the Schedule Y-Part 1 - Organizational chart.
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes ☐ No ☒
- 4.2 If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC
Company Code | 3
State of
Domicile |
|---------------------|---------------------------|---------------------------|
| | | |
5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? Yes ☐ No ☐ N/A ☒
If yes, attach an explanation.
.....
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).
- 6.4 By what department or departments?
.....
- 6.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes ☒ No ☐ N/A ☐
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes ☒ No ☐ N/A ☐
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes ☐ No ☒
- 7.2 If yes, give full information:
.....
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes ☐ No ☒
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes ☐ No ☒
- 8.4 If the response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency (i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)) and identify the affiliate's primary federal regulator[.]
- | 1
Affiliate Name | 2
Location (City, State) | 3
FRB | 4
OCC | 5
OTS | 6
FDIC | 7
SEC |
|---------------------|-----------------------------|----------|----------|----------|-----------|----------|
| | | | | | | |
- 9.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
(c) Compliance with applicable governmental laws, rules and regulations;
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
(e) Accountability for adherence to the code. Yes ☒ No ☐
- 9.11 If the response to 9.1 is No, please explain:
.....
- 9.2 Has the code of ethics for senior managers been amended? Yes ☐ No ☒
- 9.21 If the response to 9.2 is Yes, provide information related to amendment(s).
.....
- 9.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ☐ No ☒

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES

9.31 If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

10.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [] No [X]

10.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

INVESTMENT

11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes [] No [X]

11.2 If yes, give full and complete information relating thereto:

12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$0

13. Amount of real estate and mortgages held in short-term investments:

\$0

14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes [] No [X]

14.2 If yes, please complete the following:

	¹ Prior Year-End Book/Adjusted Carrying Value	² Current Quarter Book/Adjusted Carrying Value
14.21 Bonds.....	\$0	\$0
14.22 Preferred Stock.....	\$0	\$0
14.23 Common Stock.....	\$0	\$0
14.24 Short-Term Investments.....	\$0	\$0
14.25 Mortgage Loans on Real Estate.....	\$0	\$0
14.26 All Other.....	\$0	\$0
14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26).....	\$0	\$0
14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above.....	\$0	\$0

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

Yes [] No [X]

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes [] No []

16. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III. Conducting Examinations, F-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

¹ Name of Custodian(s)	² Custodian Address

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation.

¹ Name(s)	² Location(s)	³ Complete Explanation(s)

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

Yes [] No [X]

16.4 If yes, give full and complete information relating thereto:

¹ Old Custodian	² New Custodian	³ Date of Change	⁴ Reason

16.5 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

¹ Central Registration Depository	² Name(s)	³ Address

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No []

17.2 If no, list exceptions:

Statement for June 30, 2009 of the **FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP**
GENERAL INTERROGATORIES (continued)
PART 2
PROPERTY & CASUALTY INTERROGATORIES

1. If the reporting entity is a member of a pooling arrangement, did the agreement or the reporting entity's participation change? Yes ☐ No ☐ N/A ☒
 If yes, attach an explanation.

2. Has the reporting entity reinsured any risk with any other reporting entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on the risk, or portion thereof, reinsured? Yes ☐ No ☒
 If yes, attach an explanation.

- 3.1 Have any of the reporting entity's primary reinsurance contracts been canceled? Yes ☐ No ☒
 3.2 If yes, give full and complete information thereto:

- 4.1 Are any of the liabilities for unpaid losses and loss adjustment expenses other than certain workers' compensation liabilities tabular reserves (see Annual Statement Instructions pertaining to disclosure of discounting for definition of "tabular reserves,") discounted at a rate of interest greater than zero? Yes ☐ No ☒
 4.2 If yes, complete the following schedule:

1 Line of Business	2 Maximum Interest	3 Disc. Rate	Total Discount				Discount Taken During Period			
			4 Unpaid Losses	5 Unpaid LAE	6 IBNR	7 Total	8 Unpaid Losses	9 Unpaid LAE	10 IBNR	11 Total
						0				0
Total	XXX	XXX	0	0	0	0	0	0	0	0

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1 NAIC Company Code	2 Federal ID Number	3 Name of Reinsurer	4 Location	5 Is Insurer Authorized? (YES or NO)
------------------------------	------------------------------	------------------------	---------------	---

NONE

FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Current Year to Date - Allocated by States and Territories

States, Etc.	1 Active Status	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year to Date	3 Prior Year to Date	4 Current Year to Date	5 Prior Year to Date	6 Current Year to Date	7 Prior Year to Date
1. Alabama.....AL	N						
2. Alaska.....AK	N						
3. Arizona.....AZ	N						
4. Arkansas.....AR	N						
5. California.....CA	N						
6. Colorado.....CO	N						
7. Connecticut.....CT	N						
8. Delaware.....DE	N						
9. District of Columbia.....DC	N						
10. Florida.....FL	L		(249,689)	619,880	1,811,072	3,557,191	2,365,600
11. Georgia.....GA	N						
12. Hawaii.....HI	N						
13. Idaho.....ID	N						
14. Illinois.....IL	N						
15. Indiana.....IN	N						
16. Iowa.....IA	N						
17. Kansas.....KS	N						
18. Kentucky.....KY	N						
19. Louisiana.....LA	N						
20. Maine.....ME	N						
21. Maryland.....MD	N						
22. Massachusetts.....MA	N						
23. Michigan.....MI	N						
24. Minnesota.....MN	N						
25. Mississippi.....MS	N						
26. Missouri.....MO	N						
27. Montana.....MT	N						
28. Nebraska.....NE	N						
29. Nevada.....NV	N						
30. New Hampshire.....NH	N						
31. New Jersey.....NJ	N						
32. New Mexico.....NM	N						
33. New York.....NY	N						
34. North Carolina.....NC	N						
35. North Dakota.....ND	N						
36. Ohio.....OH	N						
37. Oklahoma.....OK	N						
38. Oregon.....OR	N						
39. Pennsylvania.....PA	N						
40. Rhode Island.....RI	N						
41. South Carolina.....SC	L		(2,186)		191,428	250,000	661,000
42. South Dakota.....SD	N						
43. Tennessee.....TN	N						
44. Texas.....TX	N						
45. Utah.....UT	N						
46. Vermont.....VT	N						
47. Virginia.....VA	N						
48. Washington.....WA	N						
49. West Virginia.....WV	N						
50. Wisconsin.....WI	N						
51. Wyoming.....WY	N						
52. American Samoa.....AS	N						
53. Guam.....GU	N						
54. Puerto Rico.....PR	N						
55. US Virgin Islands.....VI	N						
56. Northern Mariana Islands.....MP	N						
57. Canada.....CN	N						
58. Aggregate Other Alien.....OT	XXX	0	0	0	0	0	0
59. Totals.....(a)	3	0	(251,875)	619,880	2,002,500	3,807,191	3,026,600

DETAILS OF WRITE-INS

5801.....	XXX						
5802.....	XXX						
5803.....	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page.....	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 thru 5803 + Line 5898) (Line 58 above).....	XXX	0	0	0	0	0	0

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 – ORGANIZATIONAL CHART

NONE

PART 1 - LOSS EXPERIENCE

Lines of Business	Current Year to Date			Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire.....			0.0	
2. Allied lines.....			0.0	
3. Farmowners multiple peril.....			0.0	
4. Homeowners multiple peril.....		1,134,816	0.0	334.1
5. Commercial multiple peril.....			0.0	
6. Mortgage guaranty.....			0.0	
8. Ocean marine.....			0.0	
9. Inland marine.....			0.0	
10. Financial guaranty.....			0.0	
11.1. Medical professional liability - occurrence.....			0.0	
11.2. Medical professional liability - claims made.....			0.0	
12. Earthquake.....			0.0	
13. Group accident and health.....			0.0	
14. Credit accident and health.....			0.0	
15. Other accident and health.....			0.0	
16. Workers' compensation.....			0.0	
17.1. Other liability-occurrence.....			0.0	
17.2. Other liability-claims made.....			0.0	
18.1. Products liability-occurrence.....			0.0	
18.2. Products liability-claims made.....			0.0	
19.1, 19.2 Private passenger auto liability.....			0.0	
19.3, 19.4 Commercial auto liability.....			0.0	
21. Auto physical damage.....			0.0	
22. Aircraft (all perils).....			0.0	
23. Fidelity.....			0.0	
24. Surety.....			0.0	
26. Burglary and theft.....			0.0	
27. Boiler and machinery.....			0.0	
28. Credit.....			0.0	
29. International.....			0.0	
30. Warranty.....			0.0	
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0.0	
35. Totals.....	0	1,134,816	0.0	
DETAILS OF WRITE-INS				
3401.			0.0	
3402.			0.0	
3403.			0.0	
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0.0	XXX
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0.0	

PART 2 - DIRECT PREMIUMS WRITTEN

Lines of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire.....			
2. Allied lines.....			
3. Farmowners multiple peril.....			
4. Homeowners multiple peril.....			(251,875)
5. Commercial multiple peril.....			
6. Mortgage guaranty.....			
8. Ocean marine.....			
9. Inland marine.....			
10. Financial guaranty.....			
11.1. Medical professional liability - occurrence.....			
11.2. Medical professional liability - claims made.....			
12. Earthquake.....			
13. Group accident and health.....			
14. Credit accident and health.....			
15. Other accident and health.....			
16. Workers' compensation.....			
17.1. Other liability-occurrence.....			
17.2. Other liability-claims made.....			
18.1. Products liability-occurrence.....			
18.2. Products liability-claims made.....			
19.1, 19.2 Private passenger auto liability.....			
19.3, 19.4 Commercial auto liability.....			
21. Auto physical damage.....			
22. Aircraft (all perils).....			
23. Fidelity.....			
24. Surety.....			
26. Burglary and theft.....			
27. Boiler and machinery.....			
28. Credit.....			
29. International.....			
30. Warranty.....			
31. Reinsurance-nonproportional assumed property.....	XXX	XXX	XXX
32. Reinsurance-nonproportional assumed liability.....	XXX	XXX	XXX
33. Reinsurance-nonproportional assumed financial lines.....	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business.....	0	0	0
35. Totals.....	0	0	(251,875)
DETAILS OF WRITE-INS			
3401.			
3402.			
3403.			
3498. Sum. of remaining write-ins for Line 34 from overflow page.....	0	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34).....	0	0	0

PART 3 (000 omitted)

LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE

	1	2	3	4	5	6	7	8	9	10	11	12	13
Years in Which Losses Occurred	Prior Year-End Known Case Loss and LAE Reserves	Prior Year-End IBNR Loss and LAE Reserves	Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	2009 Loss and LAE Payments on Claims Reported as of Prior Year-End	2009 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2009 Loss and LAE Payments (Cols. 4 + 5)	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	Q.S. Date IBNR Loss and LAE Reserves	Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 4 + 7 minus Col. 1)	Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	Prior Year-End Total Loss and LAE Reserves Developed (Savings)/Deficiency (Cols. 11 + 12)
1. 2006 + Prior	715	533	1,248	23,039		23,039		3,710	1,300	5,010	22,324	4,477	26,801
2. 2007	321	295	616	18		18		415	487	902	(303)	607	304
3. Subtotals 2007 + Prior	1,036	828	1,864	23,057	0	23,057	0	4,125	1,787	5,912	22,021	5,084	27,105
4. 2008			0			0				0	0	0	0
5. Subtotals 2008 + Prior	1,036	828	1,864	23,057	0	23,057	0	4,125	1,787	5,912	22,021	5,084	27,105
6. 2009	XXX	XXX	XXX	XXX		0	XXX			0	XXX	XXX	XXX
7. Totals	1,036	828	1,864	23,057	0	23,057	0	4,125	1,787	5,912	22,021	5,084	27,105
8. Prior Year-End's Surplus As Regards Policyholders	(11,329)										Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
1.											2,124.9 %	614.1 %	1,453.9 %
4.													Col. 13, Line 7 Line 8
													4. (239.3)%

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

	Response
1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>
2. Will Supplement A to Schedule T (Medical Professional Liability Supplement) be filed with this statement?	<u>NO</u>
3. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?	<u>NO</u>

Explanation:

- 1.
- 2.
- 3.

Bar Code:

NONE

Statement for June 30, 2009 of the **FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP**
SCHEDULE A - VERIFICATION

Real Estate

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Current year change in encumbrances.....		
4. Total gain (loss) on disposals.....		
5. Deduct amounts received on disposals.....		
6. Total foreign exchange change in book/adjusted carrying value.....		
7. Deduct current year's other than temporary impairment recognized.....		
8. Deduct current year's depreciation.....		
9. Book/adjusted carrying value at end of current period (Lines 1+2+3+4-5+6-7-8).....	0	0
10. Deduct total nonadmitted amounts.....		
11. Statement value at end of current period (Line 9 minus Line 10).....	0	0

SCHEDULE B - VERIFICATION

Mortgage Loans

	1 Year to Date	2 Prior Year Ended December 31
1. Book value/recorded investment excluding accrued interest, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and mortgage interest points and commitment fees.....		
9. Total foreign exchange change in book value/recorded investment excluding accrued interest.....		
10. Deduct current year's other than temporary impairment recognized.....		
11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Total valuation allowance.....		
13. Subtotal (Line 11 plus Line 12).....	0	0
14. Deduct total nonadmitted amounts.....		
15. Statement value at end of current period (Line 13 minus Line 14).....	0	0

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	0	
2. Cost of acquired:		
2.1 Actual cost at time of acquisition.....		
2.2 Additional investment made after acquisition.....		
3. Capitalized deferred interest and other.....		
4. Accrual of discount.....		
5. Unrealized valuation increase (decrease).....		
6. Total gain (loss) on disposals.....		
7. Deduct amounts received on disposals.....		
8. Deduct amortization of premium and depreciation.....		
9. Total foreign exchange change in book/adjusted carrying value.....		
10. Deduct current year's other than temporary impairment recognized.....		
11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10).....	0	0
12. Deduct total nonadmitted amounts.....		
13. Statement value at end of current period (Line 11 minus Line 12).....	0	0

SCHEDULE D - VERIFICATION

Bonds and Stocks

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year.....	149,734	149,619
2. Cost of bonds and stocks acquired.....		
3. Accrual of discount.....	57	115
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration for bonds and stocks disposed of.....		
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	149,791	149,734
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	149,791	149,734

Statement for June 30, 2009 of the **FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP**

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity

During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1 Book/Adjusted Carrying Value Beginning of Current Quarter	2 Acquisitions During Current Quarter	3 Dispositions During Current Quarter	4 Non-Trading Activity During Current Quarter	5 Book/Adjusted Carrying Value End of First Quarter	6 Book/Adjusted Carrying Value End of Second Quarter	7 Book/Adjusted Carrying Value End of Third Quarter	8 Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1 (a)	149,734			57	149,791	149,762		149,734
2. Class 2 (a)								
3. Class 3 (a)								
4. Class 4 (a)								
5. Class 5 (a)								
6. Class 6 (a)								
7. Total Bonds	149,734	0	0	57	149,791	149,762	0	149,734
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds and Preferred Stock	149,734	0	0	57	149,791	149,762	0	149,734

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation:
NAIC 1 \$ 0; NAIC 2 \$ 0; NAIC 3 \$ 0; NAIC 4 \$ 0; NAIC 5 \$ 0; NAIC 6 \$ 0.

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 NONE Fair Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999. Totals.....		XXX.			

SCHEDULE DA - VERIFICATION

Short-Term Investments

	1 Year to Date	2 Prior Year Ended December 31
1. Book/adjusted carrying value, December 31 of prior year.....	1,632,000	6,487,000
2. Cost of short-term investments acquired.....		950,000
3. Accrual of discount.....		
4. Unrealized valuation increase (decrease).....		
5. Total gain (loss) on disposals.....		
6. Deduct consideration received on disposals.....	1,632,000	5,805,000
7. Deduct amortization of premium.....		
8. Total foreign exchange change in book/adjusted carrying value.....		
9. Deduct current year's other than temporary impairment recognized.....		
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9).....	0	1,632,000
11. Deduct total nonadmitted amounts.....		
12. Statement value at end of current period (Line 10 minus Line 11).....	0	1,632,000

**Sch. DB-Part F-Section 1
NONE**

**Sch. DB-Part F-Section 2
NONE**

**Sch. E-Verification
NONE**

**Sch. A-Part 2
NONE**

**Sch. A-Part 3
NONE**

**Sch. B-Part 2
NONE**

**Sch. B-Part 3
NONE**

**Sch. BA-Part 2
NONE**

**Sch. BA-Part 3
NONE**

**Sch. D-Part 3
NONE**

**Sch. D-Part 4
NONE**

**Sch. DB-Part A-Section 1
NONE**

**Sch. DB-Part B-Section 1
NONE**

**Sch. DB-Part C-Section 1
NONE**

**Sch. DB-Part D-Section 1
NONE**

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

Monthly End Depository Balances									9
1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *	
					6 First Month	7 Second Month	8 Third Month		
Open Depositories									
Wachovia Bank - Master.....	Sarasota, FL.....	.....	.....	.....	871,833	861,111	553,291	XXX
Wachovia Bank - claims.....	Sarasota, FL.....	.....	.....	.....	(12,919)	(1,127)	(331,500)	XXX
Wachovia Bank - Return Premiums.....	Sarasota, FL.....	.....	.....	.....	677	.....	.....	XXX
SPIA Account.....	Tallahassee, FL.....	.....	.....	.....	8,519,670	8,041,856	8,058,467	XXX
0199999. Total Open Depositories.....	XXX.....	XXX.....	0	0	9,379,261	8,901,840	8,280,258	XXX	
0399999. Total Cash on Deposit.....	XXX.....	XXX.....	0	0	9,379,261	8,901,840	8,280,258	XXX	
0599999. Total Cash.....	XXX.....	XXX.....	0	0	9,379,261	8,901,840	8,280,258	XXX	

Statement for June 30, 2009 of the **FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP**
SCHEDULE E - PART 2 - CASH EQUIVALENTS
 Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8
Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Amount Received During Year

NONE

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

**RECEIVER'S MOTION FOR ORDER APPROVING ASSUMPTION AGREEMENT
BETWEEN FLORIDA SELECT INSURANCE COMPANY AND
CAPITOL PREFERRED INSURANCE COMPANY**

Comes now the Florida Department of Financial Services, as Receiver of Florida Select Insurance Company (hereinafter "Florida Select"), by and through undersigned counsel, respectfully moves this honorable Court for an Order approving the Assumption Agreement between Florida Select and Capitol Preferred Insurance Company (hereinafter "Capitol Preferred") and, as good cause therefore, would show this Court:

1. Florida Select 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. Respondent's principal place of business as listed in their 2006 For Profit Corporation Annual Report with the Florida Department of State, Division of Corporations, is 1819 Main Street, Suite #700 and Suite #1101, Sarasota, Florida 34236. Respondent's corporate offices are located at 3760 River Run Drive, Birmingham, Alabama 35243.

2. On June 30, 2006, the Receiver filed its *Petition For Order Appointing The Florida Department Of Financial Services As Receiver For Purposes Of Rehabilitation, Injunction, And Notice Of Automatic Stay* (hereinafter the "Petition").

3. Incorporated with the Petition, the Receiver filed the *Consent To Order Of Rehabilitation Or Liquidation* executed by Mr. David W. Lacefield, President of Florida Select Insurance Company on June 29, 2006. The Receiver also filed the *Joint Resolution Of The President, Directors And Majority Stockholders of Florida Select Insurance Company* consenting to the entry of an Order Appointing the Florida Department of Financial Services as Receiver for Rehabilitation or for Liquidation. Copies are incorporated herein as Composite Attachment "A."

4. On June 30, 2006, this Court entered the *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* (hereinafter the "Consent Order"). A copy is incorporated herein as Attachment "B."

5. Pursuant to the Consent Order, the Receiver is conducting the business of Florida Select and taking all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.

6. In furtherance of the efforts to assist the policyholders of Florida Select, the Receiver entered discussions with Capitol Preferred regarding the assumption by Capitol Preferred of the policies currently held or serviced by Florida Select in the state of South Carolina.

7. Capitol Preferred is an "A" rated company licensed to operate in the state of South Carolina with rates and forms on file with the South Carolina Department of Insurance.

Capitol Preferred is 100% reinsured and in a position to assume all of the Florida Select South Carolina policies.

8. After extensive negotiations, the Receiver and Capitol Preferred were able to reach an agreement on a plan for the assumption of this book of business. The terms and conditions for the assumption of these policies by Capitol Preferred are set forth in a Assumption Agreement provided herein as Attachment "C."

9. Working closely with the Florida Office of Insurance Regulation and the South Carolina Department of Insurance, the Receiver has developed this plan to provide for Florida Select's South Carolina policyholders to continue their homeowners' insurance coverage through Capitol Preferred. The Florida Office of Insurance Regulation and South Carolina Department of Insurance have reviewed the attached Assumption Agreement between the parties and granted their approval. A copy of the approvals by both the Florida Office of Insurance Regulation and the South Carolina Department of Insurance are incorporated herein as Composite Attachment "D."

10. The Receiver believes the Assumption Agreement to be in the best interests of the estate of Florida Select and an essential component of the Receiver's ongoing efforts to rehabilitate the company, maximize value to potential claimants, and protect the policyholders of Florida Select.

11. Capitol Preferred has waived any notice of hearing or timing requirements that may be applicable in this matter and consents to the immediate entry of an Order approving the attached Assumption Agreement. A copy of the waiver is incorporated herein as Attachment "E."

12. The Receiver recommends and requests that the Court approve the Assumption Agreement provided herein as Attachment "C" and issue its Order directing the parties to comply with the terms and conditions set forth therein.

WHEREFORE and with good cause shown, the Receiver respectfully moves this Court to enter an Order approving the Assumption Agreement between Florida Select and Capitol Preferred Insurance Company and provide such other relief deemed necessary and appropriate by this Court.

DATED this 4th day of October 2006.



MARK S. HAMILTON, Senior Attorney
Florida Bar No. 0063819
Florida Department Of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 Telephone
(850) 488-1510 - Facsimile

JOINT RESOLUTION OF THE PRESIDENT, DIRECTORS AND MAJORITY
STOCKHOLDERS OF FLORIDA SELECT INSURANCE COMPANY

The undersigned, being the Directors and Sole Shareholder of Florida Select Insurance Company (the "Company"), hereby certify that the following is a true and correct copy of a resolution adopted at a combined meeting of the Directors and Sole Shareholder of the Company:

RESOLVED, that the Board of Directors and Sole Shareholder of the Company consent to the entry of an Order Appointing the Florida Department of Financial Services as Receiver for Rehabilitation or for Liquidation;

FURTHER RESOLVED, that the President of the Company is hereby authorized to execute any and all consent agreements or other documents on behalf of Florida Select Insurance Company to obtain entry of an Order for Rehabilitation or Liquidation and is authorized to take any and all additional actions deemed necessary or appropriate by the Department of Financial Services to effectuate the foregoing or to comply with the Order, without further approval of the Directors and Sole Shareholder.

Dated this 29th day of June, 2006.

DIRECTORS OF FLORIDA SELECT INSURANCE COMPANY:

David W. Laceyfield
David W. Laceyfield

John W. McCullough
John W. McCullough

Bobby L. Nolen
Bobby L. Nolen

Fred H. Wright
Fred H. Wright

Florida Select Ins. Holdings, Inc.

By: David W. Laceyfield, President.

For Shareholder Vesta Fire Insurance Corporation

Florida Select Ins. Holdings, Inc.

CONSENT TO ORDER OF
REHABILITATION OR LIQUIDATION

IT IS HEREBY agreed as follows:

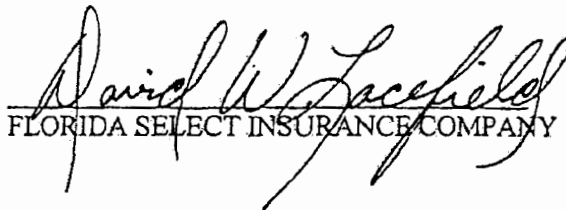
1. Florida Select Insurance Company (herein "Respondent"), is a Florida corporation and is a domestic insurer authorized to transact an insurance business in the State of Florida.

2. The Respondent admits that grounds exist for the appointment of a Receiver under Section 631.051, Florida Statutes (Grounds for rehabilitation; domestic insurers.), in that the Respondent does not have adequate reinsurance to withstand potential hurricane exposure for the 2006 hurricane season.

3. The Respondent consents to the entry of an Order Appointing the Florida Department of Financial Services, Division of Rehabilitation and Liquidation as Receiver and acknowledges that the Department of Financial Services may apply to the Court for an Order for Rehabilitation or Liquidation, on the basis that the Respondent has consented to the entry of such order, at any time after the execution of this agreement.

Dated this 29th day of June, 2006.

(Corporate seal)


FLORIDA SELECT INSURANCE COMPANY

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,

v.

CASE NO.: 2006-1669

Florida Select Insurance Company,
a Florida Corporation authorized to
transact an insurance business in Florida

Respondent.

**CONSENT ORDER APPOINTING THE FLORIDA DEPARTMENT OF
FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF REHABILITATION,
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 a consent order of rehabilitation of Florida Select Insurance Company. The Court having reviewed the pleadings of record, having heard presentation of counsel, and otherwise being fully informed in the premises, finds:

1. Florida Select Insurance Company (hereinafter "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. Respondent's principal place of business as listed in its 2006 For Profit Corporation Annual Report with the Florida Department of State, Division of Corporations, is 1819 Main Street, Suite #700 and Suite #1101, Sarasota, Florida 34236. Respondent's corporate offices are located at 3760 River Run Drive, Birmingham, Alabama 35243.

2. 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.

3. Section 631.051(11), Florida Statutes, authorizes the Department to apply to this Court for an order directing it to rehabilitate a domestic insurer upon the ground that the insurer has consented to such an order through a majority of its directors, stockholders, members, or subscribers. Respondent has consented to the appointment of the Department as Receiver for purposes of rehabilitation. It is in the best interests of Respondent and its creditors and insureds that the relief requested in the petition be granted.

THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

4. The Department of Financial Services of the State of Florida is appointed Receiver of Respondent for purposes of rehabilitation and that the Receiver is authorized and directed to:

A. Conduct the business of Respondent and take all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Order of Rehabilitation necessary and to take such further action, as the Receiver deems necessary or appropriate, to reform and revitalize the Respondent.

B. 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 Section 631.141, Florida Statutes, including but not limited to: offices maintained by the 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, and all real

property of Respondent, wherever situated, whether in the possession of Respondent or its officers, directors, trustees, employees, consultants, attorneys, agents, affiliates, or other persons.

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 the 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 that are economically feasible to collect which are due and owing to the Respondent.

H. Deposit funds and maintain bank accounts.

I. Take possession of all Respondent's securities and certificates of deposit on deposit with the Chief Financial Officer (fka: Treasurer) of Florida, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership or otherwise best benefit the estate.

J. Apply to this Court for further instructions in the discharge of its duties as may be necessary.

K. 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, Florida Select Insurance Holdings, Inc., and Florida Select Insurance Agency, Inc.

IT IS FURTHER ORDERED AND DIRECTED:

5. 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 is required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes. Any person who fails to cooperate with the Receiver, interferes with the Receiver, or fails to follow the instructions of the Receiver, may be excluded from the building where the Respondent's offices are located at the Receiver's discretion.

6. 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 Section 631.141, Florida Statutes.

7. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority shall be 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.

8. All attorneys employed by Respondent as of the date of the Order, within 10 days of receiving notice of this 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 should also include an accounting of any funds received from or on behalf of the 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 Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, should not be extinguished by the delivery of these documents.

9. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the 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 the Respondent directly to the 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 should 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 should use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

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

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

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

13. 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 the Respondent is directed to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver is 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 unless and until obtaining an order from this Court authorizing such action.

14. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to the Respondent is 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.

15. Any data processing service not affiliated with Florida Select Insurance Company 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 the Respondent is directed to transfer custody and control of such records to the Receiver. The Receiver is authorized to compensate any such entity for the actual use of hardware and software, 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 were 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.

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

17. All insurance policies, bonds or similar contracts of coverage issued by the Respondent shall remain in full force and effect until they are cancelled.

18. All affiliated companies and associations are directed to 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 has 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 is 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 should be safeguarded and presented to this Court for review prior to removal by the Receiver.

19. The Receiver shall have complete access to and control of all computer records of the Respondent and its affiliates at all times including but not limited to Respondent's computer records. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.

20. 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.

21. 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 by 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 is 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 is authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07, and 624.501, Florida Statutes.

22. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Florida Select Insurance Company agree to fully cooperate with the Receiver in the effort to rehabilitate Florida Select Insurance Company.

23. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Florida Select Insurance Company having any interest in the building located at: 1819 Main Street, Suite #700 and Suite #1101, Sarasota, Florida 34236; the building located at 3760 River Run Drive, Birmingham, Alabama 35243; or any other facility in which Florida Select Insurance Company may operate, agree to make available, at that location and at no charge to the Receiver or to Florida Select Insurance Company, office space,

and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

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

25. Except for contracts of insurance, 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 the original of 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. **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.

CONTINUATION OF INVESTIGATION

26. The Receiver is authorized to conduct an investigation 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's parent corporations, its subsidiaries, and affiliates are required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the 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. The above-specified entities are required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation should 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.

27. 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 is directed 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 is directed 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.

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

29. 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.

30. Upon petition by the Receiver stating that further efforts to rehabilitate Respondent would be useless, this Court will consider entry of an order of liquidation of Respondent.

NOTICE OF AUTOMATIC STAY

31. 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 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;

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

32. 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, Leon County, Florida this 30th day of June, 2006.

William L. Gary
William L. GARY
CIRCUIT JUDGE

A Certified Copy
Attest:

Bob Inzer

Clerk Circuit Court
Leon County, Florida

By *[Signature]*

D.C.



FLORIDA SELECT INSURANCE COMPANY - CAPITOL PREFERRED INSURANCE COMPANY

ASSUMPTION AGREEMENT

THIS ASSUMPTION AGREEMENT (the "Agreement") is executed to be effective as of 12:01 A.M. Eastern Standard Time on the 15th day of September, 2006 (the "Execution Date") by and between Capitol Preferred Insurance Company, Inc. a Florida and South Carolina licensed and authorized insurance company (hereinafter referred to as "INSURER"), and Florida Select Insurance Company in Receivership (hereinafter referred to as "COMPANY").

RECITALS

- I. **Definitions.** Any term not defined in this section which is defined elsewhere in this Agreement shall have the meaning ascribed to it therein.
- a. "Aggregate Losses" shall mean those losses which include, but are not limited to, compensatory, punitive, bad faith and other damages arising from, and all loss adjustment expenses relating to, the adjustment or defense of any and all claims with respect to losses occurring on or after the Assumption Date with respect to the Policies. Aggregate Losses shall not include punitive or bad faith claims for acts, actions or omissions occurring before the Assumption Date.
 - b. "Assumed Policies" shall mean the COMPANY policies in the State of South Carolina (as set forth on Exhibit "A") and assumed by the INSURER on the Assumption Date.
 - c. "Assumed Premium" shall mean all unearned premium, net of unearned commissions due from agents payable as of the assumption date, all other agent balances, and premiums receivable. Assumed Premium shall not include commission monies due agents for the month of September 2006. Those monies shall be paid directly to the agents by the COMPANY and deducted out of the Assumed Premium total.
 - d. "Assumption" shall mean the transfer of risks from COMPANY to the INSURER whereby the INSURER agrees to assume all obligations of COMPANY with respect to the Assumed Policies in force and agrees to pay one hundred percent (100%) of the Aggregate Losses of the Policies as of a date and time certain.
 - e. "Assumption Date" shall mean 12:01 A.M. Eastern Standard Time on September 15, 2006.

- f. "COMPANY" shall mean Florida Select Insurance Company in Receivership.
- g. "Department" shall mean the applicable state agency regulating insurance in either Florida or South Carolina.
- h. "INSURER" shall mean the insurance company designated above which company is, and shall remain during the term of this Agreement, a duly licensed entity authorized to transact property and casualty insurance business in the states of Florida and South Carolina.
- i. "INSURER's Policy" shall mean the insurance policy offered by the INSURER to a COMPANY insured upon expiration of an Assumed Policy pursuant to this Agreement.
- j. "OFFICE" shall mean the Florida Office of Insurance Regulation.
- k. "Parties" shall mean the INSURER and COMPANY.
- l. "South Carolina Department" shall mean the South Carolina Department of Insurance.
- m. "Written Premium" shall mean the gross written premium of COMPANY on the Policies, less policy cancellation and return premiums, as of the Assumption Date.

THEREFORE, in consideration of the mutual covenants and agreements set forth, the Parties hereto do covenant and agree as follows:

1. Agreement to Assume Policies.

- a. The Parties agree that all of the COMPANY in force policies in South Carolina are to be assumed by the INSURER on the Assumption Date. Policies to be assumed are set forth on Exhibit A by COMPANY policy number and expiration date.
- b. Pursuant to this Agreement and the Assumption Procedures, the INSURER shall assume all of the Assumed Policies set forth on Exhibit A or supplements thereto, if available for Assumption on the Assumption Date.
- c. All COMPANY policies shall renew on Florida Selects paper until such times as the INSURER's system is programmed to offer renewals.

- d. The INSURER understands and agrees it has been informed that the COMPANY policies in South Carolina have been subject to solicitations outside the control of the COMPANY (commonly referred to as "cherry picking") since the inception of the Receivership. The INSURER agrees that no specific number of COMPANY policies has been guaranteed as part of any agreement between the Parties.

2. Terms of Assumption.

a. Liabilities:

- i. The INSURER agrees to assume and pay one hundred percent (100%) of the defined Aggregate Losses occurring on or after 12:01 A.M Eastern Standard Time on September 15, 2006 (the "Assumption Date") for which COMPANY is or becomes obligated under the Assumed Policies in force set forth in Exhibit A.

- ii. The INSURER, in addition, agrees to assume and undertake all other obligations of COMPANY with respect to the Assumed Policies subject to the following:

- a. COMPANY shall remain liable for all Aggregate Losses for the Assumed Policies occurring prior to the Assumption Date, including any bad faith or punitive damage claims for acts, actions or omissions occurring before the Assumption Date, and the INSURER shall have no responsibility with respect to such losses.

- b. The cost of any notice and ancillary documentation to current COMPANY policyholders to effectuate the Assumption of the Assumed Policies shall be borne equally by the Parties as such expenses are incurred.

- c. COMPANY shall pay by wire transfer to the INSURER .9500 of the Assumed Premium multiplied by 1.000 on or before the 10th day following approval of this Agreement by the Receivership Court. The remaining .0500 of the Assumed Premium and any adjustments due to or from the COMPANY to the INSURER will be paid on or before the 120th day following approval of this Agreement by the Receivership Court. Any subsequent amounts due to or from COMPANY as a result of the monthly remittance and bordereau process to include premium adjustments on endorsements of policies not issued by the INSURER shall

be remitted to the appropriate Party within ten (10) days following the end of each month without interest.

B. Servicing of Policies:

- i. Commencing on the Assumption Date, the INSURER shall be responsible for all agent and brokerage commissions, as well as for all return premiums for cancellations of the COMPANY Policies for which it receives Assumed Premium. In addition, the INSURER shall be responsible for all fees to the INSURER's servicing companies for the Assumed Policies.
- ii. Commencing on the Assumption Date, or as soon as programming is completed, the INSURER shall become responsible for offering and processing renewals with respect to the Assumed Policies, utilizing INSURER's own approved rates and forms (the INSURER's Policy) and thereafter for processing endorsements to, and cancellations and renewals of, the INSURER's Policies. The INSURER shall be responsible for all agent and brokerage commissions for the INSURER's Policies, for all return premiums for cancellations of the INSURER's Policies occurring after renewal, and for all fees to its servicing companies accruing on or after the initial issuance of the INSURER's Policies. The INSURER shall be entitled to one hundred percent (100%) of the premiums payable with respect to the INSURER's Policies from date of renewal forward.

C. Loss Payments and Settlements:

- i. COMPANY shall service all claims for Aggregate Losses occurring prior to the Assumption Date.
- ii. Servicing of claims for losses on Assumed Policies occurring on or after the Assumption Date shall be the sole responsibility of the INSURER. COMPANY shall have no responsibility, except as provided for in the definition of Aggregate Losses, for payment of losses or loss adjustment expenses or for the servicing of claims with respect to losses occurring under the Assumed Policies on or after the Assumption Date.
- iii. COMPANY agrees to abide by the loss settlements of the INSURER and/or its claims administration

contractor with respect to the obligations assumed hereunder, such settlement to be considered as satisfactory payment of loss. The INSURER undertakes to settle losses on Assumed Policies and to provide staffing for the adjustment of such losses in accordance with INSURER'S Claims Manual and prudent insurance practice.

- iv. With regard to the Assumed Policies, COMPANY agrees that it shall give notice promptly to the INSURER of any claim by a third party or the commencement of any legal proceedings against COMPANY with respect to such claim. The INSURER shall have the exclusive right to control the contest and defense of any such claim or litigation and the result of any such proceeding will be binding upon the parties hereto. Except as it relates to claims of bad faith based on acts or actions occurring before the Assumption Date, INSURER shall assume liability for any and all costs associated with the defense and payment of any such claim or litigation.
- v. COMPANY agrees to assign to the INSURER any and all salvage and subrogation rights arising with respect to losses occurring on or after an Assumption Date, which COMPANY may have with respect to the Assumed Policies. Any and all salvage and subrogation rights arising with respect to losses occurring prior to the Assumption Date shall remain the sole and exclusive property of COMPANY.

D. Conditions to Closing:

The following conditions must be met prior to this Agreement becoming effective:

- i. Company shall obtain approval of this Agreement by a Court Order from the Leon County Circuit Court having jurisdiction of the Receivership, which Order shall be attached hereto.
- ii. This Agreement shall be approved in writing by the respective OFFICE or South Carolina Department as necessary to carry out the terms and conditions provided herein.

The Parties agree to cooperate with each other to obtain the necessary approvals and accomplish the terms set forth in the Assumption

Agreement including, but not limited to: 1) executing any and all documents as may be necessary to carry out said terms; and 2) complying with any administrative, regulatory, judicial, or other requisite requirement necessary in furtherance of the terms of this Assumption Agreement.

3. Policy Data. COMPANY shall provide, or has provided, to the INSURER, by electronic data transfer, or by such other means as is acceptable to the INSURER, relevant information regarding the Assumed Policies. The first such transmission of data shall be provided to the INSURER at the earliest possible date convenient to the INSURER and COMPANY and thereafter on a basis as agreed to by the INSURER and COMPANY.
4. INSURER's Continuing Status. The INSURER, during the period of this Agreement, shall remain licensed and authorized to transact property and casualty insurance business in the states of Florida and South Carolina. Should the INSURER fail to maintain its authority and licensing to conduct such business, or should the INSURER fail to maintain or should the INSURER become subject to an adverse finding pursuant to Chapter 631, Florida Statutes, or any other order of the OFFICE, South Carolina Department, or a court of competent jurisdiction that in any material form or manner limits or constrains the ability of the INSURER to engage in the business of property and casualty insurance, other than the initial *Consent Order Appointing The Florida Department of Financial Services As Receiver For Purposes Of Rehabilitation, Injunction, And Notice Of Automatic Stay*, such occurrence shall constitute and be deemed a material breach and default of this Agreement by the INSURER.

INSURER has been assigned a Preliminary Financial Stability Rating of "A" by Demotech, Inc. INSURER shall finalize and maintain, at a minimum, an "A" Rating by Demotech, Inc. In the event that INSURER fails to obtain and maintain this rating such occurrence shall constitute and be deemed a material breach and default of the Agreement by the INSURER.

5. Attorney's Fees. If either of the parties hereto shall bring a Court action alleging material breach of this Agreement or seeking to enforce, rescind, renounce, declare void or terminate this Agreement or any provisions thereof, the prevailing party shall be entitled to recover all of its legal expenses, including reasonable attorney's fees and costs (including attorney's fees and costs for any appeals taken), and to have the same awarded as part of the judgment in the proceeding in which such legal expenses and attorney's fees and costs were incurred.
6. Benefits. This Agreement shall be binding upon the parties, their heirs, legal representatives, successors and assigns.

7. Captions. The paragraph captions as to contents of the particular paragraphs herein are inserted only for convenience and are in no way to be construed as part of this Agreement or as a limitation of the scope of the particular paragraph in which they are referred.
8. Construction of Agreement. Words of a gender used in this Agreement shall be held to include any other gender, and words in a singular number shall be held to include the plural, when the sentence so requires.
9. Entire Agreement. This Agreement contains all oral and/or previously written agreements, representations, and arrangements between the parties hereto concerning the Program, and all rights which the respective parties may have had under any prior written or oral agreements are hereby canceled and terminated, and all parties agree that there are no representations or warranties other than those set forth herein.
10. Florida Law. It is acknowledged that this Agreement was executed in and shall be construed and governed in accordance with the laws of the State of Florida and the rules, orders and regulations of the OFFICE or South Carolina Department in effect at the time of the execution of this Agreement.
11. Modification. No change or modification of this Agreement shall be valid unless the same shall be in writing and signed by all of the parties hereto and not disapproved by either the OFFICE or South Carolina Department.
12. Notices. Any and all notices, designations, consents, offers, acceptances, or any other communications provided for herein shall be given in writing, by hand delivery, by overnight delivery, by registered or certified mail, or by facsimile transmission and shall be addressed as follows:

As to INSURER: Capitol Preferred Insurance Company
2255 Killearn Center Boulevard, Suite 101
Tallahassee, FL 32309
Attn: Mr. James Graganella
Telefax: (850) 521-3072

As to COMPANY: Department of Financial Services
Division of Rehabilitation and Liquidation
Alexander Building
2020 Capitol Circle Southeast
Tallahassee, FL 32301
Attn: Mr. Wayne Johnson
Telefax: (850) 488-1510

Notices sent by hand delivery shall be deemed delivered on the date of hand delivery. Notices sent by overnight delivery shall be deemed delivered on the

next business day after being placed into the hands of the INSURER or COMPANY. Notices sent by registered or certified mail shall be deemed delivered on the third business day after being deposited into the post office. Notices sent by facsimile transmission shall be deemed to be delivered on the day when sent if sent prior to 4:30 p.m. (the time being determined by the time zone of the recipient) otherwise they shall be deemed delivered on the next business day.

13. Parties Represented. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto.

14. Assignment. COMPANY does assign and transfer to the INSURER, without additional charge, the servicing rights associated with the Flood Policy Book of Business ("Flood Book") underwritten by NFIP, as such policies serviced are set forth on Exhibit "B" attached hereto. This assignment of COMPANY's rights shall apply to all flood policies serviced by COMPANY in the State of South Carolina and will be subject to continuing assignment at such time a new, replacement policy is offered, accepted, and underwritten by the INSURER.

Capitol Preferred Insurance Company, Inc.

By: James G. [Signature]

Title: President & CEO

Florida Select Insurance Company in Receivership

By: Michael [Signature]

Title: Special Deputy Receiver



OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
COMMISSIONER

FINANCIAL SERVICES
COMMISSION

JEB BUSH
GOVERNOR

TOM GALLAGHER
CHIEF FINANCIAL OFFICER

CHARLIE CRIST
ATTORNEY GENERAL

CHARLES BRONSON
COMMISSIONER OF
AGRICULTURE

October 4, 2006

Mr. Mark Hamilton
Senior Attorney
Department of Financial Services
Division of Rehabilitation and Liquidation
Alexander Building
2020 Capitol Circle Southeast
Tallahassee, FL 32301

RE: Florida Select Insurance Company/Capitol Preferred Insurance Company

Dear Mr. Hamilton:

The Office has received the proposed assumption agreement between Capitol Preferred Insurance Company, Inc., a Florida and South Carolina licensed and authorized insurance company ("Capitol Preferred"), and Florida Select Insurance Company in Receivership (hereinafter referred to as "Florida Select"). Pursuant to the agreement, Capitol Preferred shall assume all Florida Select policies in force in the State of South Carolina in effect as of September 15, 2006. As outlined in the agreement, Capitol Preferred agrees to assume and pay one hundred percent of the losses, as defined in the agreement, occurring on or after the assumption date for which Florida Select is or becomes obligated under the assumed policies. Florida Select shall remain liable for all losses for the assumed policies occurring prior to the assumption date, including any bad faith or punitive damage claims for acts, actions or omissions occurring before the assumption date, and Capitol Preferred shall have no responsibility with respect to such losses.

Subject to the approval of the Leon County Circuit Court, having jurisdiction over the receivership of Florida Select, and no objection by the South Carolina Insurance Department, the Office has no objection to the execution of the assumption agreement under the terms and conditions outlined in the agreement.

THOMAS D. STREUKENS, DEPUTY COMMISSIONER, OFFICE OF INSURANCE REGULATION
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0326 • (850) 413-5000 • FAX (850) 488-2348

Affirmative Action / Equal Opportunity Employer

Composite Attachment "D"

Mr. Mark Hamilton
October 4, 2006
Page 2 of 2

Within 10 days of the execution of the assumption agreement, the parties shall provide the Office with a copy of the executed assumption agreement, a copy of the approval by the Leon County Circuit Court, and the approval or no objection letter provided by the South Carolina Insurance Department.

If you have any questions feel free to contact me at (850) 413-5000.

Sincerely,

A handwritten signature in black ink, reading "Thomas D. Streukens". The signature is written in a cursive, flowing style.

Thomas D. Streukens
Deputy Commissioner

Cc: Claude Mueller, Director – Property and Casualty Financial Oversight
Wayne Johnson, Assistant Director - Division of Rehabilitation and Liquidation

Mark Hamilton

From: Charles Perry [CPerry@doi.sc.gov]
Sent: Monday, October 02, 2006 5:04 PM
To: Mark Hamilton
Cc: Wayne Johnson
Subject: RE: Florida Select

Mark,
The attached assumption agreement is acceptable.
Thanks,
Charles

>>> "Mark Hamilton" <Mark.Hamilton@fldfs.com> 10/02/2006 1:46 PM >>>

Charles,

Thank you for your review and approval of the proposed Order.

Attached is a clean copy of the Assumption Agreement between the parties. Please advise if the S.C. Department of Insurance still approves of its form and content.

Thank you.

Mark

From: Charles Perry [mailto:CPerry@doi.sc.gov]
Sent: Monday, October 02, 2006 9:56 AM
To: Mark Hamilton
Cc: Wayne Johnson
Subject: RE: Florida Select

Mark,
I hope everything is going well. Thank you for your email. We don't have any objections to the order being submitted to the Court. Please let us know when everything has been approved. Thanks again.
Charles

>>> "Mark Hamilton" <Mark.Hamilton@fldfs.com> 10/02/2006 8:53 AM >>>

Charles,

Good morning. The Judge who is handling this estate is out until tomorrow morning. We are finalizing a few last items in the proposed Assumption Agreement to clarify some matters and will forward the finalized assumption agreement for your review and approval.

I have attached the proposed Motion and Order for your review. Please advise if you have any objections to it being entered by the Court.

Thank you for your assistance.

Mark

10/2/2006

From: Charles Perry [mailto:CPerry@doi.sc.gov]

Sent: Monday, October 02, 2006 7:58 AM

To: Mark Hamilton; Wayne Johnson

Subject: Florida Select

Wayne and Mark,

Has the Florida Court approved the assumption agreement between Florida Select and Capitol Preferred? Please let me know the status.

Thanks.

Charles

10/2/2006



FAX

RECEIVED

OCT - 4 2006

CHARLES A. FRANCIS
CIRCUIT JUDGE

SOUTH CAROLINA
DEPARTMENT OF INSURANCE
300 Arbor Lake Drive, Suite 1200
Columbia, SC 29223

MARK SANFORD
GOVERNORELEANOR KITZMAN
DIRECTOR OF INSURANCE

Mailing Address:
Post Office Box 100105
Columbia, SC 29202-3105

To: Chief Judge Charles Francis	From: Charles W. Perry
Fax: 850-922-0237	Pages: 2 (including coversheet)
Phone: 803-737-6239	Date: 10/04/2006
Re: Assumption Agreement between Florida Select and Capitol Preferred	CC:

☐ Urgent ☐ For Review ☐ Please Comment ☐ Please Reply ☐ Please Recycle

CONFIDENTIALITY NOTICE

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South Carolina Department of Insurance

300 Arbor Lake Drive, Suite 1200
Columbia, South Carolina 29223

Mailing Address:
P.O. Box 100105, Columbia, S.C. 29202-3105
Telephone: (803) 737-6160

MARK SANFORD
Governor

ELEANOR KITZMAN
Director of Insurance

October 4, 2006

VIA FACSIMILE 850-922-0237

Chief Judge Charles Francis

Attention: Marilyn Rhett

Dear Chief Judge Francis:

Please be advised that the SC Department of Insurance has reviewed and approved the Assumption Agreement between Florida Select and Capitol Preferred. Please let me know if you have any questions or need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles W. Perry", is written over a horizontal line.

Charles W. Perry
Deputy Director, Financial Services

CAP/cjh

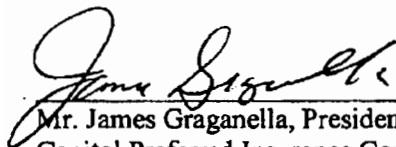
IN THE CIRCUIT COURT OF THE
SECOND JUDICIAL CIRCUIT IN
AND FOR LEON COUNTY, FLORIDA

In Re: The Receivership Estate of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida

CASE NO.: 2006-1669

WAIVER OF NOTICE OF HEARING AND TIMING REQUIREMENTS

Comes now the undersigned, as representative and on behalf of Capitol Preferred Insurance Company, who hereby waives any notice of hearing and timing requirements that may be applicable in the above-styled matter as it relates the *Receiver's Motion For Order Approving Assumption Agreement Between Florida Select Insurance Company And Capitol Preferred Insurance Company* (hereinafter "Motion") and hereby consents to the immediate entry by the Court of an Order approving the Motion and the Assumption Agreement executed between the parties in this action.



Mr. James Graganella, President
Capitol Preferred Insurance Company
2255 Killearn Center Blvd., Suite 101
Tallahassee, FL 32309

Attachment "E"

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

**ORDER APPROVING THE ASSUMPTION AGREEMENT
BETWEEN FLORIDA SELECT INSURANCE COMPANY
AND CAPITOL PREFERRED INSURANCE COMPANY**

THIS MATTER came before the Court on the *Receiver's Motion For Approval Of Assumption Agreement Between Florida Select Insurance Company and Capitol Preferred Insurance Company*. The Court having considered the Receiver's Motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion For Order Approving Assumption Agreement Between Florida Select Insurance Company and Capitol Preferred Insurance Company* (hereinafter "Motion") is hereby GRANTED.

2. The Assumption Agreement incorporated as Attachment "C" to the Motion is approved. The parties are directed to abide by the terms and conditions set forth therein.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this

4 day of October 2006.

A Certified Copy
Attest

Bob Inzer

Clerk Circuit Court
Leon County, Florida

By

10-4-06



Circuit Judge

Charles A. Francis
CHARLES A. FRANCIS
CHIEF JUDGE
SECOND JUDICIAL CIRCUIT

Exhibit "C"



Division of Rehabilitation and Liquidation
www.floridainsurancereceiver.org

NOTICE – OCTOBER 10, 2006 - NOTICE

Re: Receivership of Florida Select Insurance Company
Assumption of the South Carolina Policies

Dear Florida Select Policyholder:

On June 30, 2006, Florida Select Insurance Company ("Florida Select") was ordered into receivership for purposes of rehabilitation by the Second Judicial Circuit Court in Leon County, Florida. The Florida Department of Financial Services is the court appointed Receiver of Florida Select.

Florida Select's records indicate that you are one of the company's South Carolina policyholders. Working closely with the South Carolina Department of Insurance, we have developed a plan to provide for Florida Select's South Carolina policyholders to continue their homeowners' insurance coverage through Capitol Preferred Insurance Company ("Capitol Preferred"). Capitol Preferred is an "A" rated insurance company located in Tallahassee, Florida, and licensed in South Carolina. Under the Court approved plan, Capitol Preferred assumed Florida Select's South Carolina policies effective September 15, 2006. If you would like more information regarding Capitol Preferred, you may visit its website at www.capitol-preferred.com. Your agent may also be able to assist you with any questions you may have on these matters.

Policy and Coverage Issues:

Continuation of Coverage: The current policy that was issued to you by Florida Select will remain in full force and effect until its normal expiration date, unless cancelled earlier for non-payment of premium or otherwise in the normal course of business.

***Please note:** You do not need to cancel your Florida Select policy in order for your coverage to continue with Capitol Preferred.

Capitol Preferred Coverage/Renewal Issues:

Prior to the expiration of your policy, Capitol Preferred will offer you a property renewal insurance policy on Capitol Preferred's forms and using its rates. No additional application or effort on your part will be required. Your payment of the renewal premium to Capitol Preferred will serve as your acceptance of the renewal.

Premium Issues:

You should continue to pay premiums as normal in order to continue your insurance coverage.

Mortgage Issues:

Some mortgage companies are sending notices to Florida Select policyholders that the policyholder must have coverage with an "A" rated insurer or the mortgage company will "force place" the insurance with another carrier. Due to its receivership status, Florida Select is not an "A" rated insurance company. If you receive a notice of this type from your mortgage company, you may wish to inform the company that:

- Capitol Preferred (a Demotech "A" rated insurer) assumed Florida Select's South Carolina policies and the responsibility for the payment of any claims under these policies which are incurred on or after September 15, 2006
- Florida Select, through its Receiver, and Capitol Preferred have obtained appropriate levels of reinsurance to cover any catastrophic losses

You may contact Capitol Preferred at (800) 734-4749 for a letter to give to your mortgage company regarding your policy assumption. This information may enable your mortgage company to reconsider any decision to "force place" your insurance coverage elsewhere.

Consumer Inquiries/Claims Issues:

During rehabilitation, the Receiver will continue to process and pay Florida Select's pre-September 15, 2006, claims in the ordinary course of business to the extent possible. Please report all new claims to your agent or by calling the Capitol Preferred at (800) 734-4749.

Policy Service Requests:

Capitol Preferred assumed responsibility for your policy effective September 15, 2006. For policy service, including coverage changes or cancellation requests before the expiration date shown on your Florida Select policy, please contact your agent or call (800) 734-4749. Capitol Preferred will provide you with information on how to request policy service after you receive your Capitol Preferred policy.

For additional information regarding Florida Select or the receivership process, please visit the Receiver's website at www.floridainsurancereceiver.org or contact the Florida Department of Financial Services at 1-800-882-3054.



Division of Rehabilitation and Liquidation
www.floridainsurancereceiver.org

OCTOBER 24, 2006

**NOTICE TO AGENT OR BROKER
REGARDING THE RECEIVERSHIP OF FLORIDA SELECT INSURANCE COMPANY
AND THE ASSUMPTION OF THE COMPANY'S SOUTH CAROLINA POLICIES**

As you know, on June 30, 2006, Florida Select Insurance Company ("Florida Select") was ordered into receivership for purposes of rehabilitation by the Second Judicial Circuit Court in Leon County, Florida. The Florida Department of Financial Services is the court appointed Receiver of Florida Select.

Florida Select's records indicate that you are a Florida Select agent of record providing services relating to the company's South Carolina policies. Working closely with the South Carolina Department of Insurance, we have developed a plan to provide for Florida Select's South Carolina policyholders to continue their homeowners' insurance coverage through Capitol Preferred Insurance Company ("Capitol Preferred"). Capitol Preferred is an "A" rated insurance company located in Tallahassee, Florida, and licensed in South Carolina. Under the Court approved plan, Capitol Preferred assumed Florida Select's South Carolina policies effective September 15, 2006.

The Receiver recently mailed a notice to Florida Select's South Carolina policyholders to inform them of the assumption. The purpose of this letter is to provide you, as an agent, with additional information that may assist you in responding to questions you may receive from your clients regarding the assumption or other receivership matters. If you would like more information regarding Capitol Preferred, you may visit its website at www.capitol-preferred.com. Copies of the relevant court orders, as well as additional information regarding the receivership proceeding are available on the Receiver's website, www.floridainsurancereceiver.org.

Policy and Coverage Issues:

Continuation of Coverage: The current South Carolina policies that were issued by Florida Select will remain in full force and effect until the policies' normal expiration date, unless cancelled earlier for non-payment of premium or otherwise in the normal course of business.

***Please note:** South Carolina policyholders do not need to cancel their Florida Select policies in order for coverage to continue with Capitol Preferred.

Capitol Preferred Coverage/Renewal Issues:

Prior to the expiration of each South Carolina policy, Capitol Preferred will offer the policyholder a property renewal insurance policy on Capitol Preferred's forms and using its rates. No additional application or effort on the policyholder's part will be required. Payment of the renewal premium to Capitol Preferred will serve as your client's acceptance of the renewal.

Premium Issues:

Policyholders should continue to pay premiums as normal in order to continue their insurance coverage.

Mortgage Issues:

Some mortgage companies are sending notices to Florida Select policyholders that the policyholder must have coverage with an "A" rated insurer or the mortgage company will "force place" the insurance with another carrier. Due to its receivership status, Florida Select is not an "A" rated insurance company. We have advised the South Carolina policyholders that if they receive a notice of this type from their mortgage company, they should inform that mortgage company that:

- Capitol Preferred (a Demotech "A" rated insurer) assumed Florida Select's South Carolina policies and the responsibility for the payment of any claims under these policies which are incurred on or after September 15, 2006
- Florida Select, through its Receiver, and Capitol Preferred have obtained appropriate levels of reinsurance to cover any catastrophic losses

Your client may also contact Capitol Preferred at (800) 734-4749 for a letter to give to the mortgage company regarding the policy assumption. This information may enable your client's mortgage company to reconsider any decision to "force place" the insurance coverage elsewhere.

Consumer Inquiries/Claims Issues:

During rehabilitation, the Receiver will continue to process and pay Florida Select's pre-September 15, 2006, claims in the ordinary course of business to the extent possible. New claims may be reported by calling Capitol Preferred at (800) 734-4749 or the Capitol Preferred Claims Department at (888) 388-2742.

Policy Service Requests:

Capitol Preferred assumed responsibility for the South Carolina policies effective September 15, 2006. For policy service, including coverage changes or cancellation requests before the expiration date shown on your client's Florida Select policy, please call (800) 734-4749. Capitol Preferred will provide you with information on how to request policy service after your client receives a Capitol Preferred policy.

For additional information regarding Florida Select or the receivership process, please visit the Receiver's website at www.floridainsurancereceiver.org or contact the Florida Department of Financial Services at 1-800-882-3054.

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

In Re: The Receivership Estate of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida

CASE NO.: 2006-1669

NOTICE OF FILING SETTLEMENT STATEMENT

Notice is given that the Florida Department of Financial Services, Division of Rehabilitation and Liquidation, as Receiver of Florida Select Insurance Company, has filed with the above styled Court the original Settlement Statement with Capitol Preferred Insurance Company. The Settlement Statement has been executed by each party in furtherance of resolving any and all monetary issues existing between them through September 15, 2006 pursuant to the Assumption Agreement approved by the Court in its Order Approving Assumption Agreement Between Florida Select Insurance Company And Capitol Preferred Insurance Company dated October 4, 2006 and is hereby filed in the above referenced case.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished to Michael Colodny, Esq., Colodny, Fass, Talenfeld, Karlinsky, & Abate, P.A., One Financial Plaza, 23rd Floor, 100 Southeast Third Avenue, Ft. Lauderdale, FL 33394 on this 30th day of November, 2006.

By: 

MARK S. HAMILTON,
SENIOR ATTORNEY

Florida Bar Number: 0063819

Florida Department of Financial Services

As Receiver of Florida Select Insurance Company

Post Office Box 110

Tallahassee, Florida 32302-0110

Phone: (850) 413-4410

Fax: (850) 488-1510



FLORIDA
DEPARTMENT OF
FINANCIAL SERVICES

November 29, 2006

SETTLEMENT STATEMENT

RE: Florida Select Insurance Company in Receivership ("FSIC")
Leon County Circuit Court Civil Action Case Number 2006-CA-1969

Whereas the Florida Department of Financial Services, Division of Rehabilitation and Liquidation, was appointed as the Receiver ("Receiver") for Florida Select by Consent Order of the Leon County Circuit Court dated June 30, 2006; and

Whereas, in furtherance of the Receiver's desire to assist policyholders of Florida Select the Receiver entered discussions with Capitol Preferred Insurance Company ("CPIC") regarding the assumption by CPIC of the policies currently held or serviced by Florida Select Insurance Company ("FSIC") in the state of South Carolina; and

Whereas CPIC and FSIC (collectively "Parties") expressed their intent to secure the transition of the Florida Select book of business to their companies; and

Whereas after extensive negotiations, the Parties reached an agreement on a plan for the assumption of this book of business and set forth the terms and conditions for the assumption of these policies by CPIC in an Assumption Agreement between the Parties that was approved by the Florida Office of Insurance Regulation and South Carolina Department of Insurance; and

Whereas on October 4, 2006, the Receivership Court entered its Order Approving the Receiver's Motion For Order Approving Assumption Agreement Between Florida Select Insurance Company and Capitol Preferred Insurance Company Assumption Agreement; and

Whereas the Parties agree that each has been operating in good faith to abide by all the terms and conditions set forth in the Assumption Agreement as approved by the Receivership Court; and


Whereas in the course of finalizing the assumption of policies by CPIC, the Parties had a dispute as to monies due CPIC under the terms of the Assumption Agreement relating to Assumed Premium and any adjustments due CPIC through September 15, 2006; and

Whereas after numerous discussions the parties have reached an agreement to resolve the outstanding dispute between them for these monies due CPIC; and

Therefore, this Settlement Statement will serve to document the intent and understanding of the parties as to any and all remaining monies due and payable to CPIC through September 15, 2006 under the terms of the Assumption Agreement approved by the Receivership Court as follows:

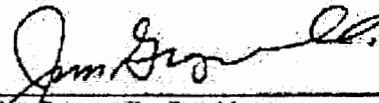
1. The Parties agree that CPIC was previously forwarded the sum of \$3,017,745.85 on October 19, 2006, for monies due and payable to it from FSIC under the terms of the Assumption Agreement.
2. The Parties agree that the gross amount of the total unearned premium applicable to this Assumption Agreement is \$5,992,178.09 as shown in the summary chart attached to this Settlement Statement as Attachment "A". The Parties further agree the reduction of \$690,588.12 for premiums not remitted to FSIC prior to September 15, 2006 results in a total unearned premium before deductions for items paid by FSIC or the Receiver of \$5,301,589.97.
3. The Parties agree that the monies identified in Attachment "A" representing Unearned commissions, Unearned override commissions, Unearned commission builders risk, September commissions paid after 9/14/06, and September override commissions paid after 9/14/06 are properly deducted from any monies due CPIC under the terms of the Assumption Agreement. The Parties further agree that no deduction will be made for Premium and Fire Taxes prior to 9/15/06 or Policy Issue and Maintenance Expenses paid prior to 9/15/2006.
4. The Parties further agree that the monies identified in Attachment "A" as "Uncollected Premium" are payable to CPIC under the terms of the Assumption Agreement upon collection. As shown in Attachment "A" the Receiver has collected \$149,348.22 of this amount since September 15, 2006 and has credited that amount to CPIC. Any additional amounts of the "Uncollected Premium" that may be received by FSIC will be forwarded to CPIC. FSIC assigns the right to collect any and all remaining outstanding Uncollected Premium sums identified above to CPIC. FSIC does not make any express or implied warranty or representations as to the right of recovery or collectibility of this assignment. CPIC shall be solely responsible for the recovery of the Uncollected Premium and assumes any and risk and costs associated with this collection. The Parties agree to cooperate with each other as may be necessary to ensure CPIC has access to backup documentation and records to assist in its Uncollected Premium collection efforts. CPIC shall bear any and all costs associated with such collection efforts.
5. The Parties agree that the amounts identified in the summary chart attached to this Settlement Statement as Attachment "A" represent the total remaining monies due and owed to CPIC through September 15, 2006 pursuant to the terms of the Assumption Agreement. The Receiver shall use its best efforts to forward the Total Remaining Monies Due CPIC Through 9/15/06 that are in its possession to CPIC within two (2) business days from the date CPIC provides this executed Settlement Statement to the Receiver.
6. The parties understand and agree that there will still be certain additional adjustments necessary to complete the terms and conditions of the Assumption Agreement for post-September 15, 2006 transactions. The parties agree to continue to work with each other towards finalizing any such balances in accordance with the Assumption Agreement.

7. The parties agree that any Unearned Premium submitted to CPIC pursuant to the Assumption Agreement shall be received by CPIC net of any agent commissions or coding commissions that may otherwise impact the financial statement of that company.
8. The Parties agree this Settlement Statement and accompanying Attachment "A" constitute the entire agreement and understanding between the Parties with respect to the subject matter hereof and there are no other stipulations, agreements, representations, or warranties other than those set forth herein.



Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Receiver for Florida Select Insurance Company
P.O. Box 110
Tallahassee, FL 32302-0110

Nov 29, 2005
DATE



Jim Groganella, President
Capitol Preferred Insurance Company &
Southern Fidelity Insurance Company
2255 Killearn Center Blvd., Suite #101
Tallahassee, FL 32309

11/29/06
DATE

SETTLEMENT STATEMENT -- ATTACHMENT "A"

FLORIDA SELECT INSURANCE COMPANY (FSIC)
CAPITOL PREFERRED INSURANCE COMPANY (CPIC)
SOUTH CAROLINA ASSUMED PREMIUM TRANSACTION

UNEARNED PREMIUM			
Unearned premium	\$5,968,409.22	\$5,968,409.22	\$5,968,409.22
Builders Risk Unearned	\$23,768.87	\$23,768.87	\$23,768.87
UNCOLLECTED PREMIUM		0	(\$690,589.12)
TOTAL UNEARNED PREMIUM	\$5,301,589.97	\$5,992,178.09	\$5,301,589.97
LESS DEDUCTIONS FOR ITEMS PAID BY COMPANY OR RECEIVER			
Unearned commission	(\$907,673.05)	\$ (907,673.05)	(\$907,673.05)
Unearned override commissions	(\$358,104.55)	\$ (358,104.55)	(\$358,104.55)
Unearned commission builders risk	(\$4,753.77)	\$ (4,753.77)	(\$4,753.77)
September commissions paid after 9/14/06	(49,593.40)	\$ (49,593.40)	(49,593.40)
September override commissions paid after 9/14/06	(\$20,099.74)	\$ (20,099.74)	(20,099.74)
Premium and Fire Taxes paid prior to 9/15/06		-	-
Policy Issue and Maintenance Expenses paid prior to 9/15/06		-	-
TOTAL DEDUCTIONS	(\$1,877,482.48)	\$ (1,340,224.51)	\$ (1,340,224.51)
ESTIMATED AMOUNT DUE ASSUMING INSURER	\$3,424,107.49	\$4,651,953.58	\$3,961,365.48
95% to be wired per Court Order	\$3,252,902.12	(\$232,597.68)	
Amount wired 10/19/2006	\$3,017,745.85	\$4,419,355.90	
ADDITIONAL AMOUNT DUE	\$235,156.27	\$3,017,745.85	\$3,017,745.85
		\$1,401,610.05 BASED ON 95%	\$2,419,365.85
			\$149,348.22

Plus Pre-September 15, 2006 Premiums Collected by Receiver

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

FILED
CIRCUIT CIVIL DIV.
06 DEC 21 PM 04:44
CLERK OF COURT
LEON COUNTY, FLORIDA

**RECEIVER'S MOTION FOR ORDER APPROVING PLAN FOR
TRANSITION OF FLORIDA SELECT POLICIES**

Comes now the Florida Department of Financial Services, as Receiver of Florida Select Insurance Company (hereinafter "Florida Select"), by and through undersigned counsel, respectfully moves this honorable Court for an Order approving the plan for the transition of Florida Select policies and, as good cause therefore, would show this Court:

1. Florida Select 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. Respondent's principal place of business as listed in their 2006 For Profit Corporation Annual Report with the Florida Department of State, Division of Corporations, is 1819 Main Street, Suite #700 and Suite #1101, Sarasota, Florida 34236. Respondent's corporate offices are located at 3760 River Run Drive, Birmingham, Alabama 35243.

2. Section 631.021(3), Florida Statutes (2006), 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.

3. Section 631.041(4), Florida Statutes (2006), provides, in pertinent part, for the issuance of "...such other injunctions or orders as may be deemed necessary to prevent

interference with the department or the proceeding; waste of the assets of the insurer; the commencement or prosecution of any actions; the obtaining of preferences, judgments, attachments, or other liens; or the making of any levy against the insurer or against its assets or any part thereof.”

4. Additionally, Section 631.141 (5), Florida Statutes (2006), provides that, subject to the direction of the Court, the receiver shall proceed to conduct the business of the insurer or take such steps as authorized in Chapter 631 to rehabilitate, liquidate, or conserve the assets of the insurer.

5. On June 30, 2006, the Receiver filed its *Petition For Order Appointing The Florida Department Of Financial Services As Receiver For Purposes Of Rehabilitation, Injunction, And Notice Of Automatic Stay* (hereinafter the “Petition”).

6. Incorporated with the Petition, the Receiver filed the *Consent To Order Of Rehabilitation Or Liquidation* executed by Mr. David W. Lacefield, President of Florida Select Insurance Company on June 29, 2006. The Receiver also filed the *Joint Resolution Of The President, Directors And Majority Stockholders of Florida Select Insurance Company* consenting to the entry of an Order Appointing the Florida Department of Financial Services as Receiver for Rehabilitation or for Liquidation. Copies are incorporated herein as Composite Attachment “A.”

7. On June 30, 2006, this Court entered the *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* (hereinafter the “Consent Order”). A copy is incorporated herein as Attachment “B.”

8. Pursuant to the Consent Order, the Receiver is conducting the business of Florida Select and taking all steps, as the Court may direct, toward the removal of the causes and

conditions which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.

9. One of the factors that resulted in the receivership was the inability of Florida Select to obtain a Property Catastrophe Excess of Loss Reinsurance Contract (“CAT Contract”) to cover the risk affiliated with the outstanding policies of the company in the state of Florida.

10. The Receiver explored all available options in its efforts to ensure policyholders would be safeguarded from risk throughout the 2006 hurricane season and the course of this receivership. The alternatives reviewed included, but were not limited to, the potential purchase of the Florida Select company by another authorized insurer, as well as the potential assumption of Florida Select policies in the state of Florida by another authorized insurer. The initial efforts to safeguard policyholders from risk through such mechanisms were not successful.

11. The Receiver made extensive attempts to procure a CAT Contract on its own for the benefit of Florida Select policyholders. However, the financial condition of the company, as well as the ongoing receivership status, resulted in any opportunities to obtain such coverage being in excess of \$20,000,000 and, consequently, cost prohibitive to the receivership.

12. During this same period of time, the Receiver entered discussions with Southern Fidelity Insurance Company (“Southern Fidelity”) regarding the efforts to safeguard Florida Select policyholders. Southern Fidelity is a Florida domiciled authorized insurer, and has earned an “A” Exceptional Demotech Financial Stability Rating.

13. In furtherance of the discussions between the parties, Southern Fidelity was able to coordinate the arrangement of a CAT Contract for the benefit of Florida Select policyholders in the state of Florida at a substantial cost savings to the receivership. Consequently, the Receiver and Southern Fidelity entered into a Memorandum of Understanding which enabled the

Receiver to secure the CAT Contract coverage and ensure policyholder risks were covered throughout the 2006 hurricane season. The premium due for the CAT Contract procured by Southern Fidelity was approximately \$12,360,200. A copy of the Memorandum of Understanding is incorporated herein as Attachment "C".

14. As part of its duties, the Receiver has continued to assess the financial ability of Florida Select to renew policies and provide ongoing coverage to its existing policyholders. The Receiver is also cognizant of the fact that if Florida Select continues to have in-force policies as of June 1, 2007, a substantial premium of several million dollars would be due from Florida Select to the Florida Hurricane Catastrophe Fund ("FHCF"). In addition, the Receiver would need to procure additional CAT Contract coverage for the 2007 hurricane season to protect the policyholders of Florida Select in the state of Florida. The cost for such coverage is unknown, but would most certainly exceed the premium paid for the coverage outlined in Paragraph 13 of this Motion.

15. Based upon the financial circumstances of the company, the uncertainty of continuing cash flows to the company necessary to cover future costs, and the need to ensure the policyholders of Florida Select are protected, the Receiver recommends that the Court direct it to stop renewing policies and authorize it to non-renew or cancel policies of the Florida Select book of business in the state of Florida.

16. In furtherance of this recommendation, the Receiver has had ongoing discussions with Southern Fidelity, as well as with Computer Sciences Corporation ("CSC"), which has been the service provider to Florida Select over the past several years, regarding renewing, cancelling, and reinstating coverage to its policyholders.

17. In an effort to ensure the policyholders are provided with as much written notice of this recommendation as is reasonable, necessary, and allowable while still ensuring an orderly

transition during the non-renewal/cancellation process, CSC has indicated that it is necessary to limit the amount of notice given to policyholders or agents to sixty (60) days. CSC has prepared a transition plan that outlines the process recommended to be used for Florida Select policyholders. A copy of the transition plan is incorporated herein as Attachment "D".

18. In order to ensure a smooth transition for Florida Select policyholders that are non-renewed or cancelled, Southern Fidelity has agreed to provide the policyholders with an offer for a replacement policy with their company on the company's standard homeowner's and dwelling fire policy forms and rates that have been approved by the Office of Insurance Regulation and are based upon the coverage that was contained within the expired/non-renewed/canceled policy.

19. There is no requirement for any Florida Select policyholder to accept the offer of coverage from Southern Fidelity. In the event that the policyholder chooses to accept the offer from Southern Fidelity, they need only make their premium payment to Southern Fidelity as outlined in the offer of coverage they will receive. In the event that the policyholder chooses not to accept the offer from Southern Fidelity, they would still be able to contact their agent to ascertain other available options.

20. An additional factor involved in the Receiver recommending the course of action set forth in this Motion is that the ongoing receivership status of the company has led to several mortgage companies initiating a process of "force-placing" Florida Select policyholders. In doing so, the mortgage companies indicated that they would no longer accept the policy coverage being offered through Florida Select as being in compliance with the terms of the policyholder's mortgage(s). Consequently, several mortgage companies have procured coverage elsewhere for the policyholders under the terms of the mortgage. Any additional costs have been directly borne by the policyholders without benefit of a choice in the matter. In providing the

Offer of Coverage outlined in this Motion, Southern Fidelity is affording the policyholders with a viable choice of coverage and is offering to assist policyholders in resolving the “force-placing” problem outlined above.

21. The Receiver has prepared a proposed Notice of Non-Renewal and a proposed Notice of Cancellation. The Receiver recommends it be authorized to issue these notices in their current, or substantially similar form, to policyholders while providing them with sixty (60) days of notification of either their non-renewal or cancellation, as may be appropriate depending on the policy, during this period of rehabilitation. Copies of the proposed notices are incorporated herein as Attachment “E”.

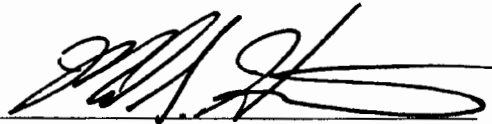
22. Southern Fidelity has also prepared an Offer of Coverage that the Receiver recommends be allowed to be issued in its current, or substantially similar, form to Florida Select policyholders receiving the Notice of Non-Renewal or Notice of Cancellation. A copy of the proposed Offer of Coverage is incorporated herein as Attachment “F”.

23. The Receiver believes the provisions outlined in the Memorandum of Understanding (Attachment “C”), and those provided in the transition plan prepared by CSC (Attachment “D”) are in the best interests of the estate of Florida Select and an essential component of the Receiver’s ongoing efforts to preserve the assets of the estate, maximize value to potential claimants, and ensure secure coverage for the policyholders of Florida Select. The Receiver recommends that the Court authorize it to implement the processes outlined.

24. Pursuant to the provisions of Section 631.252, Florida Statutes (2006), in the event that the financial condition of Florida Select changes and it is necessary to liquidate the company the Receiver requests this Court to authorize it to cancel any remaining policies of Florida Select, no later than thirty (30) days from the entry of an order of liquidation.

WHEREFORE and with good cause shown, the Receiver respectfully moves this Court to enter an Order: 1) approving the Receivers Motion For Approval of Transition of Florida Select Policies; 2) directing the Receiver to stop renewing policies; 3) directing the issuance of the Notice of Non-Renewals and Notice of Cancellations (Attachment "E") contemplated above as in this Motion in the same, or substantially similar, form; 4) directing the issuance of the Offer of Coverage (Attachment "F") contemplated above in this Motion in the same, or substantially similar, form; and 5) providing such other relief deemed necessary and appropriate by this Court.

DATED this 21st day of December 2006.



MARK S. HAMILTON, Senior Attorney
Florida Bar No. 0063819
Florida Department Of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 Telephone
(850) 488-1510 - Facsimile

JOINT RESOLUTION OF THE PRESIDENT, DIRECTORS AND MAJORITY
STOCKHOLDERS OF FLORIDA SELECT INSURANCE COMPANY

The undersigned, being the Directors and Sole Shareholder of Florida Select Insurance Company (the "Company"), hereby certify that the following is a true and correct copy of a resolution adopted at a combined meeting of the Directors and Sole Shareholder of the Company:

RESOLVED, that the Board of Directors and Sole Shareholder of the Company consent to the entry of an Order Appointing the Florida Department of Financial Services as Receiver for Rehabilitation or for Liquidation;

FURTHER RESOLVED, that the President of the Company is hereby authorized to execute any and all consent agreements or other documents on behalf of Florida Select Insurance Company to obtain entry of an Order for Rehabilitation or Liquidation and is authorized to take any and all additional actions deemed necessary or appropriate by the Department of Financial Services to effectuate the foregoing or to comply with the Order, without further approval of the Directors and Sole Shareholder.

Dated this 29th day of June, 2006.

DIRECTORS OF FLORIDA SELECT INSURANCE COMPANY:

David W. Laceyfield
David W. Laceyfield

John W. McCullough
John W. McCullough

Bobby L. Nolen
Bobby L. Nolen

Fred H. Wright
Fred H. Wright

Florida Select Ins. Holdings, Inc.

By: David W. Laceyfield, President.

For Shareholder Florida Fire Insurance Corporation

Florida Select Ins. Holdings, Inc.

CONSENT TO ORDER OF
REHABILITATION OR LIQUIDATION

IT IS HEREBY agreed as follows:

1. Florida Select Insurance Company (herein "Respondent"), is a Florida corporation and is a domestic insurer authorized to transact an insurance business in the State of Florida.

2. The Respondent admits that grounds exist for the appointment of a Receiver under Section 631.051, Florida Statutes (Grounds for rehabilitation; domestic insurers.), in that the Respondent does not have adequate reinsurance to withstand potential hurricane exposure for the 2006 hurricane season.

3. The Respondent consents to the entry of an Order Appointing the Florida Department of Financial Services, Division of Rehabilitation and Liquidation as Receiver and acknowledges that the Department of Financial Services may apply to the Court for an Order for Rehabilitation or Liquidation, on the basis that the Respondent has consented to the entry of such order, at any time after the execution of this agreement.

Dated this 29th day of June, 2006.

(Corporate seal)


FLORIDA SELECT INSURANCE COMPANY

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,

v.

CASE NO.: 2006-1669

Florida Select Insurance Company,
a Florida Corporation authorized to
transact an insurance business in Florida

Respondent.

**CONSENT ORDER APPOINTING THE FLORIDA DEPARTMENT OF
FINANCIAL SERVICES AS RECEIVER FOR PURPOSES OF REHABILITATION,
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 a consent order of rehabilitation of Florida Select Insurance Company. The Court having reviewed the pleadings of record, having heard presentation of counsel, and otherwise being fully informed in the premises, finds:

1. Florida Select Insurance Company (hereinafter "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. Respondent's principal place of business as listed in its 2006 For Profit Corporation Annual Report with the Florida Department of State, Division of Corporations, is 1819 Main Street, Suite #700 and Suite #1101, Sarasota, Florida 34236. Respondent's corporate offices are located at 3760 River Run Drive, Birmingham, Alabama 35243.

2. 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.

3. Section 631.051(11), Florida Statutes, authorizes the Department to apply to this Court for an order directing it to rehabilitate a domestic insurer upon the ground that the insurer has consented to such an order through a majority of its directors, stockholders, members, or subscribers. Respondent has consented to the appointment of the Department as Receiver for purposes of rehabilitation. It is in the best interests of Respondent and its creditors and insureds that the relief requested in the petition be granted.

THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

4. The Department of Financial Services of the State of Florida is appointed Receiver of Respondent for purposes of rehabilitation and that the Receiver is authorized and directed to:

A. Conduct the business of Respondent and take all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Order of Rehabilitation necessary and to take such further action, as the Receiver deems necessary or appropriate, to reform and revitalize the Respondent.

B. 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 Section 631.141, Florida Statutes, including but not limited to: offices maintained by the 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, and all real

property of Respondent, wherever situated, whether in the possession of Respondent or its officers, directors, trustees, employees, consultants, attorneys, agents, affiliates, or other persons.

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 the 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 that are economically feasible to collect which are due and owing to the Respondent.

H. Deposit funds and maintain bank accounts.

I. Take possession of all Respondent's securities and certificates of deposit on deposit with the Chief Financial Officer (fka: Treasurer) of Florida, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership or otherwise best benefit the estate.

J. Apply to this Court for further instructions in the discharge of its duties as may be necessary.

K. 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, Florida Select Insurance Holdings, Inc., and Florida Select Insurance Agency, Inc.

IT IS FURTHER ORDERED AND DIRECTED:

5. 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 is required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes. Any person who fails to cooperate with the Receiver, interferes with the Receiver, or fails to follow the instructions of the Receiver, may be excluded from the building where the Respondent's offices are located at the Receiver's discretion.

6. 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 Section 631.141, Florida Statutes.

7. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority shall be 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.

8. All attorneys employed by Respondent as of the date of the Order, within 10 days of receiving notice of this 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 should also include an accounting of any funds received from or on behalf of the 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 Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, should not be extinguished by the delivery of these documents.

9. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the 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 the Respondent directly to the 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 should 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 should use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

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

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

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

13. 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 the Respondent is directed to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver is 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 unless and until obtaining an order from this Court authorizing such action.

14. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to the Respondent is 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.

15. Any data processing service not affiliated with Florida Select Insurance Company 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 the Respondent is directed to transfer custody and control of such records to the Receiver. The Receiver is authorized to compensate any such entity for the actual use of hardware and software, 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 were 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.

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

17. All insurance policies, bonds or similar contracts of coverage issued by the Respondent shall remain in full force and effect until they are cancelled.

18. All affiliated companies and associations are directed to 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 has 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 is 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 should be safeguarded and presented to this Court for review prior to removal by the Receiver.

19. The Receiver shall have complete access to and control of all computer records of the Respondent and its affiliates at all times including but not limited to Respondent's computer records. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.

20. 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.

21. 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 by 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 is 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 is authorized to impose a charge for copies of such claim files pursuant to the provisions of Sections 119.07, and 624.501, Florida Statutes.

22. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Florida Select Insurance Company agree to fully cooperate with the Receiver in the effort to rehabilitate Florida Select Insurance Company.

23. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Florida Select Insurance Company having any interest in the building located at: 1819 Main Street, Suite #700 and Suite #1101, Sarasota, Florida 34236; the building located at 3760 River Run Drive, Birmingham, Alabama 35243; or any other facility in which Florida Select Insurance Company may operate, agree to make available, at that location and at no charge to the Receiver or to Florida Select Insurance Company, office space,

and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

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

25. Except for contracts of insurance, 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 the original of 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. 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.

CONTINUATION OF INVESTIGATION

26. The Receiver is authorized to conduct an investigation 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's parent corporations, its subsidiaries, and affiliates are required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the 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. The above-specified entities are required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation should 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.

27. 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 is directed 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 is directed 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.

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

29. 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.

30. Upon petition by the Receiver stating that further efforts to rehabilitate Respondent would be useless, this Court will consider entry of an order of liquidation of Respondent.

NOTICE OF AUTOMATIC STAY

31. 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 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;

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

32. 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, Leon County, Florida this 30th day of June 2006.

Tom Bortman for
William L. GARY
CIRCUIT JUDGE

A Certified Copy
Attest:

Bob Inzer

Clerk Circuit Court
Leon County, Florida

By *[Signature]*

D.C.





FLORIDA
DEPARTMENT OF
FINANCIAL SERVICES

September 13, 2006

MEMORANDUM OF UNDERSTANDING

RE: Florida Select Insurance Company in Receivership ("Florida Select")
Leon County Circuit Court Civil Action Case Number 2006-CA-1969

Whereas the Florida Department of Financial Services, Division of Rehabilitation and Liquidation, was appointed as the Receiver ("Receiver") for Florida Select by Consent Order of the Leon County Circuit Court dated June 30, 2006; and

Whereas, in furtherance of the Receiver's desire to assist all policyholders of Florida Select the Receiver has initiated efforts to secure the transition of the Florida Select book of business; and

Whereas Capitol Preferred Insurance Company ("CPIC") and Southern Fidelity Insurance Company ("SFIC") (collectively "Authorized Insurers") have expressed their intent to secure the transition of the Florida Select book of business to their companies; and

Whereas the Receiver and the Authorized Insurers (collectively "Parties") desire to enter into a formal Agreement for the transition of the Florida Select book of business;

Therefore, this Memorandum of Understanding will serve to document the intent and understanding of the parties as follows:

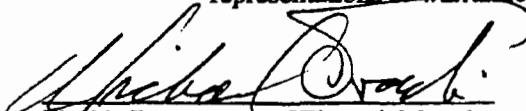
FLORIDA POLICYHOLDERS

- SFIC has coordinated the arrangement of a Property Catastrophe Excess of Loss Reinsurance Contract ("CAT Contract") for policyholders of Florida Select with an effective date of September 1, 2006. Florida Select and SFIC will be parties to said CAT Contract and retain all rights, duties, and obligations set forth therein. The CAT Contract shall take effect at 12:01 a.m., Standard Time, September 1, 2006, and shall remain in effect until 12:01 a.m., Standard Time, June 1, 2007, in respect of Policies in force, written, or renewed during the term of the CAT Contract. A copy of the DRAFT CAT Contract is attached and incorporated herein as Attachment "A." The Parties agree that a final version of the CAT Contract shall be the same or substantially the same in form and substance, or as may otherwise be agreed to by the Parties in writing.
- Florida Select agrees to fund the premium due for the procurement of the CAT Contract, estimated to be \$12,360,200. Florida Select also agrees to fund a reinstatement premium of \$3,250,000 due for the CAT Contract.


- The Parties agree that SFIC shall be retained to provide management services for any catastrophic claim event covered under the CAT Contract due to their expertise in this area. SFIC agrees to prepare a CAT Claims Plan ("CAT Plan") and present said plan to Florida Select for its review and approval. SFIC shall implement the approved CAT Plan in the event of a catastrophic claim event. SFIC shall be paid a management fee as mutually agreed to by the Parties for such services.
- Florida Select agrees to grant to SFIC the exclusive right to renew Florida Select policies upon policy expiration due to the non-renewal of said policies. SFIC will have the duty of offering renewals to policyholders upon policy expiration due to the non-renewal of these policies by Florida Select. SFIC agrees to offer renewals on their approved policy forms and rates according to the coverage contained in the expiring/non-renewed policy, or as may be otherwise agreed to by the policyholder. Subject to approval by OIR, it is anticipated that SFIC will offer a policy in its Standard Homeowners Program. SFIC fully understands that no specific number of policies has been guaranteed as part of any agreement between the parties.
- Notwithstanding the provisions of the previous paragraph, Florida Select will cancel all remaining policies prior to May 1, 2007. SFIC will offer coverage to each of these policyholders consistent with the terms outlined in the previous paragraph.
- Florida Select will assign and transfer, without charge, the servicing rights associated with the Flood Policy Book of Business ("Flood Book") underwritten by NFIP. This assignment of Florida Select's rights shall apply to all flood policies serviced by Florida Select and will be subject to assignment at such time a new, replacement policy is offered, accepted, and underwritten by SFIC. This provision shall apply equally to both Florida and South Carolina Flood Book policies.
- The ongoing management, accounting, and daily operations of Florida Select shall continue to be the responsibility of the Receiver for Florida Select. At such time as a Florida Select policy has been transferred to SFIC, it shall become the sole responsibility of SFIC to manage and account for said policy. The Parties agree to use their best efforts to coordinate the nonrenewal/renewal process so that it allows for a smooth transition from Florida Select to SFIC.
- The Parties understand that several mortgage companies are "force-placing" Florida Select policyholders due to the current status of the company. The Parties agree to cooperate with each other and use their best efforts to prevent such a problem from continuing.
- SFIC currently has an "A" Exceptional Demotech Financial Rating. SFIC agrees to maintain such rating for the duration of this agreement. In the event that SFIC loses the "A" rating, the provisions of this Letter of Understanding are voidable by Florida Select.
- The Parties agree to cooperate with each other to accomplish the terms set forth in this Letter of Understanding including, but not limited to: 1) executing any and all documents as may be necessary to carry out said terms; and 2) securing the additional approval(s) of any regulatory agency, judicial body, executive board, or any other governing entity, as may be applicable and necessary to carry out said terms. No agreement shall become final until such time as all necessary approvals have been obtained.
- SFIC agrees that it has conducted its own review and due diligence as to the policies of Florida Select and agrees that Florida Select makes no representations or warranties as to such policies.

SOUTH CAROLINA POLICYHOLDERS

- The Parties agree that the Authorized Insurers shall assume all of the remaining outstanding South Carolina policies, inclusive of any Builder's Risk Policies, of Florida Select as of an effective date of 09/15/06. The Authorized Insurers shall assume liability for any and all claims that occur on or after the effective date of the assumption of the policies. The Authorized Insurers have been informed that the policies in South Carolina have been subject to solicitations outside the control of Florida Select (commonly referred to as "cherry picking") from various entities since the inception of the Receivership. The Authorized Insurers fully understand that no specific number of policies has been guaranteed as part of any agreement between the parties.
- As of the effective date, the Authorized Insurers agree that all South Carolina policyholders shall be covered under the reinsurance contract(s) and 100% reinsured.
- The Authorized Insurers will be provided all unearned premium, net of unearned commissions due from agents payable as of the effective date of the assumption of risk, all other agent balances, and premiums receivable.
- As there will be no need for any block cancellation of policies, the Authorized Insurers will provide for the return of premium to consumers who cancel policies of their own volition subsequent to the date of the assumption of risk.
- Florida Select will assign and transfer, without charge, the servicing rights associated with the Flood Policy Book of Business ("Flood Book") underwritten by NFIP. This assignment of Florida Select's rights shall apply to all flood policies serviced by Florida Select and will be subject to assignment at such time a new, replacement policy is offered, accepted, and underwritten by the Authorized Insurers. This provision shall apply equally to both Florida and South Carolina Flood Book policies.
- The Parties agree to cooperate with each other to accomplish the terms set forth in this Memorandum of Understanding including, but not limited to: 1) executing any and all documents as may be necessary to carry out said terms; and 2) securing the additional approval(s) of any regulatory agency, judicial body, executive board, or any other governing entity, as may be applicable and necessary to carry out said terms. No agreement shall become final until such time as all necessary approvals have been obtained.
- The Authorized Insurers agree that they have conducted their own review and due diligence as to the policies of Florida Select and agree that Florida Select makes no representations or warranties as to such policies.


Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Receiver for Florida Select Insurance Company
P.O. Box 110
Tallahassee, FL 32302-0110

Sept 13, 2006
DATE


Jim Graganella, President
Capitol Preferred Insurance Company &
Southern Fidelity Insurance Company
2255 Killeam Center Blvd., Suite #101
Tallahassee, FL 32309

9-13-06
DATE

FLORIDA SELECT/SOUTHERN FIDELITY TRANSITION OF FLORIDA SELECT POLICIES

www.floridaselect.com

EXPERIENCE
TEAMWORK



EXPERIENCE. RESULTS.



EXPERIENCE. RESULTS.

PROJECT DEFINITION

• PHASE ONE

- Offer renewal policies to Florida Select Insureds (Florida Select and Florida Select Braishfield) for expiration dates March 1, 2007 - April 30, 2007

– PHASE TWO

- Generate mid-term cancellations for remainder of Florida Select Policies
- Issue Renewal Offers on Southern Fidelity Paper
 - Policy effective date will equal cancellation effective date
 - Policies will be issued for an annual term
- Approach see details



EXPERIENCE. RESULTS.

PHASE – ONE RECOMMENDED PROCESS

- Expiration Dates March 1, 2007 – April 30, 2007
- Generate Notification to Florida Select Policy Holders of the upcoming renewal offer from Southern Fidelity
 - Endorse policies with specific reason code (SFC) to generate letter of explanation - to be referred to as a non-renewal see Endorsement Calendar-
 - Send letters via certified mail
 - Use Florida Select letter head and envelopes
- Timeline
 - January 3, 2007 – start generating renewal offers for March 1, -April 30th providing a 57 day renewal offer
 - By March 5th renewals through April 30th will have generated.



EXPERIENCE. RESULTS.

PHASE – ONE RECOMMENDED PROCESS - Continued

- **Generate renewal offers**
 - Include in the Renewal Offer of Southern Fidelity a reference to Florida Select – referred to as a Welcome Letter



EXPERIENCE. RESULTS.

PHASE – ONE ADVANTAGES

- Fewer renewals would be generated on Florida Select Paper
- Fewer insured's impacted with mid-term cancellations
- Reduced impact to agents for placement of policies
- Should reduce number insured's applying to Citizens for insurance
- Insureds with policy expiration dates of March 1, 2007 – April 30, 2007 will receive a 60 day notification from Florida Select advising that coverage will not be offered – reference is made within the non-renewal that the insured will receive a renewal offer from Southern Fidelity
- Agents will not have to look for a provider for the insureds
- Mortgage Companies will not force place policies due to the rating of Vesta – Florida Select



EXPERIENCE. RESULTS.

PHASE 1 ENDORSEMENT CALENDAR

ACTIVITY DATE		EXPIRATION MONTH
December 28, 2006	March 1 – March 31, 2007	2,028 endorsements for FSB 2,120 endorsements for FLS
December 29, 2007	April 1 – April 30, 2007	1,661 endorsements for FSB 2,208 endorsements for FLS



EXPERIENCE. RESULTS.

PHASE – TWO RECOMMENDED PROCESS - DETAILS

- Approach
 - Day 1 Florida Select (references activity date on Cancellation calendar)
 - Cancellations are generated on POINT using unique reason code of PFL
 - Nightly cycle verifies and creates cancellation stats, updates receivables
 - Sets normal next activity date to generate refund
 - Day 1 Southern Fidelity
 - Conversion Program for Southern Fidelity creates renewal offer
 - Day 2 Florida Select
 - Refund activity date updated to current if cancellation reason is equal to unique code – generating refund immediately
 - Generate Payables
 - Print refunds and mail to insureds within 5 business days



EXPERIENCE. RESULTS.

PHASE – TWO RECOMMENDED PROCESS (Continued)

- Approach continued
- Action Items
 - Delivery of Cancellation Notices and Renewal Offers
 - Coordination with print vendor to mail cancellation notices and renewal offers on same day
 - Note: Cancellation Notices and Renewal Offers can not be mailed in same envelope. CSC and print vendor will attempt to coordinate placing them in the mail on the same day



EXPERIENCE. RESULTS.

TENATIVE CALENDAR OF EVENTS

ACTIVITY DATE	EXPIRATION MONTH	CANCELLATION DATE AND RENEWAL EFFECTIVE DATE
January 15, 2007	May 1 – 31, 2007	March 20, 2007
January 18, 2007	June 1 – 30, 2007	March 24, 2007
January 22, 2007	July 1 – 31, 2007	March 28, 2007
January 25, 2007	August 1 – 31, 2007	March 30, 2007
January 29, 2007	September 1 - 30, 2007	April 4, 2007
February 1, 2007	October 1 – October 31, 2007	April 7, 2007
February 5, 2007	November 1 –November 30, 2007	April 11, 2007
February 8, 2007	December 1 – 31, 2007	April 14, 2007
February 12, 2007	January 1 – 31, 2008	April 18, 2007
February 15, 2007	February 1 – 28, 2008	April 21, 2007



EXPERIENCE. RESULTS.

IN PROGRESS

- Conversion Program is complete
 - Awaiting DFS approval – Program will convert policies at expiration date to Southern Fidelity – date driven – first effective date for renewal is March 1, 2007
- Cancellation Program is in development
 - Next Steps
 - CSC Testing
 - Southern Fidelity Sign off

NOTICE – DECEMBER 28, 2006 – NOTICE

NOTICE OF NON-RENEWAL

**Insured Name
Insured Address**

**Agent Name
Agent Address
Agent Phone**

**Policy Number
Date:**

Non-Renewal

Re: Receivership of Florida Select Insurance Company ("Florida Select")

Dear Florida Select Policyholder:

On June 30, 2006, Florida Select Insurance Company ("Florida Select") was ordered into receivership for purposes of rehabilitation by the Second Judicial Circuit Court in Leon County, Florida. The Florida Department of Financial Services is the court appointed Receiver of Florida Select.

Florida Select's records indicate that you are one of the company's policyholders. Based upon the financial status of the company and its ongoing rehabilitation, Florida Select will not be offering a renewal for your policy. All coverage under your policy through Florida Select will cease as of ****NON-RENEWAL DATE HERE****.

In order to assist Florida Select policyholders, the Department of Financial Services has arranged with Southern Fidelity Insurance Company ("Southern Fidelity") to provide you an offer of replacement coverage for your current policy. Southern Fidelity is a Florida domiciled authorized insurer, and has earned an "A" Exceptional Demotech Financial Stability Rating which meets the requirements of most mortgage lenders.

You will receive an offer for a replacement policy with Southern Fidelity within the next few days. The offer you receive from Southern Fidelity will be on policy forms and rates approved by the Office of Insurance Regulation and based upon the coverage contained in your expired/non-renewed policy.

Your current agent will continue to serve you. The offer from Southern Fidelity will include an invoice for your premium. There is no requirement for you to accept the offer of coverage from Southern Fidelity. However, in order for you to take advantage of the availability of the offer from Southern Fidelity, it is imperative that you timely respond to the offer and make a premium payment as indicated in the offer. In the event you choose not to accept the offer of coverage from Southern Fidelity, please contact your agent to determine what other options may be available.

If you would like more information regarding Southern Fidelity, you may visit its website at www.southernfidelityins.com. If you have any questions regarding the offer of coverage from

ATTACHMENT "E"

Southern Fidelity you may contact them at 1-866-874-7342. Your agent may also be able to assist you with any questions you may have on these matters.

For additional information regarding Florida Select or the receivership process, please visit the Receiver's website at www.floridainsurancereceiver.org or contact the Florida Department of Financial Services at 1-800-882-3054.

Sincerely,

The Florida Department of Financial Services,
as Receiver of Florida Select Insurance Company

NOTICE –January _____, 2007 – NOTICE

NOTICE OF CANCELLATION

**Insured Name
Insured Address**

**Agent Name
Agent Address
Agent Phone**

**Policy Number
Date:**

Cancellation

Re: Receivership of Florida Select Insurance Company ("Florida Select")

Dear Florida Select Policyholder:

On June 30, 2006, Florida Select Insurance Company ("Florida Select") was ordered into receivership for purposes of rehabilitation by the Second Judicial Circuit Court in Leon County, Florida. The Florida Department of Financial Services is the court appointed Receiver of Florida Select.

Florida Select's records indicate that you are one of the company's policyholders. Based upon the financial status of the company and its rehabilitation, your policy with Florida Select will be cancelled as of the Cancellation Date shown above. All coverage under your policy through Florida Select will cease as of **(**CANCELLATION DATE HERE**)**. Policies with a normal expiration date, or those policies that are cancelled for non-payment of premium prior to the Cancellation Date, shall stand cancelled as of the earlier time and date.

In order to assist Florida Select policyholders, the Department of Financial Services has arranged with Southern Fidelity Insurance Company ("Southern Fidelity") to provide you an offer of replacement coverage for your cancelled policy. Southern Fidelity is a Florida domiciled authorized insurer, and has earned an "A" Exceptional Demotech Financial Stability Rating which meets the requirements of most mortgage lenders.

You will receive an offer for a replacement policy with Southern Fidelity within the next few days. The offer you receive from Southern Fidelity will be on policy forms and rates approved by the Office of Insurance Regulation and based upon the coverage contained in your cancelled policy.

Your current agent will continue to serve you. The offer from Southern Fidelity will include an invoice for your premium. There is no requirement for you to accept the offer of coverage from Southern Fidelity. However, in order for you to take advantage of the availability of the offer from Southern Fidelity, it is imperative that you timely respond to the offer and make a premium payment as indicated in the offer. In the event you choose not to accept the offer of coverage from Southern Fidelity, please contact your agent to determine what other options may be available.

If you would like more information regarding Southern Fidelity, you may visit its website at www.southernfidelityins.com. If you have any questions regarding the offer of coverage from

Southern Fidelity you may contact them at 1-866-874-7342. Your agent may also be able to assist you with any questions you may have on these matters.

For additional information regarding Florida Select or the receivership process, please visit the Receiver's website at www.floridainsurancereceiver.org or contact the Florida Department of Financial Services at 1-800-882-3054.

Sincerely,

The Florida Department of Financial Services,
as Receiver of Florida Select Insurance Company



Welcome to Southern Fidelity Insurance Company!

We are happy to have the opportunity to meet your home insurance needs. Southern Fidelity is a Florida domiciled insurance company located in Tallahassee, Florida. Our financial strength has earned us an "A - Exceptional" rating from Demotech, a respected industry rating authority. We are a Florida based Insurance Company dedicated to the needs of Floridians.

On June 30, 2006, The Florida Department of Financial Services placed Florida Select Insurance in receivership. As a result, Florida Select will no longer be able to insure your home or property. With approval of the Office of Insurance Regulation, Southern Fidelity Insurance Company has been authorized to provide you with a replacement policy to ensure that you are not inconvenienced or left without valuable home or property coverage.

Your new Southern Fidelity policy is attached for your records. Your current Agent will continue to serve you. Aside from making certain that your policy premium is paid, no action is necessary on your part.

Four things you should know.

1. Florida Select offered coverage options for scheduling some types of personal property that are not available with Southern Fidelity. If you have scheduled personal property, you may wish to discuss coverage options with your agent.
2. **This policy does not provide flood coverage.** You must purchase your flood insurance separately from this policy. It is important to make sure that your home is properly protected with this important coverage.
3. We can replace your house and belongings, but we can not replace you. Please make sure that your home is protected with deadbolt locks and smoke detectors.
4. Your Declaration Page is attached. This lists all the forms and endorsements that are a part of your policy. Copies of each form and endorsement are included in your policy booklet. Only those forms listed on the Declaration Page are applicable to your policy.

We pledge to you that under normal circumstances, should you report a claim, you will be contacted within 24 hours by one of our adjusters. It is our company policy that all claims are paid promptly and fairly under the terms of the policy. Our goal is your satisfaction.

For policy information, questions, or to reach the claims department, please call 1 (866) 874-7342.

Thank you for allowing us the opportunity to meet your insurance needs.

P.O. Box 16029 • Tallahassee, FL 32317-6029 • Phone 1-866-874-7342 • Fax (850) 521-3081

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

**ORDER APPROVING THE RECEIVER'S MOTION FOR ORDER
APPROVING PLAN FOR TRANSITION OF FLORIDA SELECT POLICIES**

THIS MATTER came before the Court on the *Receiver's Motion For Order Approving Plan For Transition Of Florida Select Policies*. The Court having considered the Receiver's Motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion For Order Receiver's Motion For Order Approving Plan For Transition Of Florida Select Policies* (hereinafter "Motion") is hereby GRANTED.

2. The Receiver is directed to stop renewing policies of Florida Select policyholders in the state of Florida as outlined in the Motion.

3. The Receiver is authorized to issue Notices of Non-Renewal and Notices of Cancellations to Florida Select policyholders in the state of Florida as outlined in the Motion.

4. The Offer of Coverage outlined in the Motion to be provided to Florida Select policyholders in the state of Florida by Southern Fidelity is approved.

5. In the event that the financial condition of Florida Select changes and it is necessary to liquidate the company the Receiver is authorized to cancel any remaining

policies of Florida Select, no later than thirty (30) days from the entry of an order of liquidation.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this
21st day of December 2006.

Tom Butema

Circuit Judge

for Wm. Gary

A Certified Copy
Attest:

Bob Inzer

Clerk Circuit Court
Leon County, Florida



By Danielle Stupord
12.21-06^{p.c.}

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

IN RE: The Receivership of FLORIDA
SELECT INSURANCE COMPANY,
a Florida corporation authorized to transact
an insurance business in the Florida.

Case No. 2006-CA-1669

FINAL JUDGMENT AS TO
PETITION OF COMPUTER SCIENCES CORPORATION

THIS CAUSE is before the Court on its Order Denying Petition to Enforce Ratified and Assumed Contract of March 14, 2008, a copy of which is attached and incorporated herein as Exhibit "A."

IT IS ADJUDGED that Petitioner, Computer Sciences Corporation, shall take nothing by its action and that Respondent, The Florida Department of Financial Services, Division of Rehabilitation and Liquidation, as Receiver of Florida Select Insurance Company, shall go hence without day.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida this 1st
April
day of March, 2008

William L. Gary
WILLIAM L. GARY
CIRCUIT COURT JUDGE

Conformed copies to:
Christian C. Burden, Esq.
Richard M. Kremen, Esq.
Mark S. Hamilton, Esq.

EXHIBIT "A"

(TO FINAL JUDGMENT AS TO PETITION OF COMPUTER SCIENCES CORPORATION)

**In Re: The Receivership of Florida Select Insurance Company,
Case No. 2006-CA-1669 (Circuit Court, Leon County, Florida)**

File ✓

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

IN RE: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation Authorized to Transact
an Insurance Business in Florida.

CASE NO. 2006.CA.1669

ORDER DENYING PETITION TO ENFORCE
RATIFIED AND ASSUMED CONTRACT

This cause came on for hearing on the Petition To Enforce Ratified and Assumed Contract filed by Computer Sciences Corporation, successor in interest to Mynd Corporation, formerly known as Policy Management Services Corporation, hereinafter referred to as "CSC". The Court having considered the evidence presented, the affidavits and exhibits filed herein and the record finds as follows, to-wit:

A. CSC by its petition is requesting an adjudication by this Court finding that The Florida Department of Financial Services, as Receiver, hereinafter referred to as "Receiver," ratified and assumed a contract between CSC and Florida Select Insurance Company, hereinafter referred to as "Debtor," when it executed an addendum to the contract on January 3, 2007.

B. CSC further references Addenda numbered 11, 14 and 15 in support of its position that the Receiver ratified and confirmed the contract.

C. An examination of the Contract and the addenda thereto reveals no language whatsoever that would obligate the Receiver for any services delivered by CSC to Texas Select Lloyds Insurance Company.

D. Texas Select Lloyds Insurance Company and others were placed in rehabilitation in the State of Texas on June 28, 2006, with the Commissioner of Insurance for the State of Texas being appointed the "Rehabilitator."

E. The insertion of the word "Texas" under paragraph C entitled Authorized States, in Addendum #14, without more, cannot be said to bind the Receiver for the indebtedness that may be owed to an entity in receivership in Texas over which it has no control, i.e. Texas Select Lloyds Insurance Company.

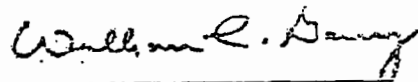
F. CSC's position is certainly not strengthened by the admission of Ms. Gail Lovett, Senior Counsel at CSC, that it provided services to Texas Select for the month of August, 2006, at the request of the Texas liquidator.

G. While the Receiver ratified and assumed the terms and conditions of the Contract or Agreement and Addendum #14, it did not agree to ratify or assume any indebtedness of Texas Select Lloyds Insurance Company.

Accordingly, it is

ORDERED AND ADJUDGED that the Petition To Enforce Ratified And Assumed Contract is Denied as the same relates to Texas Select Insurance Company.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this 14th day of March, 2008.



WILLIAM L. GARY
Circuit Judge

copies to:

CHRISTIAN C. BURDEN
MATTHEW J. MEYER
DLA Piper US LLP
101 East Kennedy Blvd., Suite 2000
Tampa, FL 33602
and
RICHARD M. KREMEN
DLA Piper US LLP
The Marbury Building
6225 Smith Avenue
Baltimore, MD 21209
Counsel for Computer Sciences Corporation

MARK S. HAMILTON, Senior Attorney
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, FL 32302-0110

**

DISTRICT COURT OF APPEAL, FIRST DISTRICT
301 S. Martin Luther King, Jr. Blvd.
Tallahassee, Florida 32399-1850
Telephone No. (850) 488-6151

April 2, 2009

CASE NO.: 1D08-1714

L.T. No. : 2006-CA-1669

Computer Sciences
Corporation

v.

Florida Dept. Of
Financial Services, As

Appellant / Petitioner(s),

Appellee / Respondent(s).

BY ORDER OF THE COURT:

Appellant's motion filed March 9, 2009, for rehearing, rehearing en banc and written opinion is denied.

I HEREBY CERTIFY that the foregoing is (a true copy of) the original court order.

Served:

Christian C. Burden
Mark S. Hamilton

Laura Ward

Richard M. Kremen

jm



JON S. WHEELER, CLERK



DIV OF REHAB & LIO
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APR - 3 AM 10:51

Exhibit "I"

DIV. OF REHAB. & LIQ.
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2009 FEB 23 AM 11:12

IN THE DISTRICT COURT OF APPEAL
FIRST DISTRICT, STATE OF FLORIDA

COMPUTER SCIENCES
CORPORATION,

Appellant,

NOT FINAL UNTIL TIME EXPIRES TO
FILE MOTION FOR REHEARING AND
DISPOSITION THEREOF IF FILED

CASE NO. 1D08-1714

v.

FLORIDA DEPARTMENT of
FINANCIAL SERVICES, as
Receiver for Florida Select
Insurance Company,

Appellee.

Opinion filed February 20, 2009.

An appeal from the Circuit Court for Leon County.
William L. Gary, Judge.

Christian C. Burden and Laura Ward of DLA Piper US LLP, Tampa, and Richard
M. Kremen of DLA Piper US LLP, Baltimore, for Appellant.

Mark S. Hamilton, Senior Attorney, Florida Department of Financial Services,
Tallahassee, for Appellee.

PER CURIAM.

AFFIRMED.

DAVIS, BENTON, and PADOVANO, JJ., CONCUR.

DISTRICT COURT OF APPEAL
FIRST DISTRICT
STATE OF FLORIDA
TALLAHASSEE, FLORIDA 32399-1850



JK
1D08-1714
Mark S. Hamilton
Dpt Financial Services
Div Rehabilitation & Liquidation
P.O. Box 110
Tallahassee, FL 32301-0110

32302-0110 2099

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

FILED
09 FEB - 6 PM 2:36
CLERK OF COURT
LEON COUNTY, FLORIDA

MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT
WITH FLORIDA SELECT INSURANCE AGENCY, INC.

Comes now the Florida Department of Financial Services, as Receiver of Florida Select Insurance Company (hereinafter "Receiver"), by and through undersigned counsel, respectfully moves this honorable Court for an Order approving the Settlement Agreement (hereinafter "Settlement Agreement") between the Receiver and Florida Select Insurance Agency, Inc. (hereinafter "FSIA") and, as good cause therefore, would show this Court:

1. On June 30, 2006, this Court entered its *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* (hereinafter the "Consent Order").

2. Pursuant to the Consent Order, the Receiver is conducting the business of Florida Select Insurance Company (hereinafter "Florida Select") and taking all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.

3. Florida Select was one of several companies affiliated with the Vesta Insurance Group, Inc. (hereinafter "VIG"). VIG entered Chapter 11 Federal Bankruptcy proceedings in 2006. FSIA was a wholly owned subsidiary of J. Gordon Gaines, Inc. (hereinafter "Gaines"),

which acted as the management company within VIG. Gaines, like VIG, was the subject of Chapter 11 Federal Bankruptcy proceedings entered in 2006. Both the VIG and Gaines proceedings were jointly administered and are the subject of confirmed plans of liquidation.

4. Subsequent to the entry of the VIG and Gaines confirmed plans of liquidation, FSIA entered Chapter 11 Federal Bankruptcy proceedings. The proceedings for FSIA are currently ongoing before the Bankruptcy Court in In re Florida Select Insurance Agency, Inc., Case No. 07-07849 (2007).

5. VIG owns Vesta Fire Insurance Corporation (hereinafter "Vesta Fire"). Vesta Fire in turn holds several insurance subsidiaries including, but not limited to, Florida Select and the Hawaiian Insurance and Guaranty Company, Limited (hereinafter "HIG").

6. On June 28, 2006, the 126th Judicial District Court of Travis County, Texas entered its *Agreed Order Appointing Rehabilitator And Permanent Injunctions For Vesta Fire Insurance Company, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Company, and Vesta Insurance Corporation* (hereinafter the "Texas Companies") Each of these insurance subsidiaries affiliated with Vesta Fire are currently in receivership under the authority of the Texas Receivership Court. The Honorable Mike Geeslin, Commissioner of Insurance for the State of Texas, has been appointed as the Receiver (hereinafter the "Texas Liquidator") for the Texas Companies. The Texas Receiver has been authorized by the Texas Court to conduct the daily operational activities on behalf of the aforementioned Texas Companies.

7. On July 11, 2006, the Texas Liquidator designated Prime Tempus, Inc. as Special Deputy Receiver of the Texas Companies.

8. On August 1, 2006, the Texas Court entered its order placing Vesta Fire, Shelby Casualty, Shelby Insurance, Texas Select and Select Insurance in liquidation. Vesta Insurance remained in rehabilitation.

9. On August 21, 2007, HIG was placed in receivership for purposes of liquidation by Order of the First Circuit Court in and for The State of Hawaii. The Honorable J.P. Schmidt, Commissioner of Insurance for the State of Hawaii, is the court appointed Liquidator of HIG (hereinafter the "Hawaii Liquidator").

10. Prior to the respective receiverships noted above, FSIA and Florida Select were parties to a Managing General Agency Agreement (hereinafter "MGA Agreement").

11. FSIA has asserted certain claims against Florida Select relating to or arising out of the aforementioned MGA Agreement, the substance and merits of which are disputed by both parties (hereinafter "Disputed Claims").

12. In furtherance of working to try to resolve the outstanding issues between them regarding the Disputed Claims, the parties have continued to engage in settlement discussions.

13. Subject to approval by this Court, as well as approval by the Bankruptcy Court overseeing FSIA, (hereinafter jointly "Approval Orders") a comprehensive Settlement Agreement incorporating all of the terms and conditions understood by each of the parties has been reached. A copy of the Settlement Agreement is attached and incorporated herein as Attachment "A."

14. As more particularly described in the Settlement Agreement, the Disputed Claims are inclusive of both pre-receivership and post-receivership claims that exceed \$2,800,000.00.

Subject to the Approval Orders, the key provisions in the Settlement Agreement will provide as follows:

- a) The Receiver shall pay, or cause to be paid, to the bankruptcy Plan Trustee for the benefit of FSIA: (a) \$343,370 in immediately available federal funds by no later than the third business day after the first date on which both Approval Orders have become Final Orders; and (b) \$400,000 ("Supplemental Payment") in immediately available federal funds by the later to occur of: (i) the date that is three business days after the first date on which both Approval Orders have become Final Orders; or (ii) the date that is five (5) business days after the first date on which there is a release of any funds to or on behalf of FSIC from the Receivership Escrow Account. The parties shall reasonably cooperate in seeking approval of the release of funds to or on behalf of FSIC from the Receivership Escrow Account.
- b) As more particularly described in Paragraph 5 and Paragraph 6 of the Settlement Agreement, FSIC and FSIA agree to mutual releases of the other party.

15. The Receivership Escrow Account involves funds more particularly described in the *Receiver's Motion for Approval of Settlement and Release Agreement* (hereinafter "Motion") filed on January 23, 2009. On January 23, 2009, the Court entered its *Order Approving the Receiver's Motion for Approval of Settlement and Release Agreement* (hereinafter "Order"). Copies of the Motion and Order are incorporated herein as Composite Attachment "B."

16. The Receiver believes the agreement is in the best interests of the receivership and recommends that the Court approve the Settlement Agreement provided herein as Attachment "A".

WHEREFORE and with good cause shown, the Receiver respectfully moves this Court to enter an Order approving the Settlement Agreement and provide such other relief deemed necessary and appropriate by this Court.

DATED this 6th day of February, 2009.

A handwritten signature in black ink, appearing to read 'M. S. Hamilton', is written over a horizontal line.

Mark S. Hamilton
Senior Attorney
Florida Bar No. 0063819
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 - Telephone
(850) 488-1510 - Facsimile

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT (the "Agreement") is made and entered into as of this 27th day of January, 2009, by and between **FLORIDA SELECT INSURANCE AGENCY, INC.** ("FSIA"), acting by and through Ralph Brotherton in his capacity as the plan trustee for the bankruptcy estate of FSIA ("Plan Trustee"), and **FLORIDA SELECT INSURANCE COMPANY** ("FSIC"), acting by and through The Florida Department of Financial Services ("FDFS") in its capacity as court-appointed receiver for the receivership estate of FSIC.

RECITALS

FSIA, a Florida corporation, was engaged in the business of serving as a licensed managing general agent for multiple insurance companies. As a part of its business operation, FSIA used the trade name of California Select Insurance Agency in connection with its business affairs in California.

FSIA was a wholly-owned subsidiary of J. Gordon Gaines, Inc. ("Gaines"). Gaines is a debtor in the Chapter 11 case styled as In re J. Gordon Gaines, Inc., Case No. 06-02808 (Bankr. N.D. Ala. 2006) (the "Gaines Case").

Gaines is a wholly-owned subsidiary of Vesta Insurance Group, Inc ("VIG"). VIG was a publicly held corporation with its principal asset being the capital stock of Vesta Fire Insurance Corporation ("Vesta Fire"). Vesta Fire, in turn, owns, *inter alia*, capital stock interests in a variety of other insurance companies. VIG, like Gaines, is the subject of a Chapter 11 case which is styled as In re Vesta Insurance Group, Inc., Case No. 06-02517 (Bankr. N.D. Ala. 2006) (the "VIG Case"). The VIG Case and the Gaines Case were jointly administered and are each the subject of a confirmed plan of liquidation.

FSIA, as managing general agent, entered into a Managing General Agency Agreement ("MGA Agreement") with FSIC.

By the year 2006, VIG, Vesta Fire and Vesta Fire's insurance subsidiaries, including FSIC, suffered significant deterioration, resulting in increased scrutiny from various state insurance regulators. The ultimate outcome was that VIG and various state insurance commissioners agreed to place Vesta Fire and its insurance subsidiaries, including FSIC, in rehabilitation proceedings in Texas, Florida and Hawaii.

On June 30, 2006, the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida ("Florida Court") entered an order ("Florida Receivership Order") in the case styled State of Florida, ex rel., The Department of Financial Services of The State of Florida v. Florida Select Insurance Company, Case No. 2006-1669 ("Florida Receivership Action"). The Florida Receivership Order placed FSIC in rehabilitation and appointed FDFS as receiver for purposes of rehabilitation.

Shortly after the commencement of the Florida Receivership Action, FDFS took control and dominion of office space in the building located at 1819 Main Street, Sarasota, Florida

34236 leased by FSIA (the "Sarasota Leased Premises") and of a diverse array of assets owned by FSIA, including, without limitation, furniture, telephone systems, and computer equipment (the "Sarasota Property"). FDFS also oversaw certain individuals on behalf of the receivership who were employed by FSIA prior to the commencement of the Florida Receivership Action.

On April 24, 2007 (the "Petition Date"), FSIA filed a voluntary petition in the United States Bankruptcy Court for the Northern District of Alabama, Southern Division ("Bankruptcy Court") for relief under Chapter 11 of the Bankruptcy Code. As of the date of this Agreement, FSIA continues to manage its business affairs as a debtor-in-possession.

The Bankruptcy Court subsequently confirmed the First Amended Chapter 11 Plan of Liquidation of Florida Select Insurance Agency, Inc. (the "Plan"), and the effective date of the Plan was April 23, 2008.

Under the Plan, Ralph Brotherton, the former President of FSIA during the administration of the Bankruptcy Case, became the Plan Trustee as of the effective date of the Plan.

FSIA has asserted claims against FSIC for earned commissions and policy fees under the MGA Agreement in an amount exceeding \$2,170,153.53 ("Pre-Receivership Claim") and a claim for money transferred from FSIA's account at the direction of representatives of FDFS after the commencement of the Florida Receivership Action in the amount of \$743,370 ("Post-Receivership Claim"). FDFS, as receiver for FSIC, has disputed both the Pre-Receivership Claim and the Post-Receivership Claim on grounds of setoffs and other alleged defenses.

FSIA and FSIC wish to avoid the risks and expenses attendant to litigation and disputes among them and, without anyone admitting fault, liability or wrongdoing, to settle once and forever all claims which either of the parties or any other released persons identified herein related thereto has against or may have against the parties.

NOW, THEREFORE, for and in consideration of TEN AND NO/100 DOLLARS (\$10.00) in hand paid each to the other, the mutual covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. **Definitions.** In addition to the terms that are defined elsewhere in the Agreement, any capitalized terms shall have the meaning ascribed to them below:

Approval Orders shall mean the Bankruptcy Order and the Receivership Order.

Bankruptcy Case shall mean In re: Florida Select Insurance Agency, Inc., Case No. 07-01849-11.

Bankruptcy Code shall mean all applicable provisions of the United States Bankruptcy Code.

Bankruptcy Order shall mean an order entered by the Bankruptcy Court in the Bankruptcy Case approving this Agreement after such notice to creditors and other parties in interest and a hearing as deemed appropriate by the Bankruptcy Court.

Claim shall have the meaning set forth in Section 101(5) of the Bankruptcy Code.

FDFS shall mean FDFS in its capacity as the court-appointed receiver for FSIC, both as rehabilitator and liquidator.

FDFS Personnel shall mean any employees, agents or representatives of FDFS engaged in activities in connection with the Florida Receivership Action

Final Order shall mean an order of a court as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the parties or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order shall have been determined by the highest court to which such order was appealed, or certiorari, reargument or rehearing shall have been denied and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil/Appellate Procedure, or any analogous rule under the Bankruptcy or Florida Rules of Civil Procedure Rules, may be filed with respect to such order shall not cause such order not to be a Final Order.

Florida Receivership Assets shall mean all items of property, real or personal, tangible or intangible, in the Florida Receivership Action.

FSIA Assets shall mean any and all items of property, real or personal, tangible or intangible, which constitute part of the bankruptcy estate of FSIA.

FSIA Attorneys shall mean Parker, Hudson, Rainer & Dobbs LLP and Balch & Bingham, LLP, each in its capacity as attorneys for FSIA for the period commencing on July 18, 2006 and continuing thereafter.

FSIA Personnel shall mean and include the following: (a) Ralph Brotherton, the former director and officer of FSIA and the Plan Trustee; (b) Newbridge Management, LLC and any of its agents, representatives or employees, solely in connection with any services rendered to FSIA; and (c) any other employees, agents or representatives of FSIA engaged in activities in connection with the Bankruptcy Case.

Person shall mean any individual, partnership, corporation, limited liability company, limited liability partnership, joint venture, trust, or unincorporated organization, or association, any "doing business as" entity, any other form of business or commercial entity, or a government or any governmental agency or political subdivision.

Receivership Escrow Account shall mean the escrow account established on or about January 8, 2007, among various receivers and liquidators of FSIC, The Hawaii Insurance & Guaranty Company, Inc., Vesta Fire and certain Vesta Fire subsidiaries in which approximately \$70,000,000 was deposited during January and February 2007.

Receivership Order shall mean an order entered by the Florida Court in the Florida Receivership Action approving this Agreement after such notice to creditors and other parties in interest and a hearing as deemed appropriate by the Florida Court.

2. **Court Approval.** The parties shall cooperate in seeking Bankruptcy Court and Florida Court approval of this Agreement. FSIA further agrees to file a motion seeking the Bankruptcy Order in the Bankruptcy Court by no later than 10 days after the date on which this Agreement is fully executed by both parties. FDFS further agrees to file a motion seeking the Florida Receivership Order in the Florida Court by no later than 10 days after the date on which this Agreement is fully executed by both parties.

3. **Allowance of FSIA Claim in Florida Receivership Action.** Subject to the Approval Orders becoming Final Orders and the payment terms set forth in Section 4 of this Agreement, FSIA shall be deemed to hold an allowed Class 1 administrative expense claim, pursuant to Fla. Stat. Sec. 631.271, in the amount of \$743,370 in the Florida Receivership Action ("Allowed FSIA Claim").

4. **Settlement Payment.** FDFS, as receiver for FSIC, shall pay, or cause to be paid, to the Plan Trustee for the benefit of FSIA the Allowed FSIA Claim as follows: (a) \$343,370 in immediately available federal funds by no later than the third business day after the first date on which both Approval Orders have become Final Orders; and (b) \$400,000 ("Supplemental Payment") in immediately available federal funds by the later to occur of: (i) the date that is three business days after the first date on which both Approval Orders have become Final Orders; or (ii) the date that is five (5) business days after the first date on which there is a release of any funds to or on behalf of FSIC from the Receivership Escrow Account. The parties shall reasonably cooperate in seeking approval of the release of funds to or on behalf of FSIC from the Receivership Escrow Account.

5. **Release by FSIA.** As a further material inducement to FSIC entering into this Agreement, but excepting any obligations imposed upon FSIC or FDFS by this Agreement, and effective only upon the Approval Orders becoming Final Orders and the consummation of the actions under Section 4 of this Agreement, FSIA, on behalf of itself and its agents, representatives, successors and assigns and all other Persons claiming by, through or under

FSIA, hereby **REMISES, RELEASES, ACQUITS AND FOREVER DISCHARGES** FSIC, FDFS, FDFS Personnel, and any of their respective agents, representatives, successors and assigns (collectively, the "Receivership Released Persons"), of and from all manner of Claims which FSIA ever had, now has, or claims to have, either directly or indirectly, in whole or in part, against any of the Receivership Released Persons or the Florida Receivership Assets, including, but not limited to, any Claims related to or arising out of the Bankruptcy Case or the Florida Receivership Action and claims against the Florida Receivership Assets; and FSIA hereby covenants that it will not sue any of the Receivership Released Persons for, or raise in any way against any of the Receivership Released Persons or the Florida Receivership Assets, any such Claims; provided, however, that nothing in this section is intended, or shall be deemed, to release: (a) any Claim arising from a breach of this Agreement by any Receivership Released Person, which breach such Receivership Released Person fails to cure within ten (10) days upon receiving written notice from FSIA of the breach; (b) the Allowed FSIA Claim; (c) any Claim against any third party insurance agent or broker relating to either FSIA or FSIC; or (d) any claim against Computer Sciences Company or any agent, attorney, representative, successors or assigns thereof.

6. **Release by FSIC.** As a further material inducement to FSIA entering into this Agreement, but excepting any obligations imposed upon FSIA by this Agreement, and effective only upon the Approval Orders becoming Final Orders and the consummation of the actions under Section 4 of this Agreement, FSIC, on behalf of itself, FDFS, their respective agents, representatives, successors and assigns and all other Persons claiming by, through or under FSIC, hereby **REMISES, RELEASES, ACQUITS AND FOREVER DISCHARGES** each of FSIA, FSIA Attorneys, FSIA Personnel, and any of their respective agents, representatives, successors and assigns (collectively, the "FSIA Released Persons"), of and from all manner of Claims which FSIC ever had, now has, or claims to have, either directly or indirectly, in whole or in part, against any of the FSIA Released Persons or any of the FSIA Assets, including, but not limited to, any Claims related to or arising out of the Bankruptcy Case or the Florida Receivership Action and claims against the FSIA Assets, and FSIC hereby covenants that it will not sue any of the FSIA Released Persons for, or raise in any way against any of the FSIA Released Persons or any of the FSIA Assets, any such Claims; provided, however, that nothing in this section is intended, or shall be deemed, to release (a) any Claim arising from the FSIA's breach of this Agreement which breach FSIA fails to cure within ten (10) days upon receiving written notice from FDFS of the breach; (b) any Claim against any third party insurance agent or broker relating to either FSIC or FSIA; or (c) any claim against Computer Sciences Company or any agent, attorney, representative, successors or assigns thereof.

7. **Effectiveness of Releases.** The releases of Claims in Sections 5 through 6 of this Agreement are intended to be mutual, and, notwithstanding anything to the contrary set forth in this Agreement, no release by one party (the "Releasing Party") of any Claims shall be effective and enforceable as to another party until the release by such other party of Claims against the Releasing Party is effective and enforceable. In the event that the Bankruptcy Court or Florida Court reject or disapprove of the Agreement or a court of competent jurisdiction enters a Final Order reversing or vacating the Approval Orders, this Agreement, including the releases set forth in Sections 5 through 6, shall be of no force or effect.

8. **No Admission of Liability.** This Agreement shall not in any way be construed as an admission by any party of any acts of misconduct whatsoever against another party or any other Person, and all parties specifically disclaim any liability to another party or any other Person, except as otherwise stated herein.

9. **Authority.** FSIC represents and warrants to FSIA that FSIC and FDFS have full power and authority to enter into this Agreement and that this Agreement, once fully executed and delivered and approved by the Bankruptcy Court and the Florida Court, will be a valid and binding obligation of FDFS and FSIC, enforceable against them in accordance with this Agreement's terms. FSIA represents and warrants to FDFS and FSIC that FSIA has full power and authority to enter into this Agreement and that the Agreement, once fully executed and delivered and approved by the Bankruptcy Court and the Florida Court, will be a valid and binding obligation of FSIA and the Plan Trustee, enforceable against them in accordance with the Agreement's terms.

10. **Certain Representations and Warranties.** Each of the parties represents and warrants to the others, as an inducement for the other to enter into this Agreement, that:

a. Such party has read and understands all of the terms and conditions set forth in this Agreement;

b. Such party has had the benefit of legal counsel of its own choosing in deciding to execute this Agreement;

c. Such party, without promise of benefit other than as set forth herein, is voluntarily entering into this settlement;

d. Such party is the owner of all Claims to be released by it herein, has not assigned or transferred, or purported to assign or transfer, voluntarily or involuntarily, or by operation of law, any of the Claims released by it hereunder or any portion thereof, and will indemnify and hold harmless the others from any and all Claims so assigned or transferred in breach hereof;

e. There is good and valid consideration to support such party's entering into this Agreement and to bind such party by the terms and conditions of this Agreement; and

f. Such party was not coerced, threatened or otherwise forced to sign this Agreement, and its signature appearing hereinafter is voluntary and genuine and was duly and validly authorized and given.

11. **Notices.** All notices, requests and demands to or upon a party shall be in writing and sent by certified mail, return receipt requested, personal delivery against receipt or by telecopier or other facsimile transmission (but not by e-mail) and, unless otherwise expressly provided herein, shall be deemed to have been validly served, given or delivered when delivered

against receipt or one business day after deposit in the United States mail, postage pre-paid, or, in the case of facsimile transmission, when received at the office of the noticed party, addressed as follows:

If to FSIA:	Florida Select Insurance Agency, Inc. Ralph Brotherton, President Post Office Box 723657 Atlanta, Georgia 31139 Telecopy: (770) 432-2189
With a courtesy copy to (which shall not constitute notice):	Rufus T. Dorsey, IV, Esq. Parker Hudson Rainer & Dobbs LLP 285 Peachtree Center Avenue 1500 Marquis Two Tower Atlanta, Georgia 30303 Telecopy: (404) 522-8409
If to FSIC:	Patti Turpin Deputy Receiver Florida Department of Financial Services Division of Rehabilitation and Liquidation P. O. Box 110 Tallahassee, Florida 32303-0110 Telecopy: (850) 922-2555
With a courtesy copy to (which shall not constitute notice):	Mark S. Hamilton, Esq. Senior Attorney Florida Department of Financial Services P. O. Box 110 Tallahassee, FL 32302-0110 Telecopy: (850) 488-1510

Any party may change the address at which that party shall receive notice or the name of the person receiving a copy of such notice by furnishing the other party a change of address or change of person receiving copies of notices in the manner set forth herein for the giving of notices. A notice of change of address or change of person receiving copies shall become effective ten (10) days after delivery.

12. **Parties to Bear Own Costs.** Except as stated in this Agreement, each party to this Agreement shall bear its own costs (including attorneys' fees) incurred in connection with the Bankruptcy Case or the Florida Receivership Action, and the negotiation, preparation and execution of this Agreement and any other agreements or instruments executed in accordance with the terms of this Agreement.

13. **Counterparts.** This Agreement may be executed in counterparts, each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall become effective when the Plan Trustee has received counterparts bearing the signatures of all parties hereto. Delivery of a signature page of this Agreement by telecopy or other electronic means shall be effective as delivery of a manually executed counterpart of this Agreement. The Parties shall confirm such signatures by delivery to the Plan Trustee of a manually signed original of this Agreement but the failure to deliver the same shall not limit the effectiveness of any signatures sent by telecopy or electronic means.

14. **Entire Agreement.** This Agreement sets forth all of the promises, covenants, agreements, conditions and understandings between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, inducements or conditions, express or implied. Each party specifically warrants that this Agreement is executed without reliance upon any statement or representation by any other party hereto, except as expressly stated herein.

15. **Amendment.** The terms of this Agreement shall not be altered, amended, modified or otherwise changed in any respect except by a writing duly executed by all the parties hereto.

16. **Severability.** Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

17. **Binding Agreement.** This Agreement shall be binding upon the parties, and their respective representatives, successors and assigns, and shall similarly inure to the benefit of their respective representatives, successors and assigns.

18. **No Third-Party Beneficiaries.** No Person other than the parties hereto and their respective successors, assigns, representatives, and agents and any other Person identified or referred to in Sections 5 through 6 of this Agreement, and only as to those Sections, is intended to be a beneficiary of this Agreement.

19. **Construction.** Should any provision of this Agreement require interpretation, the parties agree that the judicial body or arbitration forum interpreting or construing such provision shall not apply any assumption that the terms of this Agreement shall be more strictly construed against any party because of the rule of construction that an instrument is to be construed more strictly against the drafting party, each party hereby acknowledging and agreeing that all parties and their respective agents have participated in the preparation of this Agreement.

20. **Section Headings; References; Gender and Number.** The titles of the Sections herein have been inserted as a matter of convenience and for reference only and shall not control or affect the meaning or construction of any of the terms of the provisions herein. Whenever

reference is made in this Agreement to any Section, such reference shall be deemed to apply to the specified Section of this Agreement. Words of any gender used in this Agreement shall be deemed to include the other gender or the neuter, and words in the singular shall be deemed to include the plural and the plural to include the singular when the sense requires.

21. **Governing Law.** This Agreement shall be construed under and governed by the internal laws of the State of Florida.

22. **No Waiver.** No failure of a party to notify the other party of any default shall prejudice any remedy for any subsequent defaults. No failure of a party to insist on strict compliance by another party with its obligations under this Agreement and no custom or practice of the parties in variance with the terms of this Agreement shall constitute a waiver of the party's right to demand exact compliance with the Agreement's terms. Any waiver by a party of a default shall be limited to the particular instance and shall not operate or be deemed to waive any further default.

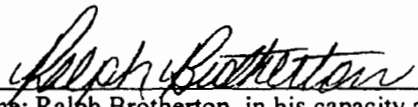
IN WITNESS WHEREOF, the parties have set their hands and seals, or their appropriate officer or agent has executed this Agreement, on the date first written above.

FLORIDA SELECT INSURANCE COMPANY,

By: **FLORIDA DEPARTMENT OF
FINANCIAL SERVICES**, in its capacity
as receiver for Florida Select Insurance
Company

By: _____
Name: Patti Turpin
Title: Deputy Receiver

**FLORIDA SELECT INSURANCE AGENCY,
INC.**

By: 
Name: Ralph Brotherton, in his capacity as Plan
Trustee for Florida Select Insurance
Agency
Title: Plan Trustee

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IN WITNESS WHEREOF, the parties have set their hands and seals, or their appropriate officer or agent has executed this Agreement, on the date first written above.

FLORIDA SELECT INSURANCE COMPANY,

By: **FLORIDA DEPARTMENT OF
FINANCIAL SERVICES**, in its capacity
as receiver for Florida Select Insurance
Company

By: 
Name: Patti Turpin
Title: Deputy Receiver

**FLORIDA SELECT INSURANCE AGENCY,
INC.**

By: _____
Name: Ralph Brotherton, in his capacity as Plan
Trustee for Florida Select Insurance
Agency
Title: Plan Trustee

COPY

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

09 JAN 23 PM 3:16
CLERK OF COURT
LEON COUNTY, FLORIDA

MOTION FOR APPROVAL OF SETTLEMENT AND RELEASE AGREEMENT

Comes now the Florida Department of Financial Services, as Receiver of Florida Select Insurance Company (hereinafter "Receiver"), by and through undersigned counsel, respectfully moves this honorable Court for an Order approving the Settlement and Release Agreement (hereinafter "Final Settlement Agreement") between J.P. Schmidt, Insurance Commissioner of the State of Hawaii in his capacity as the Liquidator of The Hawaiian Insurance and Guaranty Company, Limited; the Commissioner of Insurance for the State of Texas, as the Liquidator of Vesta Fire Insurance Corporation, Shelby Insurance Company, Shelby Casualty Insurance Company and Texas Select Lloyds Insurance Company and as the Rehabilitator of Vesta Insurance Corporation; Prime Tempus, Inc. as Special Deputy Receiver for Vesta Fire Insurance Corporation, Shelby Insurance Company, Shelby Casualty Insurance Company, Texas Select Lloyds Insurance Company, and Vesta Insurance Corporation; and the Receiver for Florida Select and, as good cause therefore, would show this Court:

1. On June 30, 2006, this Court entered its *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* (hereinafter the "Consent Order").

2. Pursuant to the Consent Order, the Receiver is conducting the business of Florida Select and taking all steps, as the Court may direct, toward the removal of the causes and conditions

which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.

3. Florida Select was one of several companies affiliated with the Vesta Insurance Group, Inc. (hereinafter "VIG"). VIG entered Chapter 11 Federal Bankruptcy proceedings on August 8, 2006. VIG owns 100% of the stock of Vesta Fire Insurance Corporation (hereinafter "Vesta Fire"). Vesta Fire in turn owns 100% of the stock in several insurance subsidiaries including, but not limited to, Florida Select and the Hawaiian Insurance and Guaranty Company, Limited (hereinafter "HIG").

4. On June 28, 2006, the 126th Judicial District Court of Travis County, Texas entered its *Agreed Order Appointing Rehabilitator And Permanent Injunctions For Vesta Fire Insurance Company, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Company, and Vesta Insurance Corporation* (hereinafter the "Texas Companies") Each of these insurance subsidiaries affiliated with Vesta Fire are currently in receivership under the authority of the Texas Receivership Court. The Honorable Mike Geeslin, Commissioner of Insurance for the State of Texas, has been appointed as the Receiver (hereinafter the "Texas Liquidator") for the Texas Companies. The Texas Receiver has been authorized by the Texas Court to conduct the daily operational activities on behalf of the aforementioned Texas Companies.

5. On July 11, 2006, the Texas Liquidator designated Prime Tempus, Inc. as Special Deputy Receiver of the Texas Companies.

6. On August 1, 2006, the Texas Court entered its order placing Vesta Fire, Shelby Casualty, Shelby Insurance, Texas Select and Select Insurance in liquidation. Vesta Insurance remained in rehabilitation.

7. On August 21, 2006, HIG was placed in receivership for purposes of liquidation by Order of the First Circuit Court in and for The State of Hawaii. The Honorable J.P. Schmidt, Commissioner of Insurance for the State of Hawaii, is the court appointed Liquidator of HIG (hereinafter the "Hawaii Liquidator").

8. Prior to the respective receiverships noted above, Vesta Fire, Florida Select, HIG, and other affiliated Vesta companies were parties to various intercompany reinsurance arrangements and other reinsurance contracts with several subscribing reinsurance companies.

9. During the course of their respective receiverships, the Florida Receiver, Texas Liquidator, and Hawaii Liquidator (hereinafter the "Collective Estates") have recognized that there are outstanding issues between them regarding the rights, duties and obligations of the Collective Estates as it pertains to the reinsurance contract(s) for which they have been parties to. However, in order to try to maximize the potential recovery for each estate, as well to minimize the potential costs to each estate, the Collective Estates have collaborated to recover unearned premiums and other amounts appropriately due under the terms of the aforementioned reinsurance contract(s).

10. In furtherance of these recovery efforts, the Collective Estates entered into an Escrow Agreement establishing a separate escrow account to facilitate the transfer of any such unearned premiums and other amounts from the subscribing reinsurance companies to the

Collective Estates. Based upon the collaborative collection efforts, in excess of \$99,000,000 was recovered into this separate escrow account (hereinafter "Escrow Account").

11. In furtherance of working to try to resolve the outstanding issues between them regarding the rights, duties and obligations of the Collective Estates, representatives from each respective party previously met in Houston, Texas on September 18, 2007. The parties were not able to reach a final resolution of all the issues at that time. However, subject to approval by each of the respective receivership courts, an interim settlement agreement (hereinafter "Stipulated Agreement") was reached by the Collective Estates.

12. On November 28, 2007, the Florida Receiver filed its *Motion for Approval of Stipulated Agreement*.

13. On November 28, 2007, the Court entered its *Order Approving the Receiver's Motion for Approval of Stipulated Agreement* (hereinafter "Stipulated Agreement Order"). A copy of the Stipulated Agreement Order is incorporated herein as Attachment "A."

14. The Stipulated Agreement was also subsequently approved by the respective receivership courts in both Texas and Hawaii.

15. As a result of the approval of the Stipulated Agreement by the respective receivership courts, the following distributions were able to be made to the Collective Estates:

- a) The sum of \$2,000,000 was distributed from the Escrow Account to the Florida Receiver for the receivership of Florida Select;
- b) The sum of \$2,000,000 was distributed from the Escrow Account to the Hawaii Liquidator for the receivership of HIG; and

- c) The sum of \$10,000,000 was distributed from the Escrow Account to the Texas Liquidator for the Texas Companies (five companies) in receivership.

16. Pursuant to the terms of the Stipulated Agreement, the Collective Estates agreed to continue their settlement discussions and exchange documents, financial information and other available data to each other in furtherance of the efforts to resolve their outstanding claims to the funds remaining in the Escrow Account.

17. In furtherance of the provisions authorized and directed in the Stipulated Agreement Order, the Florida Receiver has been engaged in ongoing settlement discussions with the respective parties to bring finality to all of the outstanding issues in this matter.

18. After numerous settlement discussions between the parties, along with extensive exchange of documents, financial information, and other available data, the Collective Estates have, subject to approval by each of the respective receivership courts, entered into a final settlement agreement (hereinafter "Final Settlement Agreement") to bring closure to all of the outstanding issues pertaining to the funds remaining in the Escrow Account. A copy of the Final Settlement Agreement is incorporated herein as Attachment "B."

19. Subject to approval by the respective receivership courts, several key components of the Final Settlement Agreement are as follows:


- a) The sum of \$16,000,000 will be distributed from the Escrow Account to the Hawaii Liquidator for the receivership of HIG;
- b) The sum of \$13,500,000 will be distributed from the Escrow Account to the Florida Receiver for the receivership of Florida Select;

- c) The balance of funds remaining in the Escrow Account will be allocated between or among the Texas Companies in receivership;
- d) The Texas Receiver agrees to reserve an amount totaling \$6,500,000 as a restricted asset on Vesta Fire Insurance Corporation's books and records for the benefit of Florida Select (hereinafter "Restricted Asset Funds"). The Restricted Asset funds are subject to release to Florida by Texas under certain conditions more particularly described in Paragraph 3 (Page 4 of 17) of the Final Settlement Agreement.

20. The Final Settlement Agreement will bring closure to the underlying issues between the Collective Estates and allow each party to avoid the uncertainty associated with litigation that could take years to resolve, significantly reduce any potential distribution to the respective parties, and critically delay potential distributions, if any, to claimants in their respective receiverships. As a result, the Receiver believes it is in the best interests of the receivership and recommends that the Court approve the Final Settlement Agreement provided herein as Attachment "B".

WHEREFORE and with good cause shown, the Receiver respectfully moves this Court to enter an Order approving the Final Settlement Agreement and provide such other relief deemed necessary and appropriate by this Court.

DATED this 22nd day of January, 2009.



Mark S. Hamilton, Senior Attorney
Florida Bar No. 0063819
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 - Telephone
(850) 488-1510 - Facsimile

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

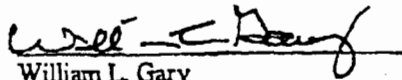
**ORDER APPROVING THE RECEIVER'S MOTION FOR
APPROVAL OF STIPULATED AGREEMENT**

THIS MATTER came before the Court on the *Receiver's Motion for Approval of Stipulated Agreement*. The Court having considered the Receiver's Motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion for Approval of Stipulated Agreement* (hereinafter "Motion") is hereby GRANTED.
2. The Stipulated Agreement attached and incorporated in the Receiver's Motion as Attachment "A" is approved. The Receiver is authorized and directed to proceed in furtherance of the provisions set forth in the Motion and Stipulated Agreement.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this
28th day of November 2007.


William L. Gary
Circuit Judge

ATTACHMENT "A"



SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT (hereinafter "Settlement Agreement") is dated this 5th day of January 2009, by and between:

- A. J.P. SCHMIDT, Insurance Commissioner of the State of Hawaii in his capacity as the Liquidator of The Hawaiian Insurance and Guaranty Company, Limited (hereinafter "Hawaii");
- B. MIKE GEESLIN, the Commissioner of Insurance for the State of Texas, as the Receiver of Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services, Vesta Insurance Corporation and American Founders Financial Corporation (hereinafter the "Texas Receiver" and the "Texas Vesta Companies" respectively), and PRIME TEMPUS, INC., as Special Deputy Receiver for the Texas Vesta Companies (hereinafter "Prime Tempus") (hereinafter the Texas Receiver and Prime Tempus are referred to jointly as "Texas" and constitute one Party for the purposes of this Settlement Agreement); and
- C. THE DEPARTMENT OF FINANCIAL SERVICES OF THE STATE OF FLORIDA, as the Receiver of Florida Select Insurance Company (hereinafter "Florida").

Hereinafter, Hawaii, Texas, and Florida may each be referred to as a "Party" and collectively as the "Parties" to this Agreement.

WITNESSETH

WHEREAS, on June 28, 2006, the District Court of Travis County, Texas (hereinafter the "Texas Receivership Court") entered an Agreed Permanent Injunction and Order Appointing Receiver placing Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services and Vesta Insurance Corporation into receivership (hereinafter the "Texas Vesta Receivership Proceeding") and appointing the Texas Commissioner of Insurance as Receiver;

WHEREAS, on July 11, 2006, the Texas Receiver designated Prime Tempus, Inc. as Special Deputy Receiver of the companies in the Texas Vesta Receivership Proceeding;

WHEREAS, on August 1, 2006, the Texas Receivership Court entered an order placing the companies in the Texas Vesta Receivership Proceeding, other than Vesta Insurance Corporation into liquidation, and leaving Vesta Insurance Corporation in rehabilitation;

WHEREAS, on October 2, 2007, the Texas Receivership Court placed American Founders Financial Corporation into liquidation and appointed the Texas Commissioner of Insurance as Receiver;

WHEREAS, on December 20, 2007, the American Founders Financial Corporation receivership proceeding was merged with the Texas Vesta Receivership Proceeding;

WHEREAS, Prime Tempus, Inc. continues as the Special Deputy Receiver for the Texas Vesta Companies;

WHEREAS, on June 30, 2006, Florida Select Insurance Company (hereinafter "Florida Select") was placed into rehabilitation in Florida and the Department of Financial Services of the State of Florida was appointed receiver;

WHEREAS, on August 21, 2006, The Hawaiian Insurance and Guaranty Company, Limited (hereinafter "HIGA") was placed into liquidation in Hawaii and J.P. Schmidt, Commissioner of Insurance for the State of Hawaii was appointed liquidator;

WHEREAS, Florida Select and HIGA are wholly owned subsidiaries of Vesta Fire Insurance Corporation;

WHEREAS, from July 1, 2005 through June 30, 2006, there was a Homeowners Net Quota Share Reinsurance Agreement (hereinafter "Homeowners Reinsurance Agreement"), a copy of which is attached hereto as Exhibit A, in place that provided reinsurance cover for a portion of the homeowners losses paid to or for the benefit of the Texas Vesta Companies, Florida Select and Hawaii;

WHEREAS, on June 30, 2006, the Homeowners Reinsurance Agreement expired by its terms generating an unearned premium claim against the reinsurers;

WHEREAS, by that certain escrow agreement dated January 8, 2007 executed by the Parties that became effective on February 21, 2007, an escrow account (hereinafter "Escrow Account") was established at The Frost National Bank, N.A. in San Antonio, Texas.

WHEREAS, the Parties agreed to and did place the unearned premium funds received from the Homeowners Reinsurance Agreement into the Escrow Account;

WHEREAS, the Homeowners Reinsurance Agreement provided for the reinsurers to pay provisional commission on the premiums ceded which was adjusted periodically based on the loss ratio and loss adjustment expense ratio on losses ceded to the reinsurers;

WHEREAS, the Homeowners Reinsurance Agreement also provided that the treaty could be commuted within 18 months of its expiration date and any adjusted commission calculated in excess of the provisional commission already paid would be due and payable;

WHEREAS, the Parties agreed to and did commute the Homeowners Reinsurance Agreement and agreed to and did place the commutation funds into the Escrow Account (the unearned premium and commutation funds are hereinafter referred to as "Escrow Funds");

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

**ORDER APPROVING THE RECEIVER'S MOTION FOR
APPROVAL OF SETTLEMENT AND RELEASE AGREEMENT**

THIS MATTER came before the Court on the *Receiver's Motion for Approval of Settlement and Release Agreement*. The Court having considered the Receiver's motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion for Approval of Settlement and Release Agreement* (hereinafter "Motion") is hereby GRANTED.
2. The Settlement and Release Agreement attached and incorporated in the Receiver's Motion as Attachment "B" is approved. The Receiver is authorized and directed to proceed in furtherance of the provisions set forth in the Motion and Settlement and Release Agreement.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this
23 day of January 2009.

A Certified Copy
Attest

Bob Inzer
Clerk Circuit Court
Leon County, Florida



By [Signature] D.C.

[Signature]

Frank E. Sheffield
Circuit Judge

COPY

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

FILED
09 FEB 13 AM 11:35
CLERK OF COURT
LEON COUNTY, FLORIDA

**ORDER APPROVING THE RECEIVER'S MOTION
FOR APPROVAL OF SETTLEMENT AGREEMENT WITH
FLORIDA SELECT INSURANCE AGENCY, INC.**

THIS MATTER came before the Court on the *Receiver's Motion for Approval of Settlement Agreement with Florida Select Insurance Agency, Inc.* The Court having considered the Receiver's motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion for Approval of Settlement Agreement with Florida Select Insurance Agency, Inc.* (hereinafter "Motion") is hereby GRANTED.
2. The Settlement Agreement attached and incorporated in the Receiver's Motion as Attachment "A" is approved. The Receiver is authorized and directed to proceed in furtherance of the provisions set forth in the Motion and Settlement Agreement.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this

11 day of February 2009.

A Certified Copy
Attest:

Bob Inzer

Clerk Circuit Court
Leon County, Florida

By *Spencer Smith*

FEB 13 2009

D.C.

Frank E. Sheffield
Frank E. Sheffield
Circuit Judge

Exhibit "K"

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

CLERK OF CIRCUIT COURT
LEON COUNTY, FLORIDA

09 JUN 24 PM 01:01

FILED

**MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT
WITH THE STATE BOARD OF ADMINISTRATION OF FLORIDA**

Comes now the Florida Department of Financial Services, as Receiver of Florida Select Insurance Company (hereinafter "Receiver"), by and through undersigned counsel, respectfully moves this honorable Court for an Order approving the Settlement Agreement (hereinafter "Settlement Agreement") between the Receiver and the State Board of Administration of Florida (hereinafter "SBA") referred to collectively herein as "the Parties" and, as good cause therefore, would show this Court:

1. On June 30, 2006, this Court entered its *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* (hereinafter the "Consent Order").
2. Pursuant to the Consent Order, the Receiver is conducting the business of Florida Select Insurance Company (hereinafter "Florida Select") and taking all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.
3. Pursuant to Section 215.555, Florida Statutes, the SBA is charged with administering the Florida Hurricane Catastrophe Fund ("FHCF").

4. Prior to the inception of the receivership, Florida Select was, during the period of June 1, 2004 through May 31, 2005, i.e. "the 2004 Contract Year", and during the period of June 1, 2005 through May 31, 2006, i.e. "the 2005 Contract Year" an authorized insurer in Florida writing homeowners and other lines of business. As such, Florida Select was required to participate in the FHCF for both the 2004 and 2005 Contract Years and to comply with Section 215.555, Florida Statutes, and the rules promulgated thereunder.

5. Florida Select experienced covered losses during the 2004 and 2005 Contract Years, submitted Proof of Loss reports ("POLs") for such losses and received reimbursements from the FHCF.

6. During a routine loss examination, the FHCF found errors and requested that the Receiver update the 2004 POLs filed for Florida Select with respect to Hurricanes Charley, Frances and Ivan and the 2005 POLs filed for Florida Select with respect to Hurricane Wilma.

7. The errors noted in the examination indicated substantial overpayments to Florida Select for the 2004 Contract Year losses. Until the amount of this excess could be determined, the requested loss payments relating to Hurricane Wilma were withheld from Florida Select.

8. The Receiver reviewed the examination report and evaluated the FHCF's request for revised POLs. The Receiver notified the FHCF that providing the additional information sought would be cost prohibitive and not in the best interests of the receivership estate of Florida Select based upon the FHCF's examination estimate that the amounts overpaid for the 2004 Contract Year are close to the loss reimbursements withheld by the FHCF for the 2005 Contract Year.

9. In furtherance of working to try to resolve the outstanding issues between them regarding the outstanding claims, the Parties have continued to engage in settlement discussions.

10. Subject to approval by this Court, a comprehensive Settlement Agreement incorporating all of the terms and conditions understood by each of the Parties has been reached. A copy of the Settlement Agreement is attached and incorporated herein as Attachment "A."

11. The key provisions in the Settlement Agreement will provide as follows:

- a) The SBA will not require the Receiver, on behalf of Florida Select, to reconstruct the data and update the POLs filed for Florida Select for the 2004 and 2005 Contract Years.
- b) The SBA will not require repayment from Florida Select of the overpayments made to it by the FHCF for the 2004 Contract Year, nor will it file any claim for the repayment of said monies with the Receivership Court.
- c) The Receiver, on behalf of Florida Select, will waive any claim for additional loss reimbursement from the FHCF for the 2004 and 2005 Contract Years.
- d) The Parties voluntarily waive receipt of any notice or charges other than this Settlement Agreement, voluntarily waive any right to a hearing in this matter, and voluntarily enter into this Settlement Agreement as the sole remedy for the claims and issues as described herein.
- e) No party will appeal this Settlement Agreement and the Parties waive any and all notice of right to appeal any order approving this Settlement Agreement. The

Parties also specifically waive notice of the right to appeal pursuant to Section 120.569(1), Florida Statutes.

- f) This Agreement applies only to the 2004 and 2005 Contract Years. The Parties hereby remise, release, acquit and forever discharge each other, as well as their respective agents, representatives, successors, and assigns, of and from all manner of claim which they ever had, now has, or claims to have, either directly or indirectly, in whole or in part, against the other party as it pertains to the 2004 and 2005 Contract Years.

12. The Receiver believes the Settlement Agreement is in the best interests of the receivership and recommends that the Court approve the Settlement Agreement provided herein as Attachment "A".

13. Upon approval of the Court, the Receiver shall execute the Settlement Agreement and any additional documents necessary to effectuate the terms set forth therein.

WHEREFORE, the Receiver respectfully requests that the Court enter an order Approving the Commutation and Release Agreement and authorizing the Receiver to take all steps necessary to execute and effectuate the Settlement Agreement.

DATED this 24th day of June, 2009.



Mark S. Hamilton
Senior Attorney
Florida Bar No. 0063819
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 - Telephone
(850) 488-1510 - Facsimile

**STATE BOARD OF ADMINISTRATION
OF FLORIDA
ON BEHALF OF THE FLORIDA HURRICANE CATASTROPHE FUND**

IN THE MATTER OF:

File No.: 2009-1

**Florida Select Insurance Company
NAIC # 10663**

SETTLEMENT AGREEMENT

IT IS HEREBY AGREED AND STIPULATED by and amongst, the Department of Financial Services, Division of Rehabilitation and Liquidation as Receiver of Florida Select Insurance Company ("Receiver"), and the State Board of Administration of Florida, ("SBA") referred to collectively herein as "the Parties", that:

1. Pursuant to Section 215.555, Florida Statutes, the SBA is charged with administering the Florida Hurricane Catastrophe Fund ("FHCF").

2. On June 30, 2006, the Florida Department of Financial Services, Division of Rehabilitation and Liquidation, was appointed as the Receiver of Florida Select Insurance Company ("Florida Select") for purposes of rehabilitation by Consent Order of the Leon County Circuit Court ("Receivership Court"). The Parties recognize that pursuant to Section 631.021, Florida Statutes, the Receivership Court has exclusive jurisdiction over the receivership estate of Florida Select.

3. Prior to the inception of the receivership, Florida Select was, during the period of June 1, 2004 through May 31, 2005, i.e. "the 2004 Contract Year", and during the period of June 1, 2005 through May 31, 2006, i.e. "the 2005 Contract Year" an authorized insurer in Florida writing homeowners and other lines of business. As such, Florida Select was required to participate in the FHCF for both the 2004 and 2005

Contract Years and to comply with Section 215.555, Florida Statutes, and the rules promulgated thereunder.

4. Florida Select experienced covered losses during the 2004 and 2005 Contract Years, submitted Proof of Loss reports ("POLs") for such losses and received reimbursements from the FHCF.

5. During a routine loss examination, the FHCF found errors and requested that the Receiver update the 2004 POLs filed for Florida Select with respect to Hurricanes Charley, Frances and Ivan and the 2005 POLs filed for Florida Select with respect to Hurricane Wilma.

6. The errors noted in the examination indicated substantial overpayments to Florida Select for the 2004 Contract Year losses. Until the amount of this excess could be determined, the requested loss payments relating to Hurricane Wilma were withheld.

7. The Receiver reviewed the examination report and evaluated the FHCF's request for revised POLs. The Receiver notified the FHCF that providing the additional information sought would be cost prohibitive and not in the best interests of the receivership estate of Florida Select based upon the FHCF's examination estimate that the amounts overpaid for the 2004 Contract Year are close to the loss reimbursements withheld by the FHCF for the 2005 Contract Year.

8. The Parties recognize that Florida Select was required by rule to properly report its exposure and losses and to keep accurate books and records supporting all exposure and losses until the FHCF exposure and loss examinations were completed.

9. The Parties also recognize that the SBA has the authority, pursuant to Section 215.555(3), Florida Statutes, to apply rules with "reasonable flexibility so as to accommodate insurers in situations of an unusual nature or where undue hardship may result, except that such flexibility may not in any way impair, override, supersede, or

constrain the public purpose of the fund, and must be consistent with sound insurance practices.”

WHEREFORE the Parties have agreed to settle this matter as specified below.

A. Subject to approval by the Receivership Court, the Receiver, on behalf of Florida Select, shall simultaneously with the execution of this Settlement Agreement, execute and deliver to the FHCF, a Commutation Agreement provided by the SBA which closes the 2004 and 2005 Contract Year as to all matters with respect to the receivership estate of Florida Select.

B. The SBA will not require the Receiver, on behalf of Florida Select, to reconstruct the data and update the POLs filed for Florida Select for the 2004 and 2005 Contract Years.

C. The SBA will not require repayment from Florida Select of the overpayments made to it by the FHCF for the 2004 Contract Year, nor will it file any claim for the repayment of said monies with the Receivership Court.

D. The Receiver, on behalf of Florida Select, will waive any claim for additional loss reimbursement from the FHCF for the 2004 and 2005 Contract Years.

E. The Parties voluntarily waive receipt of any notice or charges other than this Settlement Agreement, voluntarily waive any right to a hearing in this matter, and voluntarily enter into this Settlement Agreement as the sole remedy for the claims and issues as described herein.

F. No party will appeal this Settlement Agreement and the Parties waive any and all notice of right to appeal any order approving this Settlement Agreement. The Parties also specifically waive notice of the right to appeal pursuant to Section 120.569(1), Florida Statutes.

G. This document is a public record.

H. This Agreement applies only to the 2004 and 2005 Contract Years. The Parties hereby remise, release, acquit and forever discharge each other, as well as their respective agents, representatives, successors, and assigns, of and from all manner of claim which they ever had, now has, or claims to have, either directly or indirectly, in whole or in part, against the other party as it pertains to the 2004 and 2005 Contract Years.

I. Each party shall bear its own costs and attorney fees.

J. We, the signors, represent that we are acting within our authority in executing this Settlement Agreement.

Executed this _____ day of _____ 2009

THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES,
DIVISION OF REHABILITATION AND LIQUIDATION
AS THE RECEIVER OF FLORIDA SELECT INSURANCE COMPANY
By Receiver:

Wayne Johnson, Deputy Receiver
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
as the Receiver of Florida Select Insurance Company
2020 Capital Circle, SE
Alexander Building, Ste. 340
Tallahassee, FL 32301

Executed this _____ day of _____ 2009

STATE BOARD OF ADMINISTRATION

Jack E. Nicholson, Chief Operating Officer
Florida Hurricane Catastrophe Fund
State Board of Administration
1801 Hermitage Blvd.
Tallahassee, Florida 32308

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

**ORDER APPROVING THE RECEIVER'S MOTION
FOR APPROVAL OF SETTLEMENT AGREEMENT WITH
THE STATE BOARD OF ADMINISTRATION OF FLORIDA**

THIS MATTER came before the Court on the *Receiver's Motion for Approval of Settlement Agreement with the State Board of Administration of Florida*. The Court having considered the Receiver's motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion for Approval of Settlement Agreement with the State Board of Administration of Florida* (hereinafter "Motion") is hereby GRANTED.
2. The Settlement Agreement attached and incorporated in the Receiver's Motion as Attachment "A" is approved.
3. The Receiver is authorized and directed to take all steps necessary to execute and effectuate the provisions set forth in the Motion and Settlement Agreement.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this

A Certified Copy
Attest:

Bob Inzer

Clerk Circuit Court
Leon County, Florida



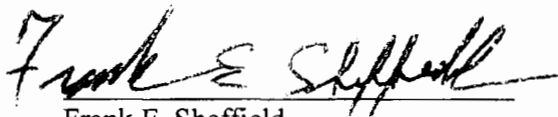

Frank E. Sheffield
Circuit Judge

EXHIBIT "M"

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

CIVIL ACTION NO.: 2006-CA-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

03 JUL -1 PM 4:42
CLERK OF COURT
LEON COUNTY, FLORIDA

MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT

Comes now the Florida Department of Financial Services, as Receiver of Florida Select Insurance Company (hereinafter "Receiver"), by and through undersigned counsel, respectfully moves this honorable Court for an Order approving the Settlement Agreement (hereinafter "Settlement Agreement") between the Receiver and St. James Insurance Group (hereinafter "SJIG"), as good cause therefore, would show this Court:

1. On June 30, 2006, this Court entered its *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* (hereinafter the "Consent Order").

2. Pursuant to the Consent Order, the Receiver is conducting the business of Florida Select and taking all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.

3. As part of its duties and efforts to maximize value to claimants, the Receiver has continued to review, analyze, and collect any balances appropriately due Florida Select.

4. Prior to the inception of the receivership, Florida Select and SJIG had entered into a Letter Agreement dated May 22, 2003 regarding the procurement of agents on behalf of Florida Select. The aforementioned Letter Agreement replaced, in its entirety, a Program Business Agreement previously entered in to by Florida Select and SJIG.

5. The Receiver has asserted certain claims against SJIG relating to or arising out of the aforementioned Letter Agreement business relationship between SJIG and Florida Select, the substance and merits of which are disputed by SJIG (hereinafter "Disputed Claims").

6. In furtherance of working to try to resolve the outstanding issues between them regarding the Disputed Claims, the parties have continued to engage in settlement discussions.

7. Subject to approval by this Court, a comprehensive Settlement Agreement incorporating all of the terms and conditions understood by each of the parties has been reached. A copy of the Settlement Agreement is attached and incorporated herein as Attachment "A".

8. The Receiver believes the agreement is in the best interests of the receivership and recommends that the Court approve the Settlement Agreement provided herein as Attachment "A".

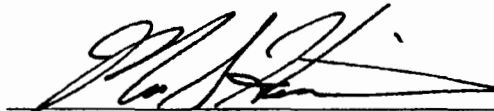
9. SJIG has waived any notice or timing requirements that may be applicable in this approval process and consents to the immediate entry of an Order by this Court approving the attached Settlement Agreement.

WHEREFORE and with good cause shown, the Receiver respectfully moves this Court to enter an Order approving the Settlement Agreement and provide such other relief deemed necessary and appropriate by this Court.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished via facsimile (954-492-1144) and U.S. Mail to Michael Colodny, Esq., Colodny, Fass, Talenfeld, Karlinsky, & Abate, P.A., One Financial Plaza, 23rd Floor, 100 Southeast Third Avenue, Ft. Lauderdale, FL 33394 on this 15th day of July, 2008.

DATED this 15th day of July, 2008.



Mark S. Hamilton
Senior Attorney
Florida Bar No. 0063819
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 - Telephone
(850) 488-1510 - Facsimile

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made between the Florida Department of Financial Services as Receiver (hereinafter "Receiver") of Florida Select Insurance Company (hereinafter "Florida Select"), and St. James Insurance Group, Inc. f/k/a Braishfield Associates Inc. (hereinafter "SJIG").

WITNESSETH:

WHEREAS, on June 30, 2006, the Second Judicial Circuit Court of Leon County, Florida entered its Consent Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, and Notice of Automatic Stay in Case No.: 2006 CA 1669, now pending in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida Circuit Court (the "Receivership Action");

WHEREAS, prior to the inception of the Receivership Action, Florida Select and SJIG had entered into a Letter Agreement dated May 22, 2003 regarding the procurement of agents on behalf of Florida Select; and said letter agreement replaced, in its entirety, the Program Business Agreement previously entered into by Florida Select and SJIG;

WHEREAS, the Receiver has raised certain claims with SJIG relating to or arising out of that certain Letter Agreement business relationship between SJIG and Florida Select, the substance and merits of which are disputed by SJIG (the "Disputed Claims");

WHEREAS, the parties recognize that the issues presented in connection with the Disputed Claims are unlikely to be resolved without extensive and costly litigation that will cause inconvenience, distraction, disruption, delay, and expense, and have taken into account the risk and uncertain outcome inherent in any litigation;

WHEREAS, the Receiver has determined that the Receivership Action will be best served by entering into this Settlement Agreement for the purpose of fully and finally settling the Disputed Claims; and SJIG has determined that its best interests will be served by entering into this Settlement Agreement for the purpose of fully and finally settling the Disputed Claims and avoiding the distractions and expense of protracted litigation;

WHEREAS, the Receiver has therefore concluded that the terms and conditions embodied in this Settlement Agreement are fair, reasonable and adequate and in the best interest of the Receivership Action; and

WHEREAS, this Settlement Agreement is the result of good faith, arms-length negotiations, without collusion, by separate independent counsel representing the Receiver and SJIG respectively;

NOW, THEREFORE, in consideration of the premises and of the mutual promises hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The foregoing recitals are incorporated by reference and made a part of this Settlement Agreement.

2. SJIG agrees to pay to the Receiver the sum of Seven Hundred Thousand Dollars (\$700,000.00) (hereinafter "Settlement Amount") in consideration for the complete and final settlement of the Disputed Claims.

3. Except as provided for in Paragraph 11 below, SJIG shall pay the Settlement Amount in full to the Receiver on or before 5:00 p.m. on Monday, July 7, 2008. The Settlement Amount shall be paid by SJIG by wire transfer of U.S. funds to the Receiver as follows:

Settlement Amount:	\$700,000.00
Bank Name:	Wachovia Bank
Bank Location:	Tallahassee, FL
Bank ABA Number:	063000021
Bank Account Number:	2000644139377
Bank Account Name:	Florida Select Insurance Company
Tag Line:	Transfer from St. James

4. Except as provided for in Paragraph 11 below, in the event that SJIG does not pay the Settlement Amount to the Receiver on or before 5:00 p.m. on Monday, July 7, 2008, SJIG shall be obligated to pay an additional Twenty-Five Thousand Dollars (\$25,000.00) to the Receiver which shall then become part of the defined "Settlement Amount." In addition, SJIG shall be obligated to pay the Receiver the statutory interest rate on the Settlement Amount that is not received by the Receiver as of 5:01 p.m. on Monday, July 7, 2008.

5. In consideration of the mutual promises set forth herein, the Receiver hereby compromises, settles, waives, releases and forever discharges and dismisses with prejudice SJIG and shall indemnify and hold SJIG harmless, its employees, officers, directors, shareholders, parents, subsidiaries, affiliates, agents, representatives, predecessors and successors in interest of and from all, and all manner of action and actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims and demands whatsoever, in law or in equity, which the Receiver ever had, now has, or which any agent, representative, successor or assign of the Receiver, hereafter can, shall or may have, against SJIG, its employees, officers, directors, shareholders, parents, subsidiaries, affiliates, agents, representatives, predecessors and successors in interest for, upon or by reason of any matter, cause or thing whatsoever, from the beginning of the world to the day of these presents specifically including but not limited to all claims raised or that could have been raised

solely in the matter styled In re: The Receivership of Florida Select Insurance Company, Case No. 2006 CA 1669 in the Leon County, Florida Circuit Court and the Disputed Claims. Subject to the terms and conditions of this Settlement Agreement, SJIG hereby compromises, settles, waives, releases, discharges, and dismisses with prejudice the Receiver and shall indemnify and hold the Receiver harmless, for itself and its successors, executors, and assigns, any and all claims, rights, actions, or causes of action arising out of or related in any way to the matter styled In re: The Receivership of Florida Select Insurance Company, Case No. 2006 CA 1669 in the Leon County, Florida Circuit Court and the Disputed Claims.

6. As a result of the disputed nature of the Disputed Claims, neither this Settlement Agreement (including any exhibit, schedule, document, or other instrument delivered hereunder or in connection herewith), nor any statement, negotiations, transactions, or proceedings (including any motions, requests, or responses) relating to this Settlement Agreement shall constitute, be construed as, deemed to be, or offered in any action or proceeding as evidence of any admission or concession by SJIG or the Receiver of (i) any liability or wrongdoing, (ii) any damage or loss incurred by the other, or (iii) the merits or lack of merits of any position, defense, objection, or claim concluded or settled by this Settlement Agreement.

7. SJIG and the Receiver agree that this Settlement Agreement may be executed in counterparts and by facsimile, each of which shall be deemed an original, and said counterparts shall together constitute one and the same instrument, binding each party thereto.

8. This Settlement Agreement has been duly executed and delivered by SJIG and the Receiver and is binding and enforceable against each of them in accordance with its terms and the individuals signing on behalf of SJIG and the Receiver represent and warrant that he or she is duly authorized to sign this Settlement Agreement for SJIG and the Receiver, respectively, and that SJIG and the Receiver are fully authorized and empowered to undertake the obligations and burdens hereof.

9. This Settlement Agreement constitutes the entire agreement between the parties and supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions, whether oral or written. There are no warranties, representations, or other agreements between the parties, in connection with the subject matter hereof, except as specifically set forth herein. No supplement, modification, waiver, or termination of this Settlement Agreement shall be binding unless contained in a writing that has been executed by the party to be bound thereby.

10. This Settlement Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their successors and assigns.

11. This Settlement Agreement shall be subject to the final approval of the Leon County Circuit Court overseeing the Receivership Action. So long as the Court approves the Settlement Agreement on or before July 3, 2008, SJIG shall be obligated to pay the Settlement Amount to the Receiver on or before 5:00 p.m. on Monday, July 7, 2008. In the event the Court approves the

Settlement Agreement after July 3, 2008, SJIG shall be obligated to pay the Settlement Amount to the Receiver within forty-eight (48) hour of the Court approval. In the event the Court does not approve the Settlement Agreement, no monies shall be due from SJIG and the terms and conditions set forth herein shall be void. And, in the event SJIG shall have paid the Receiver in advance in order to insure payment was received in a timely manner, such payment shall be held in trust and returned to SJIG in the event this Settlement Agreement is not approved.

12. SJIG waives any notice of hearing and timing requirements that may be applicable in the approval of this Settlement Agreement in the Receivership Action and consents to the immediate entry of an order by the Leon County Circuit Court approving this Settlement Agreement. SJIG agrees that this waiver provision paragraph shall serve as notice of its waiver to the Court upon its execution of the Settlement Agreement and be enforceable prior to the entry of any order.

13. This Settlement Agreement shall be construed in accordance with Florida law. Any legal action by either party to enforce or interpret this Settlement Agreement or the parties' obligations under this Settlement Agreement shall be commenced, litigated, and adjudicated in the Receivership Action by the Second Judicial Circuit Court in and for Leon County, Florida.

IN WITNESS WHEREOF, the parties hereto have executed this Settlement Agreement effective as of the first above written.

SIGNATURE OF RECEIVER:
FLORIDA DEPARTMENT OF FINANCIAL
SERVICES AS RECEIVER FOR FLORIDA
SELECT INSURANCE COMPANY

ST. JAMES INSURANCE GROUP

By: *Pat Tupper*
Print Name: PATT TUPPER
Title: Deputy Receiver
Date: 7/1/08

By: _____
Print Name: _____
Title: _____
Date: _____

APPROVED AS TO FORM:

[Signature]
Counsel

Counsel

Receiver within forty-eight (48) hour of the Court approval. In the event the Court does not approve the Settlement Agreement, no monies shall be due from SJIG and the terms and conditions set forth herein shall be void. And, in the event SJIG shall have paid the Receiver in advance in order to insure payment was received in a timely manner, such payment shall be held in trust and returned to SJIG in the event this Settlement Agreement is not approved.

12. SJIG waives any notice of hearing and timing requirements that may be applicable in the approval of this Settlement Agreement in the Receivership Action and consents to the immediate entry of an order by the Leon County Circuit Court approving this Settlement Agreement. SJIG agrees that this waiver provision paragraph shall serve as notice of its waiver to the Court upon its execution of the Settlement Agreement and be enforceable prior to the entry of any order.

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IN WITNESS WHEREOF, the parties hereto have executed this Settlement Agreement effective as of the first above written.

SIGNATURE OF RECEIVER:
FLORIDA DEPARTMENT OF FINANCIAL
SERVICES AS RECEIVER FOR FLORIDA
SELECT INSURANCE COMPANY

ST. JAMES INSURANCE GROUP

By: _____
Print Name: _____
Title: _____
Date: _____

By: Robert P. Lucas
Print Name: ROBERT P. LUCAS
Title: PRESIDENT
Date: 7/1/08

APPROVED AS TO FORM:

Counsel

Counsel

Settlement Agreement after July 3, 2008, SJIG shall be obligated to pay the Settlement Amount to the Receiver within forty-eight (48) hour of the Court approval. In the event the Court does not approve the Settlement Agreement, no monies shall be due from SJIG and the terms and conditions set forth herein shall be void. And, in the event SJIG shall have paid the Receiver in advance in order to insure payment was received in a timely manner, such payment shall be held in trust and returned to SJIG in the event this Settlement Agreement is not approved.

12. SJIG waives any notice of hearing and timing requirements that may be applicable in the approval of this Settlement Agreement in the Receivership Action and consents to the immediate entry of an order by the Leon County Circuit Court approving this Settlement Agreement. SJIG agrees that this waiver provision paragraph shall serve as notice of its waiver to the Court upon its execution of the Settlement Agreement and be enforceable prior to the entry of any order.

13. This Settlement Agreement shall be construed in accordance with Florida law. Any legal action by either party to enforce or interpret this Settlement Agreement or the parties' obligations under this Settlement Agreement shall be commenced, litigated, and adjudicated in the Receivership Action by the Second Judicial Circuit Court in and for Leon County, Florida:

IN WITNESS WHEREOF, the parties hereto have executed this Settlement Agreement effective as of the first above written.

SIGNATURE OF RECEIVER:
FLORIDA DEPARTMENT OF FINANCIAL
SERVICES AS RECEIVER FOR FLORIDA
SELECT INSURANCE COMPANY

ST. JAMES INSURANCE GROUP

By: _____
Print Name: _____
Title: _____
Date: _____

By: _____
Print Name: _____
Title: _____
Date: _____

APPROVED AS TO FORM:

Counsel



Counsel

RACHAEL COLODNEY

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

CIVIL ACTION NO.: 2006-CA-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

**ORDER APPROVING THE RECEIVER'S MOTION FOR
APPROVAL OF SETTLEMENT AGREEMENT**


THIS MATTER came before the Court on the *Receiver's Motion for Approval of Settlement Agreement*. The Court having considered the Receiver's Motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion for Approval of Settlement Agreement* (hereinafter "Motion") is hereby GRANTED.

2. The Settlement Agreement attached and incorporated in the Receiver's Motion as Attachment "A" is approved. The parties are directed to abide by the terms and conditions set forth therein.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this
2nd day of July 2008.


Circuit Judge

cc: ✓ Mark S. Hamilton, Esq.
Michael Colodny, Esq. – Counsel for St. James Insurance Group

COPY

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to transact
an insurance business in Florida.

FILED
CLERK OF COURT
LEON COUNTY, FLORIDA

09 JAN 23 PM 3:16

FILED

MOTION FOR APPROVAL OF SETTLEMENT AND RELEASE AGREEMENT

Comes now the Florida Department of Financial Services, as Receiver of Florida Select Insurance Company (hereinafter "Receiver"), by and through undersigned counsel, respectfully moves this honorable Court for an Order approving the Settlement and Release Agreement (hereinafter "Final Settlement Agreement") between J.P. Schmidt, Insurance Commissioner of the State of Hawaii in his capacity as the Liquidator of The Hawaiian Insurance and Guaranty Company, Limited; the Commissioner of Insurance for the State of Texas, as the Liquidator of Vesta Fire Insurance Corporation, Shelby Insurance Company, Shelby Casualty Insurance Company and Texas Select Lloyds Insurance Company and as the Rehabilitator of Vesta Insurance Corporation; Prime Tempus, Inc. as Special Deputy Receiver for Vesta Fire Insurance Corporation, Shelby Insurance Company, Shelby Casualty Insurance Company, Texas Select Lloyds Insurance Company, and Vesta Insurance Corporation; and the Receiver for Florida Select and, as good cause therefore, would show this Court:

1. On June 30, 2006, this Court entered its *Consent Order Appointing the Florida Department of Financial Services as Receiver of Florida Select for Purposes of Rehabilitation, Injunction and Notice of Automatic Stay* (hereinafter the "Consent Order").

2. Pursuant to the Consent Order, the Receiver is conducting the business of Florida Select and taking all steps, as the Court may direct, toward the removal of the causes and conditions

which have made this Consent Order of rehabilitation necessary and taking such further action, as the Receiver deems necessary or appropriate, to reform and revitalize Florida Select.

3. Florida Select was one of several companies affiliated with the Vesta Insurance Group, Inc. (hereinafter "VIG"). VIG entered Chapter 11 Federal Bankruptcy proceedings on August 8, 2006. VIG owns 100% of the stock of Vesta Fire Insurance Corporation (hereinafter "Vesta Fire"). Vesta Fire in turn owns 100% of the stock in several insurance subsidiaries including, but not limited to, Florida Select and the Hawaiian Insurance and Guaranty Company, Limited (hereinafter "HIG").

4. On June 28, 2006, the 126th Judicial District Court of Travis County, Texas entered its *Agreed Order Appointing Rehabilitator And Permanent Injunctions For Vesta Fire Insurance Company, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Company, and Vesta Insurance Corporation* (hereinafter the "Texas Companies") Each of these insurance subsidiaries affiliated with Vesta Fire are currently in receivership under the authority of the Texas Receivership Court. The Honorable Mike Geeslin, Commissioner of Insurance for the State of Texas, has been appointed as the Receiver (hereinafter the "Texas Liquidator") for the Texas Companies. The Texas Receiver has been authorized by the Texas Court to conduct the daily operational activities on behalf of the aforementioned Texas Companies.

5. On July 11, 2006, the Texas Liquidator designated Prime Tempus, Inc. as Special Deputy Receiver of the Texas Companies.

6. On August 1, 2006, the Texas Court entered its order placing Vesta Fire, Shelby Casualty, Shelby Insurance, Texas Select and Select Insurance in liquidation. Vesta Insurance remained in rehabilitation.

7. On August 21, 2006, HIG was placed in receivership for purposes of liquidation by Order of the First Circuit Court in and for The State of Hawaii. The Honorable J.P. Schmidt, Commissioner of Insurance for the State of Hawaii, is the court appointed Liquidator of HIG (hereinafter the "Hawaii Liquidator").

8. Prior to the respective receiverships noted above, Vesta Fire, Florida Select, HIG, and other affiliated Vesta companies were parties to various intercompany reinsurance arrangements and other reinsurance contracts with several subscribing reinsurance companies.

9. During the course of their respective receiverships, the Florida Receiver, Texas Liquidator, and Hawaii Liquidator (hereinafter the "Collective Estates") have recognized that there are outstanding issues between them regarding the rights, duties and obligations of the Collective Estates as it pertains to the reinsurance contract(s) for which they have been parties to. However, in order to try to maximize the potential recovery for each estate, as well to minimize the potential costs to each estate, the Collective Estates have collaborated to recover unearned premiums and other amounts appropriately due under the terms of the aforementioned reinsurance contract(s).

10. In furtherance of these recovery efforts, the Collective Estates entered into an Escrow Agreement establishing a separate escrow account to facilitate the transfer of any such unearned premiums and other amounts from the subscribing reinsurance companies to the

Collective Estates. Based upon the collaborative collection efforts, in excess of \$99,000,000 was recovered into this separate escrow account (hereinafter "Escrow Account").

11. In furtherance of working to try to resolve the outstanding issues between them regarding the rights, duties and obligations of the Collective Estates, representatives from each respective party previously met in Houston, Texas on September 18, 2007. The parties were not able to reach a final resolution of all the issues at that time. However, subject to approval by each of the respective receivership courts, an interim settlement agreement (hereinafter "Stipulated Agreement") was reached by the Collective Estates.

12. On November 28, 2007, the Florida Receiver filed its *Motion for Approval of Stipulated Agreement*.

13. On November 28, 2007, the Court entered its *Order Approving the Receiver's Motion for Approval of Stipulated Agreement* (hereinafter "Stipulated Agreement Order"). A copy of the Stipulated Agreement Order is incorporated herein as Attachment "A."

14. The Stipulated Agreement was also subsequently approved by the respective receivership courts in both Texas and Hawaii.

15. As a result of the approval of the Stipulated Agreement by the respective receivership courts, the following distributions were able to be made to the Collective Estates:

- a) The sum of \$2,000,000 was distributed from the Escrow Account to the Florida Receiver for the receivership of Florida Select;
- b) The sum of \$2,000,000 was distributed from the Escrow Account to the Hawaii Liquidator for the receivership of HIG; and

- c) The sum of \$10,000,000 was distributed from the Escrow Account to the Texas Liquidator for the Texas Companies (five companies) in receivership.

16. Pursuant to the terms of the Stipulated Agreement, the Collective Estates agreed to continue their settlement discussions and exchange documents, financial information and other available data to each other in furtherance of the efforts to resolve their outstanding claims to the funds remaining in the Escrow Account.

17. In furtherance of the provisions authorized and directed in the Stipulated Agreement Order, the Florida Receiver has been engaged in ongoing settlement discussions with the respective parties to bring finality to all of the outstanding issues in this matter.

18. After numerous settlement discussions between the parties, along with extensive exchange of documents, financial information, and other available data, the Collective Estates have, subject to approval by each of the respective receivership courts, entered into a final settlement agreement (hereinafter "Final Settlement Agreement") to bring closure to all of the outstanding issues pertaining to the funds remaining in the Escrow Account. A copy of the Final Settlement Agreement is incorporated herein as Attachment "B."

19. Subject to approval by the respective receivership courts, several key components of the Final Settlement Agreement are as follows:

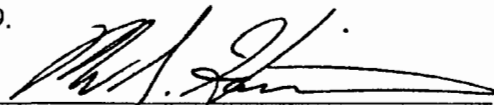
- a) The sum of \$16,000,000 will be distributed from the Escrow Account to the Hawaii Liquidator for the receivership of HIG;
- b) The sum of \$13,500,000 will be distributed from the Escrow Account to the Florida Receiver for the receivership of Florida Select;

- c) The balance of funds remaining in the Escrow Account will be allocated between or among the Texas Companies in receivership;
- d) The Texas Receiver agrees to reserve an amount totaling \$6,500,000 as a restricted asset on Vesta Fire Insurance Corporation's books and records for the benefit of Florida Select (hereinafter "Restricted Asset Funds"). The Restricted Asset funds are subject to release to Florida by Texas under certain conditions more particularly described in Paragraph 3 (Page 4 of 17) of the Final Settlement Agreement.

20. The Final Settlement Agreement will bring closure to the underlying issues between the Collective Estates and allow each party to avoid the uncertainty associated with litigation that could take years to resolve, significantly reduce any potential distribution to the respective parties, and critically delay potential distributions, if any, to claimants in their respective receiverships. As a result, the Receiver believes it is in the best interests of the receivership and recommends that the Court approve the Final Settlement Agreement provided herein as Attachment "B".

WHEREFORE and with good cause shown, the Receiver respectfully moves this Court to enter an Order approving the Final Settlement Agreement and provide such other relief deemed necessary and appropriate by this Court.

DATED this 22nd day of January, 2009.



Mark S. Hamilton, Senior Attorney
Florida Bar No. 0063819
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
Post Office Box 110
Tallahassee, Florida 32302-0110
(850) 413-4410 - Telephone
(850) 488-1510 - Facsimile

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

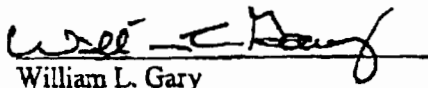
**ORDER APPROVING THE RECEIVER'S MOTION FOR
APPROVAL OF STIPULATED AGREEMENT**

THIS MATTER came before the Court on the *Receiver's Motion for Approval of Stipulated Agreement*. The Court having considered the Receiver's Motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion for Approval of Stipulated Agreement* (hereinafter "Motion") is hereby GRANTED.
2. The Stipulated Agreement attached and incorporated in the Receiver's Motion as Attachment "A" is approved. The Receiver is authorized and directed to proceed in furtherance of the provisions set forth in the Motion and Stipulated Agreement.

DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this
28th day of November 2007.


William L. Gary
Circuit Judge

ATTACHMENT "A"



SETTLEMENT AND RELEASE AGREEMENT

THIS SETTLEMENT AND RELEASE AGREEMENT (hereinafter "Settlement Agreement") is dated this 5th day of January 2009, by and between:

- A. J.P. SCHMIDT, Insurance Commissioner of the State of Hawaii in his capacity as the Liquidator of The Hawaiian Insurance and Guaranty Company, Limited (hereinafter "Hawaii");
- B. MIKE GEESLIN, the Commissioner of Insurance for the State of Texas, as the Receiver of Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services, Vesta Insurance Corporation and American Founders Financial Corporation (hereinafter the "Texas Receiver" and the "Texas Vesta Companies" respectively), and PRIME TEMPUS, INC., as Special Deputy Receiver for the Texas Vesta Companies (hereinafter "Prime Tempus") (hereinafter the Texas Receiver and Prime Tempus are referred to jointly as "Texas" and constitute one Party for the purposes of this Settlement Agreement); and
- C. THE DEPARTMENT OF FINANCIAL SERVICES OF THE STATE OF FLORIDA, as the Receiver of Florida Select Insurance Company (hereinafter "Florida").

Hereinafter, Hawaii, Texas, and Florida may each be referred to as a "Party" and collectively as the "Parties" to this Agreement.

WITNESSETH

WHEREAS, on June 28, 2006, the District Court of Travis County, Texas (hereinafter the "Texas Receivership Court") entered an Agreed Permanent Injunction and Order Appointing Receiver placing Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services and Vesta Insurance Corporation into receivership (hereinafter the "Texas Vesta Receivership Proceeding") and appointing the Texas Commissioner of Insurance as Receiver;

WHEREAS, on July 11, 2006, the Texas Receiver designated Prime Tempus, Inc. as Special Deputy Receiver of the companies in the Texas Vesta Receivership Proceeding;

WHEREAS, on August 1, 2006, the Texas Receivership Court entered an order placing the companies in the Texas Vesta Receivership Proceeding, other than Vesta Insurance Corporation into liquidation, and leaving Vesta Insurance Corporation in rehabilitation;

WHEREAS, on October 2, 2007, the Texas Receivership Court placed American Founders Financial Corporation into liquidation and appointed the Texas Commissioner of Insurance as Receiver;

WHEREAS, on December 20, 2007, the American Founders Financial Corporation receivership proceeding was merged with the Texas Vesta Receivership Proceeding;

WHEREAS, Prime Tempus, Inc. continues as the Special Deputy Receiver for the Texas Vesta Companies;

WHEREAS, on June 30, 2006, Florida Select Insurance Company (hereinafter "Florida Select") was placed into rehabilitation in Florida and the Department of Financial Services of the State of Florida was appointed receiver;

WHEREAS, on August 21, 2006, The Hawaiian Insurance and Guaranty Company, Limited (hereinafter "HIGA") was placed into liquidation in Hawaii and J.P. Schmidt, Commissioner of Insurance for the State of Hawaii was appointed liquidator;

WHEREAS, Florida Select and HIGA are wholly owned subsidiaries of Vesta Fire Insurance Corporation;

WHEREAS, from July 1, 2005 through June 30, 2006, there was a Homeowners Net Quota Share Reinsurance Agreement (hereinafter "Homeowners Reinsurance Agreement"), a copy of which is attached hereto as Exhibit A, in place that provided reinsurance cover for a portion of the homeowners losses paid to or for the benefit of the Texas Vesta Companies, Florida Select and Hawaii;

WHEREAS, on June 30, 2006, the Homeowners Reinsurance Agreement expired by its terms generating an unearned premium claim against the reinsurers;

WHEREAS, by that certain escrow agreement dated January 8, 2007 executed by the Parties that became effective on February 21, 2007, an escrow account (hereinafter "Escrow Account") was established at The Frost National Bank, N.A. in San Antonio, Texas.

WHEREAS, the Parties agreed to and did place the unearned premium funds received from the Homeowners Reinsurance Agreement into the Escrow Account;

WHEREAS, the Homeowners Reinsurance Agreement provided for the reinsurers to pay provisional commission on the premiums ceded which was adjusted periodically based on the loss ratio and loss adjustment expense ratio on losses ceded to the reinsurers;

WHEREAS, the Homeowners Reinsurance Agreement also provided that the treaty could be commuted within 18 months of its expiration date and any adjusted commission calculated in excess of the provisional commission already paid would be due and payable;

WHEREAS, the Parties agreed to and did commute the Homeowners Reinsurance Agreement and agreed to and did place the commutation funds into the Escrow Account (the unearned premium and commutation funds are hereinafter referred to as "Escrow Funds");

WHEREAS, Florida has filed proofs of claims in the Texas Vesta Companies' receiverships asserting among other things claims for reinsurance recoveries and reconciliation of intercompany balances being Proof of Claim Nos. 526-1118, 527-1896, 528-531, 529-1266 and 530-25, copies of which are attached hereto as Exhibits B, C, D, E and F.

WHEREAS, Hawaii has filed a proof of claim in the Texas Vesta Companies' receiverships asserting among other things claims for reinsurance recoveries being Proof of Claim No. 526-4, a copy of which are attached hereto as Exhibit G.

WHEREAS, on September 4, 2007, Hawaii filed a complaint in the United States District Court for the Western District of Texas, Austin Division, in Civil Action No. A07CA745SS (hereinafter "Federal Complaint"), with respect to disputes among Hawaii, Texas, and Florida. The disputes set forth in the Federal Complaint involved the Escrow Funds, and specifically, the recovery, recoupment and distribution of unearned reinsurance premiums and the commutation of reinsurance reserves that had been placed into the Escrow Account (hereinafter the "Escrow Dispute");

WHEREAS, Hawaii, Texas, and Florida entered into a stipulated agreement effective as of December 13, 2007 (hereinafter "Stipulated Agreement") concerning the Escrow Dispute and agreed to suspend litigation in order to attempt to achieve a final settlement with respect to each Party's share of funds from the Escrow Fund;

WHEREAS, pursuant to the Stipulated Agreement, the following amounts were distributed from the Escrow Account to Hawaii, Florida and Texas as a credit against future distributions on claims asserted by the Parties:

- a. Hawaii – TWO MILLION DOLLARS (\$2,000,000);
- b. Florida – TWO MILLION DOLLARS (\$2,000,000); and
- c. Texas – TEN MILLION DOLLARS (\$10,000,000).

WHEREAS, Texas disputes Florida's and Hawaii's claims to the Escrow Funds and the claims asserted by Hawaii in the Federal Complaint and by each in the Proofs of Claim they have filed and the arguments asserted in support thereof;

WHEREAS, Florida and Hawaii disputes Texas' claims to the Escrow Funds and the arguments asserted in support thereof;

WHEREAS, the Parties wish to avoid the risks and expenses attendant to litigation and the disputes between them and, without any Party admitting liability or fault, to settle once and forever the claims which any of the Parties or any other released persons identified herein has against any of the other Parties as described in the releases provided herein;

WHEREAS, under the terms of the Stipulated Agreement and amendments made to the Stipulated Agreement, the Parties agreed that, subject to Hawaii's rights under the Stipulated Agreement, no civil action, claim or proceeding arising from or relating to the Escrow Dispute and/or the Federal Complaint may be filed in any federal or state court or in any administrative

proceedings against any of the Parties (hereinafter "Conditional Litigation Moratorium") from September 18, 2007 through December 8, 2008, and have verbally agreed to refrain from filing any such actions through December 30, 2008;

WHEREAS, Hawaii, Texas, and Florida have agreed to extend the Conditional Litigation Moratorium, from December 30, 2008 until the Settlement Agreement becomes Final, expires pursuant to paragraph 13 below, or a Party withdraws pursuant to paragraph 11 below and have also agreed to toll the statute of limitations for all claims that any Party may have against another Party from November 15, 2008 until the time the Settlement Agreement becomes Final, expires pursuant to paragraph 13 below, or a Party withdraws pursuant to paragraph 11 below;

NOW THEREFORE, in consideration of the promises and the mutual covenants herein contained, it is hereby agreed to as follows:

1. **Effective Date and Final Orders and/or Judgment.** Subject to the agreements reached by the Parties as to: (a) tolling and withdrawal in paragraphs No. 11 and 12 below; (b) efforts to obtain court approval and cooperate in paragraph No. 8(e) below; and (c) the immediate binding effect of paragraph No. 11 as described in paragraph 10 below, this Settlement Agreement will be binding on Hawaii, Texas, and Florida when the Hawaii, Texas, and Florida courts having jurisdiction over each respective receivership proceeding have entered final, non-appealable order or judgment approving this Settlement Agreement and the disbursement of funds as provided in paragraphs No. 2 and 10 below. Only upon the occurrence of this condition shall this Settlement Agreement become effective and be deemed "Final."

2. **Disbursement from Escrow Account.** Within fifteen [15] calendar days after the Settlement Agreement becomes Final, Hawaii shall receive, in addition to the TWO MILLION DOLLARS (\$2,000,000) previously distributed to Hawaii from the Escrow Account, the nonrefundable amount of SIXTEEN MILLION DOLLARS (\$16,000,000) from the Escrow Fund. Within fifteen [15] calendar days after the Settlement Agreement becomes Final, Florida shall receive, in addition to the TWO MILLION DOLLARS (\$2,000,000) previously distributed to Florida from the Escrow Account, the nonrefundable amount of THIRTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$13,500,000) from the Escrow Fund. Within fifteen [15] calendar days after the Settlement Agreement becomes Final, Texas shall receive, in addition to the TEN MILLION DOLLARS (\$10,000,000) previously distributed to Texas from the Escrow Account, the balance of the funds remaining in the Escrow Account, which will be allocated between or among the Texas Vesta Companies in the manner proposed by Texas when it seeks approval of this Settlement Agreement from the Texas Receivership Court, subject to paragraph No. 3 below. Florida and Hawaii agree that they will not object or impede such allocation of funds between or among the Texas Vesta Companies.

3. **Restricted Asset For Benefit of Florida.** From the amount it receives from the Escrow Account pursuant to paragraph No. 2 above, Texas agrees to reserve an amount totaling SIX MILLION FIVE HUNDRED THOUSAND DOLLARS (\$6,500,000) as a restricted asset on Vesta Fire Insurance Corporation's books and records, for the benefit of Florida under certain conditions set forth herein (hereinafter "Restricted Asset Funds"). The Restricted Asset Funds will be released to Florida by Texas, upon written request by Florida, in the event Florida Select

is placed into liquidation and if, as and when necessary to pay (a) policyholder claims and allocated loss adjustment expenses on policyholder claims that are reported or reopened on or after December 1, 2008 or to reimburse the Florida or other affected guaranty associations on a claim for losses paid and allocated loss adjustment expense incurred on such claims; and (b) reasonable and necessary administrative expenses of the liquidation. Florida will promptly provide a written claim listing to Texas as of November 30, 2008. Future claim reports will be supplied by Florida to Texas on a quarterly basis. The Parties agree that the claims and expenses eligible to be paid with funds released from the Restricted Asset Funds constitute Class 1 and 2 expenses pursuant to Section 631.271, Florida Statutes.

4. Release of Claims.

a. Upon Hawaii's receipt of such payment from the Escrow Funds, Hawaii shall relinquish, release and fully discharge in the manner described herein any and all claims against Texas and Florida, arising under or related in any way to the Homeowners Reinsurance Agreement, the Escrow Funds, the Escrow Account, the Escrow Dispute, the Federal Complaint and reinsurance agreements between a Texas Vesta Company as reinsurer and Hawaii as reinsured and will in writing advise the designated Escrow Account agent that the further consent of Hawaii is not necessary for future disbursements from the Escrow Account. This release is made by Hawaii on behalf of itself, its successors, assigns, agents, and representatives and HIGA, and each of them hereby releases and forever discharges Texas, its employees, personnel, contractors, agents and attorneys and any of their successors, assigns, agents and representatives and the Texas Vesta Companies; and Florida, its employees, personnel, contractors, agents and attorneys and any of their successors, assigns, agents and representatives and Florida Select. This release does not include any claim that Hawaii may have against any person other than a person released as provided herein, any claim against HIGA's current or former officers or directors for acts or omissions in their capacities as officers or directors, any claim against accountants, auditors, attorneys or other professionals for acts or omissions in providing services, claims against the Affirmative Insurance Company for reinsurance proceeds that are due to the estate of HIGA or claims arising from another Parties' breach of this Settlement Agreement.

b. Upon Florida's receipt of such payment from the Escrow Funds, Florida shall relinquish, release and fully discharge in the manner described herein any and all claims against Texas and Hawaii arising under or related in any way to the Homeowners Reinsurance Agreement, the Escrow Funds, the Escrow Account, the Escrow Dispute, the Federal Complaint and reinsurance agreements between a Texas Vesta Company as reinsurer and Florida as reinsured and will in writing advise the designated Escrow Account agent that the further consent of Florida is not necessary for future disbursements from the Escrow Account. This release is made by Florida on behalf of itself, its successors, assigns, agents, and representatives and Florida Select, and each of them hereby releases and forever discharges Texas, its employees, personnel, contractors, agents and attorneys and any of their successors, assigns, agents and representatives and the Texas Vesta Companies; and Hawaii, its employees, personnel, contractors, agents and attorneys and any of their successors, assigns, agents and representatives and HIGA. This release does not include any future claim that Florida may have against any person other than a person released as provided herein, any claim against Florida Select's current or former officers or directors for acts or omissions in their capacities as officers or directors, any claims against accountants, auditors, attorneys or other professionals for acts or omissions in providing services, claims against Texas (including specifically Vesta Fire Insurance

Corporation) with respect to the Restricted Asset Funds placed on the books of Vesta Fire Insurance Corporation as set forth herein, the conditions requiring the release of the Restricted Asset Funds to Florida or claims arising from another Parties' breach of this Settlement Agreement.

c. Upon Texas' receipt of the balance of the funds in the Escrow Account, Texas shall relinquish, release and fully discharge in the manner described herein any and all claims against Hawaii and Florida arising under or related in any way to the Homeowners Reinsurance Agreement, the Escrow Funds, the Escrow Account, the Escrow Dispute, the Federal Complaint and reinsurance agreements between a Texas Vesta Company as reinsurer and Florida and/or Hawaii as reinsured. This release is made by Texas on behalf of themselves, their successors, assigns, agents, and representatives and the Texas Vesta Companies, and each of them hereby releases and forever discharges Florida, its employees, personnel, contractors, agents and attorneys and any of their successors, assigns, agents and representatives and Florida Select; and Hawaii, its employees, personnel, contractors, agents and attorneys and any of their successors, assigns, agents and representatives and HIGA. This release does not include any claim Texas may have against any person other than a person released as provided herein, any claim against the Texas Vesta Companies' current or former officers or directors for acts or omissions in their capacities as officers or directors, any claims against accountants, auditors, attorneys or other professionals for acts or omissions in providing services, any claim or rights assigned to Texas by Florida or Hawaii as provided herein, any claim that Texas may hold as a Class 9 shareholder of HIGA, any claim to the equity interest held by Hawaii in Vesta Timber, LLC and any claim that Texas may have against Florida that are due to Texas for any claims that they may hold as a shareholder of Florida Select Insurance Company.

d. Further, and upon receipt of the balance of the funds in the Escrow Account, Texas, Florida and Hawaii each agree that it will not sue or otherwise pursue any claim against another Party based on inter-company or affiliated transactions, voidable or preferential transfers or offsets.

5. **Release of proof of claims.** Upon this Settlement Agreement becoming Final, Hawaii and Florida will each fully release Texas from any and all claims, demands, and causes of action, including specifically any claims for which proofs of claims were filed or could have been filed in the Texas Vesta Companies' receiverships, including the Proofs of Claim Nos. 526-1118, 527-1896, 528-531, 529-1266, 530-25 and 526-4, copies of which are attached hereto as Exhibits B, C, D, E, F and G, which proofs of claim shall be withdrawn with prejudice, whether such claims are known or unknown, asserted or unasserted, based in contract, tort, statute or any combination thereof, whether for securities law violations, usury, indemnity, offsets, or on any theory in law or equity based on any facts occurring in whole or in part before the Settlement Agreement becomes Final.

6. **Assignment and Transfer of Third-Party Claims and Rights.**

a. Upon this Settlement Agreement becoming Final, Florida assigns to Texas the right to pursue in its own name or in the name of Florida if such claims are deemed unassignable, any and all claims and causes of actions held by Florida against third parties which accrued prior to June 30, 2006, including but not limited to, officers, directors, professionals, accountants, actuaries, agents and attorneys, but excluding claims described in Paragraph 6 c (i) and (ii) below. Texas shall bear the cost of pursuing such claims and shall retain all recoveries

from such efforts. Florida agrees to reasonably cooperate with Texas in order to pursue these rights and claims.

b. Upon this Settlement Agreement becoming Final, Hawaii assigns to Texas the right to pursue in its own name or in the name of Hawaii if such claims are deemed unassignable, any and all claims and causes of actions held by Hawaii against third parties which accrued prior to August 21, 2006, including but not limited to, officers, directors, professionals, accountants, actuaries, agents and attorneys. Texas shall bear the cost of pursuing such claims and shall retain all recoveries from such efforts. Hawaii agrees to reasonably cooperate with Texas in order to pursue these rights and claims.

c. Upon this Settlement Agreement becoming Final, Florida assigns to Texas, any and all rights held by Florida to any reinsurance recoveries billed and unpaid or which arise in the future together with any recoveries previously written off as uncollectable, with the following exceptions: (i) the Escrow Funds that are being distributed by this Settlement Agreement from the Escrow Account; and (ii) recoveries on Florida losses covered by the Florida Hurricane Catastrophe Fund. Florida agrees to reasonably cooperate with Texas in order to pursue these rights and claims.

7. **Transfer of Equity Interest in Vesta Timber.** Upon this Settlement Agreement becoming Final, Hawaii will quitclaim and transfer to Vesta Fire Insurance Corporation (hereinafter "Vesta Fire") any and all interests whether in equity or as a creditor, that it holds in or against Vesta Timber, LLC, including without limitation an approximate 3.4% equity interest.

8. **Mutual Cooperation; No Release of Claims Regarding Affirmative Insurance Company.**

a. Texas and Hawaii will use their best efforts to cooperate to: (i) facilitate the billing and collection of recoveries under various reinsurance agreements among the Parties and others, and (ii) avoid interference with the rights of each other under any reinsurance agreements, trust agreements, or related trust accounts; including but not limited to the reinsurance agreement effective December 31, 2003, by which Affirmative Insurance Company agreed to reinsure 100% of the net liability of Vesta Fire, Vesta Insurance Corporation, Shelby Casualty Insurance Company and HIGA on their non-standard automobile line of business controlled and/or generated by American Agencies Holdings, Inc., and the Trust Account established with Frost National Bank to secure Affirmative's reinsurance obligations. This paragraph shall not be construed or interpreted to mean that the Hawaii Liquidator or Texas are releasing, waiving, diminishing or forfeiting any claims or rights to proceed against Affirmative Insurance Company or any other person or entity related or affiliated with Affirmative Insurance Company that asserts any right or claims to reinsurance proceeds that are held by the Affirmative Insurance Company for the benefit of Hawaii or Texas.

b. Texas and Florida will use their best efforts to cooperate to facilitate collection of the rights, claims and causes of action assigned pursuant to paragraph 6(a) and (c) above.

c. Florida will file financial information with the National Association of Insurance Commissioners as required. To the extent reasonably available, Florida will make additional financial information available as may be requested by Texas. Hawaii will use their

best efforts to provide Texas timely and complete information on the activities and financial condition of their companies.

d. Within 180 days from this Settlement Agreement becoming Final, Florida shall request from its Receivership Court, a bar date for the filing of claims to the extent permitted by applicable law.

e. Texas, Hawaii and Florida will each use its best efforts to expeditiously obtain approval of this Settlement Agreement and the disbursements provided in paragraph No. 2 above from the court having jurisdiction over its receivership, and will cooperate with the other Parties as may be reasonably necessary to obtain court approval within 90 calendar days from the date the Parties have executed this Agreement. Such cooperation may include testimony of representatives from each Party and appropriate disclosure of the financial impact that such settlement has on their affected estate.

9. **Treatment of Vesta Fire Insurance Company as Class 9 Claimant.** Upon this Agreement's becoming Final, Hawaii hereby agrees and acknowledges that Vesta Fire was the 100% shareholder of HIGA and in that capacity Vesta Fire is a Class 9 claimant, as that term is defined under Hawaii Revised Statute, Chapter 431, Section 431:15-332(9). As a Class 9 claimant, Vesta Fire is entitled to any distributions that may be made to a shareholder by Hawaii pursuant to the provisions of Article 15, Hawaii Revised Statutes, Chapter 431, Article 15.

10. **Approval of Settlement Agreement by Respective Receivership Courts.** Approval of this Settlement Agreement by the courts having jurisdiction over the Texas, Hawaii and Florida receivership proceedings, including specifically and not in limitation of the foregoing approval of the allocation between or among the Texas Vesta Companies as proposed by Texas when seeking approval of the Settlement Agreement, is a condition precedent to the Settlement Agreement becoming final and effective, and if not obtained the Settlement Agreement is void *ab initio*. However, the Parties hereby expressly agree and acknowledge that the Conditional Litigation Moratorium provisions in this Settlement Agreement, as well as paragraph 11 of this Settlement Agreement set forth below shall be deemed immediately effective and binding upon the Parties upon full execution of this Settlement Agreement by all the Parties, notwithstanding whether final non-appealable approval of the Settlement Agreement from the respective receivership courts as described herein, is obtained.

11. **Withdrawal Rights.**

a. If Texas is unable to obtain final non-appealable approval of the Settlement Agreement by its respective receivership court having jurisdiction over its receivership proceeding within 90 calendar days following all Parties' execution of the Settlement Agreement, Hawaii or Florida shall have the right to provide written notification to the other Parties of its withdrawal from participation in the Settlement Agreement, and Texas may not file any civil action, claim or proceeding arising from or relating to: (i) that certain Net Quota Share Contract that is the subject of the Stipulated Agreement; (ii) any other Vesta-related reinsurance contract; and/or (iii) the Escrow Funds, in any Federal or State court and/or in any administrative proceeding, for a period of ten [10] calendar days following the day they receive actual written notification of Hawaii or Florida's withdrawal from participation in the Settlement Agreement.

b. If Florida is unable to obtain final non-appealable approval of the Settlement Agreement by its respective receivership court having jurisdiction over its receivership proceeding within 90 calendar days following all Parties' execution of the Settlement Agreement, Hawaii or Texas shall have the right to provide written notification to the other Parties of its withdrawal from participation in the Settlement Agreement, and Florida may not file any civil action, claim or proceeding arising from or relating to: (i) that certain Net Quota Share Contract that is the subject of the Stipulated Agreement; (ii) any other Vesta-related reinsurance contract; and/or (iii) the Escrow Funds, in any Federal or State court and/or in any administrative proceeding, for a period of ten [10] calendar days following the day they receive actual written notification of Hawaii or Texas's withdrawal from participation in the Settlement Agreement.

c. If Hawaii is unable to obtain final non-appealable approval of the Settlement Agreement by its receivership court having jurisdiction over its receivership proceedings within 90 calendar days following all Parties' execution of the Settlement Agreement, Texas or Florida shall have the right to provide written notification to the other Parties of its withdrawal from participation in the Settlement Agreement, and Hawaii may not file any civil action, claim or proceeding arising from or relating to: (i) that certain Net Quota Share Contract that is the subject of the stipulated Agreement; (ii) any other Vesta-related reinsurance contract; and/or (iii) the Escrow Funds, in any Federal or State court and/or in any administrative proceeding, for a period of ten [10] calendar days following the day they receive actual written notification of Texas' or Florida's withdrawal from participation in the Settlement Agreement.

d. If a Party provides written notice of its withdrawal from participation in this Settlement Agreement, then this Settlement Agreement shall terminate immediately, subject to the tolling of statutes of limitations provided for in paragraph 12 or this Settlement Agreement.

12. Tolling of Statutes of Limitations During Approval Period and Litigation Moratorium.

a. The Parties agree that from November 15, 2008 until the time the Settlement Agreement becomes effective, the statutes of limitations for all claims that any Party may have against another Party are tolled (hereinafter "Approval Period").

b. If a Party provides written notice of its withdrawal from participation in this Settlement Agreement as provided in paragraph 11(d), the tolling of statutes of limitations for all claims provided for in this paragraph 12 shall cease after ten calendar days elapse from the date that a Party provides such notice.

c. In the event that the Settlement Agreement terminates as provided in paragraph 11 or paragraph 14 below, the Parties agree that their rights, claims, or defenses shall be the same as they were on the date of the filing of the Federal Complaint and each Party may take such action as it may deem appropriate in furtherance of pursuing its claims. Further, Hawaii, Texas, and Florida expressly agree and acknowledge that nothing in this paragraph 12 or this Settlement Agreement shall be construed to be a waiver of any of the Parties' rights, claims, or defenses as they were on the date of the filing of the Federal Complaint, including but not limited to any and all of Texas' rights and defenses concerning the validity of jurisdiction of the Federal Complaint on the date said Federal Complaint was filed.

d. If one of the Parties to this Settlement Agreement appeals an order issued by its State's receivership court, then the appealing Party shall bear its own costs and fees in that appeal.

e. Each Party agrees that it will not take any legal action against another Party arising under or related in any way to the Homeowners Reinsurance Agreement, the Escrow Funds, the Escrow Account, the Escrow Dispute, the Federal Complaint and reinsurance agreements between a Texas Vesta Company as reinsurer and another Party during the period of time commencing on the date the Settlement Agreement is executed by all of the Parties and ending on the date this Settlement Agreement is terminated or becomes Final.

13. **Forum for resolving claims arising from a breach of this Settlement Agreement.** The Parties agree that, upon this Settlement Agreement becoming Final, the exclusive forum for any and all disputes between the Parties arising out of or relating to this Settlement Agreement, and any other document or agreement between the Parties relating to this Settlement Agreement, shall be in the Federal Court in Austin, Travis County, Texas. This paragraph shall not be construed to: (a) impair any party's rights to take action in a court having jurisdiction over a receivership proceeding as necessary or appropriate to obtain court approval of this Settlement Agreement or effectuate such court's order; (b) impair any party's rights to file an action against any other party who is not a Party to this Settlement Agreement; or (c) waive any rights or defenses that a Party may have in connection with an action arising out of or relating to this Settlement Agreement or any disputes between the Parties.

14. **Expiration of Settlement Agreement Terms.** This Settlement Agreement and its terms shall expire at 12:00 p.m. noon Central Time – one year after the date of the Settlement Agreement's execution by all Parties, unless this Settlement Agreement has become Final or has been terminated in accordance with paragraph 11, before that date.

15. **Effective Agreement.** Following the actual receipt of funds from the Escrow Account, this Settlement Agreement may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against any action, suit, or other proceeding that may be instituted, prosecuted or attempted in breach of this Settlement Agreement.

16. **Warranty of Authority.** Each person who executes this Settlement Agreement represents and warrants to each Party and signatory hereto that he or she has the authority to do so subject only to the approval of that Party's receivership court. The Parties to this Settlement Agreement warrant and represent to each other that he has not assigned or transferred or purported to assign or transfer to any person not a Party hereto any released matter or any part apportioned thereof.

17. **Fees and Expenses.** Each of the Parties hereto shall be responsible for the payment of his or her own costs and expenses, including legal fees and costs, incurred in the prosecution and defense of the Federal Complaint previously filed. It is also agreed by each of the Parties to this Settlement Agreement that they are each responsible for the payment of his or her own costs and expenses, including legal fees, incurred in the drafting and negotiation of the Stipulated Agreement, any amendments to the Stipulated Agreement, and in the negotiation, preparation, and execution of this Settlement Agreement.

18. **Recovery of Litigation Expenses.** If any judicial or extra-judicial action, alternative dispute resolution hearing, or other proceeding is brought for the enforcement of any

provision of this Settlement Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Settlement Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees or any other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

19. **No Third-Party Beneficiaries.** There shall be no third-party beneficiaries to this Settlement Agreement. This Settlement Agreement shall be binding on and inure to the benefit of the heirs, successors, and assigns of Hawaii, Florida, and Texas only. Nothing in this Settlement Agreement, express or implied, is intended to confer upon any person, other than the Parties hereto or their respective heirs, successors, and assigns, any rights or benefits under or by reason of this Settlement Agreement.

20. **No Assignment.** This Settlement Agreement shall not be assignable by any of the Parties hereto without the prior written consent of all Parties.

21. **Integration Clause.** This Settlement Agreement represents and contains the entire agreement and understanding between Hawaii, Texas, and Florida with respect to the subject matter of this Settlement Agreement and supersedes any and all prior oral and written agreements and understandings, including but not limited to the Settlement Term Sheet, and no representation, warranty, condition, understanding, or agreement of any kind with respect to the subject matter hereof shall be relied upon by the Parties unless incorporated herein.

22. **Amendment Needs To Be In Writing.** This Settlement Agreement may not be amended or modified, except by an agreement in writing signed by the Party against whom the enforcement of any modification or amendment is sought.

23. **Representation of Comprehension of Document.** In entering into this Settlement Agreement, Hawaii, Florida, and Texas represent that they have relied upon the legal advice of their independent counsel, who are the attorneys of their own choice. The Parties further represent that the terms of this Settlement Agreement have been completely read and explained to them by their attorneys, and that those terms are fully understood and accepted by them. To the extent that any Party hereto has chosen not to seek the advice of independent legal counsel, that party has made a willing and voluntary choice, and accepts all risks attendant to the failure to seek legal counsel, including, but not limited to, the failure to fully understand or comprehend the legal ramifications of this Settlement Agreement and the payments made or received as provided herein.

24. **No Party Deemed Drafter.** Hawaii, Florida, and Texas, and their counsel have reviewed this Settlement Agreement; and, accordingly, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Settlement Agreement. The Parties to this Settlement Agreement hereby agree that no Party is to be deemed the drafter of this Settlement Agreement.

25. **Construction of Agreement.** In the event that one or more of the provisions, or portions thereof, of this Settlement Agreement is determined to be illegal or unenforceable, other than the condition precedent of court approval by the Texas, Florida and Hawaii courts having jurisdiction over each of the receivership proceedings as described throughout this Settlement Agreement, the remainder of this Settlement Agreement shall not be affected thereby, and each remaining provision or portion thereof shall continue to be valid and effective and shall be enforceable to the fullest extent permitted by law. If the requirement of receivership court

approval is determined to be illegal or unenforceable then this Settlement Agreement shall be *void ab initio*.

26. **Counterparts.** This Settlement Agreement may be executed in one or more counterparts, each of which taken together shall constitute one and the same agreement, admissible into evidence.

27. **Facsimiles.** Delivery of an executed counterpart of this Settlement Agreement by facsimile shall be equally as effective as delivery of an original, executed counterpart of this Settlement Agreement. Any Party delivering an executed counterpart of this Settlement Agreement by facsimile shall also deliver an original, executed counterpart of this Settlement Agreement to all Parties, but the failure to deliver an original counterpart shall not affect the validity enforceability, and the binding effect of this Settlement Agreement.

28. **Number, Gender and Captions.** As used in this Settlement Agreement, and when required by the context, each number, singular or plural, shall include all numbers, and each gender shall include all genders. The captions and headings throughout this Settlement Agreement are for convenience of reference only, and the words contained therein shall in no way be held or deemed to define, limit, explain, modify, amplify, or add to the interpretation, construction, or meaning of any provision of, or the scope or intent of, this Settlement Agreement, nor in any way affect this Agreement.

29. **Best Efforts to Resolve CSC Claims.** Florida and Texas agree to use best efforts to secure a complete resolution of the CSC claims, now existing in both states. Texas and Florida acknowledge that Florida will make reasonable efforts to obtain a complete resolution of all CSC claims currently existing in both Florida and Texas.

30. **Claims of Florida Select Insurance Agency.** Texas agrees to use its best efforts to cause the existing Florida Select Insurance Agency claim that now exists against Florida, to be discharged and extinguished, subject to Texas' obligations under any settlement agreements it has with the respective bankruptcy estates and/or bankruptcy trustees of J. Gordon Gaines, Inc. and Vesta Insurance Group, Inc.

31. **Release of Claims held by J. Gordon Gaines.** Texas will use its best efforts to cause the J. Gordon Gaines, Inc. bankruptcy trustee ("Gaines") to dismiss and fully discharge and release any and all claims that Gaines has or may have against Hawaii. If Gaines provides such a full release and dismisses all such claims, Hawaii will mutually dismiss and fully discharge and release any and all claims it has or may have against Gaines, subject to Texas' obligations under any settlement agreements it has with the respective bankruptcy estates and/or bankruptcy trustees of J. Gordon Gaines, Inc. and Vesta Insurance Group, Inc.

32. **Cooperation with Third-Parties.** The Parties agree that they will not aid or assist any person or entity who is not a Party to this Settlement Agreement and its amendments in connection with any claims that such other party may have against Texas, Florida, or Hawaii. This provision shall not prevent the Parties to this Settlement Agreement from cooperating with another person or entity pursuant to a contractual obligation that it has assumed or in accordance with any statutory obligation or court order that requires a liquidator's or receiver's cooperation.

33. **Access to J. Gordon Gaines Records.** If Hawaii or Florida desires to continue to have future access to the records and computer system maintained by Texas in Birmingham, Alabama, then it shall agree in advance on an allocation of the costs (including employees, office

lease, computer systems and support, supplies, utilities, etc.) incurred by Texas in connection therewith.

34. **Agreement of Cooperation.** Hawaii, Texas, and Florida agree to cooperate in achieving the goals of this Settlement Agreement, and further agree to execute any further documents that may be required to accomplish the goals of this Settlement Agreement without demand for further cost, expense or compensation.

35. **Notice.** Any statements, communications or notices to be provided pursuant to this Settlement Agreement shall be sent to the attention of the persons indicated below, until such time as notice of any change of address is forwarded to all Parties:

Texas Commissioner: Mike Geeslin, Commissioner of Insurance
Texas Department of Insurance
P.O. Box 149104
Austin, Texas 78714-9104

With a copy to: James Kennedy, Legal & Regulatory Affairs
Texas Department of Insurance
P.O. Box 149104
Austin, Texas 78714-9104
Tel: (512) 305-8164
Fax: (512) 475-1843
Email: james.kennedy@tdi.state.tx.us

Prime TEMPUS, Inc.: Craig A. Koenig, President
Prime TEMPUS, Inc.
27310 Ranch Road 12
Dripping Springs, Texas 78620
Tel: (512) 894-3705
Fax: (512) 894-3725

With a copy to: Brian E. Riewe
Brian E. Riewe, P.C.
4408 Spicewood Springs Rd.
Austin, Texas 78759
Tel: (512) 236-9955
Fax: (512) 236-9966

Hawaii: Gordon Ito, Special Deputy Liquidator
Hawaii Insurance Division
P.O. Box 3614
Honolulu, HI 96811-3614
Tel: (808) 586-2790
Fax: (808) 586-2806

With a copy to:

Clifford Higa
Kobayashi, Sugita & Goda
999 Bishop Street, 26th Floor
Honolulu, HI 96813
Tel: (808) 539-8700
Fax: (808) 539-8799

Florida:

Wayne Johnson, Division Director
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, FL 32302-0110
Tel: (850) 413-3983
Fax: (850) 922-9739

With a copy to:

Mark Hamilton
Florida Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, Florida 32302-0110
Tel: (850) 413-4410
Fax: (850) 488-1510

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement on the day and year first above written.


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HAWAII SIGNATURE PAGE

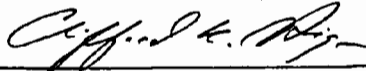
AGREED AND ACCEPTED:

J.P. SCHMIDT, Insurance Commissioner of the State of Hawaii in his capacity as the Liquidator
of The Hawaiian Insurance and Guaranty Company, Limited



By: J.P. Schmidt
Its: Insurance Commissioner

APPROVED AS TO FORM:



Counsel

TEXAS SIGNATURE PAGE

AGREED AND ACCEPTED:

COMMISSIONER OF INSURANCE FOR THE STATE OF TEXAS, as the Receiver of Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services, Vesta Insurance Corporation and American Founders Financial Corporation.

Karen A. Phillips for Mike Geeslin
By: Karen A. Phillips
Its: Chief of Staff

APPROVED AS TO FORM:

Glenn Jarmon by Sara Waith
Counsel

PRIME TEMPUS, INC., as Special Deputy Receiver for Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services, Vesta Insurance Corporation and American Founders Financial Corporation.

By: _____
Its: _____

APPROVED AS TO FORM:

Counsel

TEXAS SIGNATURE PAGE

AGREED AND ACCEPTED:

COMMISSIONER OF INSURANCE FOR THE STATE OF TEXAS, as the Receiver of Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services, Vesta Insurance Corporation and American Founders Financial Corporation.

By: _____
Its: _____

APPROVED AS TO FORM:

Counsel

PRIME TEMPUS, INC., as Special Deputy Receiver for Vesta Fire Insurance Corporation, Shelby Casualty Insurance Company, The Shelby Insurance Company, Texas Select Lloyds Insurance Company, Select Insurance Services, Vesta Insurance Corporation and American Founders Financial Corporation.

S. C. J.
By: Craig A. Koenig
Its: President, Prime Tempus, Inc.
As Special Deputy Receiver

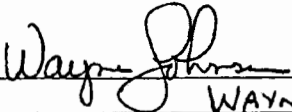
APPROVED AS TO FORM:

Counsel

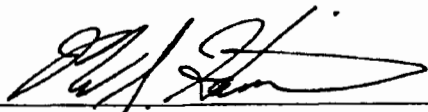
FLORIDA SIGNATURE PAGE

AGREED AND ACCEPTED:

THE DEPARTMENT OF FINANCIAL SERVICES OF THE STATE OF FLORIDA, as the
Receiver of Florida Select Insurance Company


By: WAYNE JOHNSON
Its: DEPUTY RECEIVER

APPROVED AS TO FORM:


Counsel

⑥

**Net Quota Share
Reinsurance Contract
Effective: July 1, 2005**

issued to

**VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION
TEXAS SELECT LLOYDS INSURANCE COMPANY**

and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

BENFIELD


**Net Quota Share
Reinsurance Contract
Effective: July 1, 2005**

issued to

**VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION**

and

TEXAS SELECT LLOYDS INSURANCE COMPANY

and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

Reinsurers	Participations
ACE Tempest Re USA, LLC (for ACE Property & Casualty Insurance Company)	25.0%
Swiss Re Underwriters Agency, Inc. (for Swiss Reinsurance America Corporation)	75.0
Total	100.0%

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**Net Quota Share
Reinsurance Contract
Effective: July 1, 2005**

issued to

**VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION**

and

TEXAS SELECT LLOYDS INSURANCE COMPANY

and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer
(*hereinafter referred to collectively as the "Company"*)

by

**The Subscribing Reinsurer(s) Executing the
Interests and Liabilities Agreement(s)
Attached Hereto**

(*hereinafter referred to as the "Reinsurer" and individually as the "Subscribing Reinsurer"*)

Article I - Definitions

- A. "Contract Year" as used herein shall mean the period from July 1, 2005 through June 30, 2006, both days inclusive. If this Contract is terminated prior to June 30, 2006, the Contract Year shall be from July 1, 2005 through the date of termination.
- B. "Contract Quarter" as used herein shall mean the period from July 1, 2005 through September 30, 2005, both days inclusive, and each subsequent three-month period shall be a separate Contract Quarter.
- C. "Net Written Premium" as used herein shall mean the Company's gross written premium (including unearned premium on policies in force at the inception of this contract) for the classes of business reinsured hereunder, less cancellations and return premiums, less inuring reinsurance premium, and less fees collected and retained by any general agent or the Company.

- D. "Net Earned Premium" as used herein shall mean the net unearned premium at the inception of the Contract Year, plus Net Written Premium during the Contract Year, less net unearned premium at the end of the Contract Year.
- E. "Net Liability" as used herein means the actual loss, including Loss Adjustment Expense and Shock Losses, paid or to be paid by the Company after making deductions for all recoveries, salvages, subrogations and all claims on inuring reinsurance, whether collectible or not; provided, however, that in the event of the insolvency of the Company, payment by the Reinsurer shall be made in accordance with the provisions of the Insolvency Article. Nothing herein shall be construed to mean that losses under this Agreement are not recoverable until the Company's Net Liability has been ascertained.

The amount of the Reinsurer's liability hereunder in respect of any loss or losses shall not be increased by reason of the inability of the Company to collect from any other Reinsurer(s), whether specific or general, any amounts which may have become due from such Reinsurer(s), whether such inability arises from the insolvency of such other Reinsurer(s), dispute with such other Reinsurer(s), or otherwise.

F. "Loss Occurrence"

Property Business

As respects Property business, "Loss Occurrence" shall mean the sum of all individual losses directly occasioned by any one disaster, accident or loss or series of disasters, accidents or losses arising out of one event which occurs within the area of one state of the United States or province of Canada and states or provinces contiguous thereto and to one another. However, the duration and extent of any one "Loss Occurrence" shall be limited to all individual losses sustained by the Company occurring during any period of 168 consecutive hours arising out of and directly occasioned by the same event, except that the term "Loss Occurrence" shall be further defined as follows:

1. As regards windstorm, hail, tornado, hurricane, cyclone, including ensuing collapse and water damage, all individual losses sustained by the Company occurring during any period of 96 consecutive hours arising out of and directly occasioned by the same event. However, the event need not be limited to one state or province or states or provinces contiguous thereto.
2. As regards riot, riot attending a strike, civil commotion, vandalism and malicious mischief, all individual losses sustained by the Company occurring during any period of 72 consecutive hours within the area of one municipality or county and the municipalities or counties contiguous thereto arising out of and directly occasioned by the same event. The maximum duration of 72 consecutive hours may be extended in respect of individual losses which occur beyond such 72 consecutive hours during the continued occupation of an assured's premises by strikers, provided such occupation commenced during the aforesaid period.
3. As regards earthquake (the epicenter of which need not necessarily be within the territorial confines referred to in the opening paragraph of this Article) and fire following directly occasioned by the earthquake, only those individual fire losses which

commence during the period of 168 consecutive hours may be included in the Company's "Loss Occurrence."

4. As regards "freeze," only individual losses directly occasioned by collapse, breakage of glass and water damage (caused by bursting frozen pipes and tanks and melting snow) may be included in the Company's "Loss Occurrence."
5. As regards firestorms, brush fires and other fires or series of fires, irrespective of origin, that spread through trees, grasslands or other vegetation, all individual losses, involving two or more individual risks, sustained by the Company and designated by the Company as forming part of one "Loss Occurrence," which occur during any period of 168 consecutive hours with a 150-mile radius of any one fixed point selected by the Company may be included in the Company's "Loss Occurrence." However, an individual loss subject to this subparagraph cannot be included in more than one "Loss Occurrence."

Except for those "Loss Occurrences" referred to in subparagraphs 1 and 2 of paragraph F above, the Company may choose the date and time when any such period of consecutive hours commences, provided that it is not earlier than the date and time of the occurrence of the first recorded individual loss sustained by the Company arising out of that disaster, accident or loss, and provided that only one such period of 168 consecutive hours shall apply with respect to one event.

In respect of those "Loss Occurrences" referred to in subparagraph 1 of paragraph F above only one such period of 96 consecutive hours shall apply with respect to one event, regardless of the duration of the event.

In respect of those "Loss Occurrences" referred to in subparagraph 2 of paragraph F above, if the disaster, accident or loss occasioned by the event is of greater duration than 72 consecutive hours, then the Company may divide that disaster, accident or loss into two or more "Loss Occurrences," provided no two periods overlap and no individual loss is included in more than one such period and provided that no period commences earlier than the date and time of the occurrence of the first recorded individual loss sustained by the Company arising out of that disaster, accident or loss.

It is understood and agreed that losses arising from a combination of two or more perils as a result of the same event shall be considered as having arisen from one "Loss Occurrence." Notwithstanding the foregoing, the hourly limitations as stated above shall not be exceeded as respects the applicable perils and no single "Loss Occurrence" shall encompass a time period greater than 168 consecutive hours.

Casualty Business

As respects Casualty business, "Loss Occurrence" shall mean an accident or occurrence or a series of accidents or occurrences arising out of or caused by one event.

- G. "Loss Adjustment Expense" as used herein shall mean expenses assignable to the investigation, defense and/or settlement of specific claims, regardless of how such expenses are classified for statutory reporting purposes. Loss Adjustment Expense shall include, but not be limited to, litigation expenses, claims adjusting expenses, expert witness

expenses, consultants, interest on settlements or judgments, Declaratory Judgment Expense and a pro rate share of salaries and expenses of the Company field employees, and expenses of other company employees who have been temporarily diverted from their normal and customary duties and assigned to the field adjustment of losses covered by this Contract. Loss Adjustment Expense shall not include office expenses or salaries of the Company's regular employees.

- H. "Declaratory Judgment Expense" as used herein shall mean all court costs, attorneys' fees and expenses incurred by the Company in contesting insurance coverage and allocable to a specific claim on Policies reinsured hereunder. Declaratory Judgment Expense shall be deemed to have occurred on the same date as the loss covered or alleged to be covered under the Policy involved.
- I. "Ceded Loss and Loss Adjustment Expense Ratio" as used herein shall mean ceded Net Liability divided by ceded Net Earned Premium.
- J. "Policy" or "Policies" as used herein shall mean the Company's binders, policies and contracts providing insurance and reinsurance on the lines of business covered under this Contract.
- K. "Notice" as used herein shall mean notice provided by certified or registered mail, or by a nationally or internationally recognized delivery service of the mailer's choosing or by a recognized overnight delivery service providing the mailer with a receipt for delivery and notice shall be deemed to have been provided on the date of mailing.
- L. "Shock Losses" as used herein shall mean only Net Liability resulting from a Loss Occurrence which is greater than \$1,000,000 for property or \$500,000 for Casualty or any loss which results from two or more risks involved in the same Loss Occurrence or any loss resulting from Terrorism, Class Actions, Extra Contractual Obligations or Excess of Policy Limits.
- M. "Class Action" shall mean a representative action wherein one or more plaintiffs actually named in the complaint, along with their counsel, pursue a case for themselves and the defined class against one or more defendants. The claims of the "class representatives" must arise from facts or law common to the class members. Most Class Actions are called "plaintiff class actions"; however, in limited circumstances, a Class Action can be filed against one or more defendants representing a group of defendants, i.e. a "defendant class" action. The class must be certified by the relevant court and meet the requisite elements for certification as a class. This definition shall apply only to the Net Liability to the Company which results in aggregate loss for all class members of at least \$1,000,000 (one million dollars).
- N. "Terrorism" as used herein shall mean any act, or preparation in respect of action, or threat of action designed to influence the government de jure or de facto of any nation or any political division thereof, or in pursuit of political, religious, ideological, or similar purposes to intimidate the public or a section of the public of any nation by any person or group(s) of persons whether acting alone or on behalf of or in connection with any organization(s) or government(s) de jure or de facto, and which:
 - 1. Involves violence against one or more persons; or

2. Involves damage to property; or
 3. Endangers life other than that of the person committing the action; or
 4. Creates a risk to health or safety of the public or a section of the public; or
 5. Is designed to interfere with or to disrupt an electronic system.
- O. "Mold" as used herein shall mean any organic causative agents of disease and organic irritants or contaminants including but not limited to bacteria, fungi, mold, mildew, mycotoxins, or their spores, scent, byproducts or biogenic aerosol.

Article II - Business Reinsured

- A. By this Contract the Company obligates itself to cede to the Reinsurer and the Reinsurer obligates itself to accept quota share reinsurance of the Company's Net Liability under Policies in force at the effective date hereof or issued or renewed during the Contract Year, and classified by the Company as Residential Property and Casualty business, including, but not limited to, Fire, Allied Lines, Inland Marine, Earthquake and Homeowners Multiple Peril business in the following states: Alabama, Alaska, Arizona, California, Connecticut, Florida, Hawaii, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, and West Virginia.
- B. The liability of the Reinsurer with respect to each cession hereunder shall commence obligatorily and simultaneously with that of the Company, subject to the terms, conditions and limitations hereinafter set forth.

Article III - Commencement and Termination

- A. This Contract shall become effective at 12:01 a.m., Local Standard Time, at the subject loss location on July 1, 2005, with respect to losses arising out of Loss Occurrences commencing on or after that date, and shall remain in force until June 30, 2006, both days inclusive.
- B. The Company may terminate this Contract on December 31, 2005 by giving the Reinsurer not less than seven days prior written Notice provided the Ceded Loss and Loss Adjustment Expenses are not greater than 62.0% of the ceded Net Earned Premium. The Company shall remit an amount equal to 4.0% of the ceded Net Earned Premium to the Reinsurer within 30 days of termination. This amount shall be an additional consideration and remitted in addition to and in accordance with Article XII.
- C. The Company shall reassume the unexpired liability for inforce business as of the effective date of termination and the Reinsurer shall return their share of the unearned ceded premium applicable to the unexpired liability, less ceding commission, unless mutually agreed otherwise and then the reinsurance hereunder on business in force on the effective date of termination shall remain in full force and effect until expiration, cancellation or next

premium anniversary of such business, whichever first occurs, but in no event beyond 12 months following the effective date of termination.

- D. Notwithstanding the provisions of paragraph B above, the Company may terminate the Subscribing Reinsurer's percentage share in this Contract at any time by giving 30 days prior written Notice to the Subscribing Reinsurer in the event any of the following circumstances occur:
1. The Subscribing Reinsurer has, without the written consent of the Company, become merged with, acquired by or controlled by any other company, corporation or individual(s) not controlling the Subscribing Reinsurer's operations previously; or
 2. A State Insurance Department or other governmental, legal or regulatory authority, or court of competent jurisdiction has ordered the Subscribing Reinsurer to cease or suspend writing business; or
 3. The Subscribing Reinsurer has become insolvent or has been placed into liquidation or receivership (whether voluntary or involuntary) or proceedings have been instituted against the Subscribing Reinsurer for the appointment of a receiver, liquidator, rehabilitator, conservator or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations; or
 4. The Subscribing Reinsurer has reinsured its entire liability under this Contract, excepting internal reinsurance, without the Company's prior written consent; or
 5. The Subscribing Reinsurer has ceased assuming new and renewal Property and/or Casualty treaty reinsurance business; or
 6. The Subscribing Reinsurer fails to remit undisputed funds in accordance with the terms herein.
- E. Notwithstanding the provisions of paragraph B above, the Subscribing Reinsurer may terminate its percentage share in this Contract at any time by giving 30 days prior written Notice to the Company in the event any of the following circumstances occur:
1. The Company's statutory capital and surplus, as calculated on a statutorily filed basis at June 30, 2005, has been reduced by more than 50.0% of the amount of statutory capital and surplus at any time during the Contract Year; or
 2. A State Insurance Department or other governmental, legal or regulatory authority, or court of competent jurisdiction has ordered the Company to cease or suspend writing business; or
 3. The Company has become insolvent or has been placed into liquidation or receivership (whether voluntary or involuntary) or proceedings have been instituted against the Company for the appointment of a receiver, liquidator, rehabilitator, conservator or trustee in bankruptcy, or other agent known by whatever name, to take possession of its assets or control of its operations; or

4. The Company has become merged with, acquired by or controlled by any other company, corporation or individual(s) not controlling the Company's operations previously; or
 5. The Company ceases writing its entire Residential Property and/or Casualty business; or
 6. The Company fails to remit funds in accordance with the terms herein; or
 7. The Company's A.M. Best rating falls below "C" or "Not Rated".
- F. In the event that any Policy is required by statute or departmental regulation or order to be continued in force, the Reinsurer shall continue to remain liable with respect to each such Policy until the Company may legally cancel, non-renew or otherwise eliminate liability under such Policy or Policies at the earliest time possible.

Article IV - Territory

The territorial limits of this Contract shall be identical with those of the Company's Policies.

Article V - Exclusions

This Contract does not apply to and specifically excludes the following:

1. Reinsurance and reinsurance assumed by the Company under obligatory reinsurance agreements, except intercompany and agency reinsurance where the Policies involved are to be reunderwritten in accordance with the underwriting standards of the Company and reissued as Company Policies at the next anniversary or expiration date.
2. Nuclear Incident as provided in the Nuclear Incident Exclusion Clause - Physical Damage - Reinsurance and the Nuclear Incident Exclusion Clause - Liability - Reinsurance, which is attached to and made a part of this Contract.
3. Loss or damage caused by or resulting from war, invasion, hostilities, acts of foreign enemies, civil war, rebellion, insurrection, military or usurped power, or martial law or confiscation by order of any government or public authority, but this exclusion shall not apply to loss or damage covered under a standard Policy with a standard War Exclusion Clause.
4. All liability of the Company arising by contract, operation of law, or otherwise, from its participation or membership, whether voluntary or involuntary, in any insolvency fund. "Insolvency fund" includes any guaranty fund, insolvency fund, plan, pool, association, fund or other arrangement, however denominated, established or governed, which provides for any assessment of or payment or assumption by the Company of part or all of any claim, debt, charge, fee or other obligation of an insurer, or its successors or assigns, which has been declared by any competent authority to be insolvent, or

which is otherwise deemed unable to meet any claim, debt, charge, fee or other obligation in whole or in part.

5. Flood, when written as such.
6. Seepage and Pollution.
7. Asbestos.
8. Loss, damage, cost or expense arising out of an Act of Terrorism involving the use of any biological, chemical or nuclear agent, material, device or weapon.
9. Assigned Risks, Pools and Fair Plans

Article VI - Inuring Reinsurance

- A. The Company shall purchase inuring excess reinsurance to limit its loss subject hereto from any one coverage, any one Policy (exclusive of Loss in Excess of Policy Limits and Extra Contractual Obligation) to the following amounts:
 1. As respects Fire, Allied Lines, Inland Marine, Earthquake and Section I of Homeowners, \$1,000,000 each risk;
 2. As respects Section II of Homeowners, \$500,000 each Policy, each Loss Occurrence.
- B. In addition, the Company shall purchase catastrophe excess reinsurance to limit its loss from any one Loss Occurrence. Catastrophe excess reinsurance that is in force or effective on July 1, 2005, or renewals of such reinsurance, shall inure to the benefit of this Contract. Other catastrophe excess reinsurance must be approved by the Reinsurer.
- C. The Company shall be the sole judge as to what constitutes "one risk." The above reinsurance shall be deemed in place and fully recoverable, whether or not collectable by reason of insolvency, dispute or otherwise.

Article VII - Terrorism

- A. Any loss reimbursement the Company receives from the United States Government under the Terrorism Risk Insurance Act of 2002 (the "Terrorism Act") as a result of a Loss Occurrence commencing during the term of this Contract shall inure to the benefit of this Contract in the proportion that the Company's insured losses (as defined in the Terrorism Act) in that Loss Occurrence under policies reinsured under this Contract bear to the Company's total insured losses in that Loss Occurrence.
- B. If a loss reimbursement received by the Company under the Terrorism Act is based on the Company's insured losses in more than one Loss Occurrence and the United States Government does not designate the amount allocable to each Loss Occurrence, the reimbursement shall be prorated in the proportion that the Company's insured losses in

each Loss Occurrence bear to the Company's total insured losses arising out of all Loss Occurrences to which the recovery applies.

Article VIII - Retention and Limit

- A. The Company shall cede to the Reinsurer and the Reinsurer agrees to accept 50% of the Company's Net Liability under Policies in force at the effective date hereof or issued or renewed during the Contract Year. Further The Company shall cede to the Reinsurer 50% of the Net Unearned Premium Reserves at inception of this Agreement and 50% of the Net Written Premium on all Policies subject to this Contract.
- B. The liability of the Reinsurer for loss and Loss Adjustment Expense for the Contract Year arising out of all Shock Losses shall not exceed 25.0% of ceded Net Earned Premium actually received by the Reinsurer for the Contract Year.
- C. The liability of the Reinsurer for any Loss Adjustment Expense for the Contract Year shall not exceed 10.0% of ceded Net Earned Premium actually received by the Reinsurer for the Contract Year.
- D. The liability of the Reinsurer from Mold related losses for the Contract Year shall not exceed 5.0% of ceded Net Earned Premium actually received by the Reinsurer for the Contract Year.
- E. The total liability of the Reinsurer for loss and Loss Adjustment Expense for the Contract Year shall not exceed 120.0% of ceded Net Earned Premium actually received by the Reinsurer for the Contract Year.
- F. It is understood and agreed that in no event shall the Company's gross written premium from policies during any one Contract Year exceed \$400,000,000. However, in the event the foregoing gross written premium limit is exceeded, the Reinsurer shall remain liable for all policies that would have otherwise been ceded hereunder were it not for such net written premium limit, but only for policies issued or renewed through and including the month when the net written premium limit was exceeded. The Reinsurer shall have no liability for policies issued or renewed at or after 12:01 a.m., on the first day of the month subsequent to the month when the net written premium limit was exceeded.

Article IX - Loss in Excess of Policy Limits/Extra Contractual Obligations

- A. In the event the Company pays or is held liable to pay an amount of loss in excess of its Policy limit, but otherwise within the terms of its Policy (hereinafter called "Loss in Excess of Policy Limits") or any punitive, exemplary, compensatory or consequential damages, other than Loss in Excess of Policy Limits (hereinafter called "Extra Contractual Obligations") because of alleged or actual bad faith, negligence on its part in rejecting an offer or settlement within Policy limits, or in preparation of the defense or in the trial of an action against its insured or reinsured or in preparation or prosecution of an appeal consequent upon such an action, or in otherwise handling a claim under a Policy subject to this Contract, 90.0% of the Loss in Excess of Policy Limits and/or 90.0% of the Extra

Contractual Obligations shall be added to the Company's loss, if any, under the Policy involved.

- B. A Loss in Excess of Policy Limits and/or an Extra Contractual Obligation shall be deemed to have occurred on the same date as the loss covered or alleged to be covered under the Policy.
- C. Notwithstanding anything stated herein, this Contract shall not apply to any Loss in Excess of Policy Limits or any Extra Contractual Obligation incurred by the Company as a result of any fraudulent and/or criminal act by any officer or director of the Company acting individually or collectively or in collusion with any individual or corporation or any other organization or party involved in the presentation, defense or settlement of any claim covered hereunder.
- D. Recoveries from any form of insurance or reinsurance which protects the Company against claims the subject matter of this Article shall inure to the benefit of this Contract.
- E. If any provision of this Article shall be rendered illegal or unenforceable by the laws, regulations or public policy of any state, such provision shall be considered void in such state, but this shall not affect the validity or enforceability of any other provision of this Contract or the enforceability of such provision in any other jurisdiction.
- F. Savings Clause (Applicable only to a Subscribing Reinsurer who is domiciled in the State of New York): In no event shall coverage be provided to the extent that such coverage is not permitted under New York law.

Article X - Losses and Loss Adjustment Expense

- A. Losses shall be reported by the Company in summary form as provided in Article XII, but the Company shall notify the Reinsurer immediately when, in the sole judgment of the Company, a specific case involves unusual circumstances or large loss possibilities. The Reinsurer shall have the right to participate, at its own expense, in the adjustment of any such losses.
- B. All loss settlements made by the Company, whether under strict Policy conditions or by way of compromise (excluding any Ex-Gratia payments), shall be binding upon the Reinsurer, and the Reinsurer agrees to pay or allow, as the case may be, its proportion of each such settlement in accordance with Article XII.
- C. In the event of a claim under a Policy subject hereto, the Reinsurer shall be liable for its proportionate share of Loss Adjustment Expense incurred by the Company in connection therewith, and shall be credited with its proportionate share of any recoveries of such expense.
- D. If the ceded loss from any event that is recognized by the Property Claims Services (PCS) and identified by a PCS catastrophe number exceeds \$2,500,000, the Reinsurer shall pay the ceded loss (i.e., "cash call") within 15 days after the Reinsurer has received evidence of the amount paid by the Company.

Article XI - Ceding Commission

- A. The Reinsurer shall allow the Company a 37.0% provisional commission on all premiums ceded to the Reinsurer. The Company shall allow the Reinsurer return commission on return premiums at the same rate.
- B. The provisional commission allowed the Company shall be adjusted periodically in accordance with the provisions set forth herein.
- C. The adjusted commission rate shall be calculated as follows:
 - 1. If the Ceded Loss and Loss Adjustment Expense Ratio is 62.0% or greater, the adjusted commission rate for the Contract Year shall be 30.0%.
 - 2. If the Ceded Loss and Loss Adjustment Expense Ratio is less than 62.0%, but not less than 30.0%, the adjusted commission rate for the Contract Year shall be 30.0%, plus 100% of the absolute value of the difference in percentage points between 62.0% and the ceded loss and Loss Adjustment Expense Ratio.
 - 3. If the Ceded Loss and Loss Adjustment Expense Ratio is 30.0% or less, the adjusted commission rate for the Contract Year shall be 62.0%.
 - 4. Notwithstanding the provisions of subparagraphs (1), (2) and (3) above, if the effective date of calculation of the adjusted commission rate is within 18 months of the end of the Contract Year then the adjusted commission rate for the Contract Year shall not exceed 37.0%.
- D. Within 60 days after the end of the Contract Year, the Company shall calculate and report the adjusted commission for the Contract Year. If the adjusted commission is less than commissions previously allowed by the Reinsurer (Provisional Commission), the Company shall remit the difference to the Reinsurer with its report.
- E. The adjusted commission shall be recalculated within 60 days of the end of each subsequent Contract Quarter after the end of the Contract Year until all losses subject hereto have been settled. Any balance shown to be due either party as a result of any such recalculation shall be remitted by the other party within 30 days after receipt and verification of the Company's report.
- F. Notwithstanding the provisions of paragraph E above, if 18 months after the end of the Contract Year the adjusted commission is greater than the commissions previously allowed by the Reinsurer, the Reinsurer shall remit the difference to the Company within 30 days after receipt and verification of the Company's report. Upon such adjustment, the Company shall advise the Reinsurer of any outstanding losses arising during the Contract, which has not been finally settled and which may cause a recovery under this Contract and, unless mutually agreed otherwise, release the Reinsurer from all liabilities that attach hereunder for any losses not reported to the Reinsurer within 18 months after the end of the Contract Year.

Article XII - Reports and Remittances

- A. At inception or upon execution, whichever is later, of this Contract, the Company shall report to the Reinsurer the ceded unearned premium (net of inuring reinsurance as set forth in Article VI) with respect to business in force as of the effective date of the Contract. The Company shall remit payment of this amount, less Ceding Commission, with the report.
- B. Within 20 days after the end of each month, the Company shall report to the Reinsurer:
 - 1. Ceded Net Written Premium for the month;
 - 2. Provisional commission thereon;
 - 3. Ceded Net Earned Premium for the month;
 - 4. Ceded losses paid during the month, segregated by losses assigned a catastrophe number by PCS (net of any recoveries during the month under the "cash call" provisions of Article X), Loss Adjustment Expense, Shock Losses, Mold losses and all other losses; and
 - 5. Ceded unearned premiums and case outstanding reserves for ceded losses as of the end of the month.
- C. The positive balance of (B1) less (B2) less (B4) shall be remitted by the Company with its report. Any balance shown to be due the Company shall be remitted by the Reinsurer within 15 days after receipt and verification of the Company's report.
- D. The Company shall furnish the Reinsurer with such information as the Reinsurer may require to complete its Annual Convention Statement.
- E. Reports shall follow the format shown in Schedule A attached to this contract.

Article XIII - Salvage and Subrogation

The Reinsurer shall be credited with its proportionate share of salvage (i.e., reimbursement obtained or recovery made by the Company, less the actual cost, excluding salaries of officials and employees of the Company and sums paid to attorneys as retainer, of obtaining such reimbursement or making such recovery) on account of claims and settlements involving reinsurance hereunder. The Company hereby agrees to enforce its rights to salvage or subrogation relating to any loss, a part of which loss was sustained by the Reinsurer, and to prosecute all claims arising out of such rights.

Article XIV - Original Conditions

- A. All reinsurance under this Contract shall be subject to the same rates, terms, conditions, waivers and interpretations and to the same modifications and alterations as the respective Policies of the Company. However, in no event shall this be construed in any way to

provide coverage outside the terms and conditions set forth in this Contract. The Reinsurer shall be credited with its exact proportion of the original premiums received by the Company, prior to disbursement of any dividends, but after deduction of premiums, if any, ceded by the Company for inuring reinsurance.

- B. Nothing herein shall in any manner create any obligations or establish any rights against the Reinsurer in favor of any third party or any persons not parties to this Contract.
- C. The Company has not relied on the Reinsurer for accounting, legal or tax advice pertaining to this Contract.

Article XV - Late Payments

- A. The provisions of this Article shall not be implemented unless specifically invoked, in writing, by one of the parties to this Contract.
- B. In the event any premium, loss or other payment due either party is not received by the intermediary named in the Article XXX (hereinafter referred to as the "Intermediary") by the payment due date, the party to whom payment is due may, by notifying the Intermediary in writing, require the debtor party to pay, and the debtor party agrees to pay, an interest penalty on the amount past due calculated for each such payment on the last business day of each month as follows:
 - 1. The number of full days which have expired since the due date or the last monthly calculation, whichever the lesser; times
 - 2. 1/365ths of the six-month United States Treasury Bill rate as quoted in *The Wall Street Journal* on the first business day of the month for which the calculation is made; times
 - 3. The amount past due, including accrued interest.

It is agreed that interest shall accumulate until payment of the original amount due plus interest penalties have been received by the Intermediary.

- C. The establishment of the due date shall, for purposes of this Article, be determined as follows:
 - 1. As respects any routine payment, adjustment or return due either party, the due date shall be as provided for in the applicable section of this Contract. In the event a due date is not specifically stated for a given payment, it shall be deemed due 45 business days after the date of transmittal by the Intermediary of the initial billing for each such payment.
 - 2. As respects any payment, adjustment or return due either party not otherwise provided for in subparagraph 1 of this paragraph, the due date shall be deemed as 45 business days following transmittal of written notification that the provisions of this Article have been invoked.

For purposes of interest calculations only, amounts due hereunder shall be deemed paid upon receipt by the Intermediary.

- D. Nothing herein shall be construed as limiting or prohibiting a Subscribing Reinsurer from contesting the validity of any claim, or from participating in the defense of any claim or suit, or prohibiting either party from contesting the validity of any payment or from initiating any arbitration or other proceeding in accordance with the provisions of this Contract. If the debtor party prevails in an arbitration or other proceeding, then any interest penalties due hereunder on the amount in dispute shall be null and void. If the debtor party loses in such proceeding, then the interest penalty on the amount determined to be due hereunder shall be calculated in accordance with the provisions set forth above unless otherwise determined by such proceedings. If a debtor party advances payment of any amount it is contesting, and proves to be correct in its contestation, either in whole or in part, the other party shall reimburse the debtor party for any such excess payment made plus interest on the excess amount calculated in accordance with this Article.
- E. Interest penalties arising out of the application of this Article that are \$100 or less from any party shall be waived unless there is a pattern of late payments consisting of three or more items over the course of any 12-month period.

Article XVI - Offset (BRMA 36C)

The Company and the Reinsurer shall have the right to offset any balance or amounts due from one party to the other under the terms of this Contract. The party asserting the right of offset may exercise such right any time whether the balances due are on account of premiums or losses or otherwise.

Article XVII - Access to Records

The Reinsurer or its designated representatives shall have access at any reasonable time to all records of the Company which pertain in any way to this reinsurance. The Reinsurer shall be able to inspect and copy any pertinent records and shall be responsible for all such related expenses.

Article XVIII - Errors and Omissions (BRMA 14F)

Inadvertent delays, errors or omissions made in connection with this Contract or any transaction hereunder shall not relieve either party from any liability which would have attached had such delay, error or omission not occurred, provided always that such error or omission is rectified as soon as possible after discovery.

Article XIX - Taxes (BRMA 50B)

In consideration of the terms under which this Contract is issued, the Company will not claim a deduction in respect of the premium hereon when making tax returns, other than income or

profits tax returns, to any state or territory of the United States of America or the District of Columbia.

Article XX - Funding Requirements

- A. The Reinsurer agrees to fund its share of the Company's ceded unearned premium, outstanding loss and Loss Adjustment Expense reserves (including incurred but not reported loss reserves) by:

1. Clean, irrevocable and unconditional letters of credit issued or confirmed by a bank or banks meeting the NAIC Securities Valuation Office credit standards for issuers of letters of credit and acceptable to the Company; and/or
2. Escrow accounts for the benefit of the Company; and/or
3. Cash advances;

only if the Reinsurer is unauthorized in any state of the United States of America or the District of Columbia having jurisdiction over the Company and if, without such funding, a penalty would accrue to the Company on any financial statement it is required to file with the insurance regulatory authorities involved.

The Reinsurer, at its sole option, may fund in other than cash if its method and form of funding are acceptable to the Company and to the insurance regulatory authorities involved. For the purposes of this Contract the Lloyd's United States Credit for Reinsurance Trust Fund shall be considered an acceptable funding instrument.

- B. With regard to funding in whole or in part by letters of credit, it is agreed that each letter of credit will be in a form acceptable to insurance regulatory authorities involved, will be issued for a term of at least one year and will include an "evergreen clause," which automatically extends the term for at least one additional year at each expiration date unless written Notice of non-renewal is given to the Company not less than 30 days prior to said expiration date. The Company and the Reinsurer further agree, notwithstanding anything to the contrary in this Contract, that said letters of credit may be drawn upon by the Company or its successors in interest at any time, without diminution because of the insolvency of the Company or the Reinsurer, but only for one or more of the following purposes:

1. To reimburse itself for the Reinsurer's share of unearned premiums returned to insureds on account of Policy cancellations, unless paid in cash by the Reinsurer;
2. To reimburse itself for the Reinsurer's share of losses and/or Loss Adjustment Expense paid under the terms of Policies reinsured hereunder, unless paid in cash by the Reinsurer;
3. To reimburse itself for the Reinsurer's share of any other amounts claimed to be due hereunder, unless paid in cash by the Reinsurer;
4. To fund a cash account in an amount equal to the Reinsurer's share of any ceded unearned premium, outstanding loss and Loss Adjustment Expense reserves

(including incurred but not reported loss reserves) funded by means of a letter of credit which is under non-renewal Notice, if said letter of credit has not been renewed or replaced by the Reinsurer 10 days prior to its expiration date;

5. To refund to the Reinsurer any sum in excess of the actual amount required to fund the Reinsurer's share of the Company's ceded outstanding loss and Loss Adjustment Expense reserves (including incurred but not reported loss reserves), if so requested by the Reinsurer.

In the event the amount drawn by the Company on any letter of credit is in excess of the actual amount required for B(1), B(2) or B(4), or in the case of B(3), the actual amount determined to be due, the Company shall promptly return to the Reinsurer the excess amount so drawn.

Article XXI - Insolvency

- A. In the event of the insolvency of one or more of the reinsured companies, this reinsurance shall be payable directly to the company or to its liquidator, receiver, conservator or statutory successor on the basis of the liability of the company without diminution because of the insolvency of the company or because the liquidator, receiver, conservator or statutory successor of the company has failed to pay all or a portion of any claim. It is agreed, however, that the liquidator, receiver, conservator or statutory successor of the company shall give written Notice to the Reinsurer of the pendency of a claim against the company indicating the Policy or bond reinsured which claim would involve a possible liability on the part of the Reinsurer within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim, the Reinsurer may investigate such claim and interpose, at its own expense, in the proceeding where such claim is to be adjudicated, any defense or defenses that it may deem available to the company or its liquidator, receiver, conservator or statutory successor. The expense thus incurred by the Reinsurer shall be chargeable, subject to the approval of the Court, against the company as part of the expense of conservation or liquidation to the extent of a pro rata share of the benefit which may accrue to the company solely as a result of the defense undertaken by the Reinsurer.
- B. Where two or more reinsurers are involved in the same claim and a majority in interest elect to interpose defense to such claim, the expense shall be apportioned in accordance with the terms of this Contract as though such expense had been incurred by the company.
- C. It is further understood and agreed that, in the event of the insolvency of one or more of the reinsured companies, the reinsurance under this Contract shall be payable directly by the Reinsurer to the company or to its liquidator, receiver or statutory successor, except as provided by Section 4118(a) of the New York Insurance Law or except (1) where this Contract specifically provides another payee of such reinsurance in the event of the insolvency of the company or (2) where the Reinsurer with the consent of the direct insured or insureds has assumed such Policy obligations of the company as direct obligations of the Reinsurer to the payees under such policies and in substitution for the obligations of the company to such payees.

Article XXII - Arbitration

- A. As a condition precedent to any right of action hereunder, in the event of any dispute or difference of opinion hereafter arising with respect to this Contract, it is hereby mutually agreed that such dispute or difference of opinion shall be submitted to arbitration. One Arbiter shall be chosen by the Company, the other by the Reinsurer, and an Umpire shall be chosen by the two Arbiters before they enter upon arbitration, all of whom shall be active or retired disinterested executive officers of insurance or reinsurance companies or Lloyd's London Underwriters. In the event that either party should fail to choose an Arbiter within 30 days following a written request by the other party to do so, the requesting party may choose two Arbiters who shall in turn choose an Umpire before entering upon arbitration. If the two Arbiters fail to agree upon the selection of an Umpire within 30 days following their appointment, each Arbiter shall nominate three candidates within 10 days thereafter, two of whom the other shall decline, and the decision shall be made by drawing lots.
- B. Each party shall present its case to the Arbiters within 30 days following the date of appointment of the Umpire. The Arbiters shall consider this Contract as an honorable engagement rather than merely as a legal obligation and they are relieved of all judicial formalities and may abstain from following the strict rules of law. The decision of the Arbiters shall be final and binding on both parties; but failing to agree, they shall call in the Umpire and the decision of the majority shall be final and binding upon both parties. Judgment upon the final decision of the Arbiters may be entered in any court of competent jurisdiction.
- C. If more than one reinsurer is involved in the same dispute, all such reinsurers shall constitute and act as one party for purposes of this Article and communications shall be made by the Company to each of the reinsurers constituting one party, provided, however, that nothing herein shall impair the rights of such reinsurers to assert several, rather than joint, defenses or claims, nor be construed as changing the liability of the reinsurers participating under the terms of this Contract from several to joint.
- D. Each party shall bear the expense of its own Arbiter, and shall jointly and equally bear with the other the expense of the Umpire and of the arbitration. In the event that the two Arbiters are chosen by one party, as above provided, the expense of the Arbiters, the Umpire and the arbitration shall be equally divided between the two parties.
- E. Any arbitration proceedings shall take place at a location mutually agreed upon by the parties to this Contract, but notwithstanding the location of the arbitration, all proceedings pursuant hereto shall be governed by the law of the State of Illinois.

Article XXIII - Service of Suit (BRMA 49C)

(Applicable if the Reinsurer is not domiciled in the United States of America, and/or is not authorized in any State, Territory or District of the United States where authorization is required by insurance regulatory authorities)

- A. It is agreed that in the event the Reinsurer fails to pay any amount claimed to be due hereunder, the Reinsurer, at the request of the Company, will submit to the jurisdiction of a

court of competent jurisdiction within the United States. Nothing in this Article constitutes or should be understood to constitute a waiver of the Reinsurer's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States.

- B. Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefor, the Reinsurer hereby designates the party named in its Interests and Liabilities Agreement, or if no party is named therein, the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Company or any beneficiary hereunder arising out of this Contract.

Article XXIV - Governing Law

This Contract shall be governed by and construed in accordance with the laws of the State of Illinois.

Article XXV - Federal Excise Tax

- A. The Reinsurer has agreed to allow for the purpose of paying the Federal Excise Tax the applicable percentage of the premium payable hereon (as imposed under Section 4371 of the Internal Revenue Code) to the extent such premium is subject to the Federal Excise Tax.
- B. In the event of any return of premium becoming due hereunder the Reinsurer will deduct the applicable percentage from the return premium payable hereon and the Company or its agent should take steps to recover the tax from the United States Government.

Article XXVI - Confidentiality (BRMA 69E)

The parties acknowledge there may be portions of this Contract, the treaty prospectus or the marketing package that may contain confidential, proprietary information of the Company. The Reinsurer shall maintain the confidentiality of such information concerning the Company or its business and shall not disclose it to any third person without prior written approval; provided, however, that the Reinsurer may be required and is permitted under this Contract to disclose such information in answers to interrogatories, subpoenas or other legal/arbitration processes as well as to the Company's intermediaries, to the Reinsurer's retrocessionaires, and applicable intermediaries, or in response to requests by governmental and regulatory agencies. In addition, the Reinsurer may disclose such information to its accountants and to its outside legal counsel as may be necessary.

Article XXVII - Currency (BRMA 12A)

- A. Whenever the word "Dollars" or the "\$" sign appears in this Contract, they shall be construed to mean United States Dollars and all transactions under this Contract shall be in United States Dollars.
- B. Amounts paid or received by the Company in any other currency shall be converted to United States Dollars at the rate of exchange at the date such transaction is entered on the books of the Company.

Article XXVIII - Agency Agreement / Combined Results

Vesta Fire Insurance Corporation shall be the agent for the Company for purposes of sending or receiving Notices required by the terms and conditions of this Contract, and for purposes of remitting or receiving any monies due any party. All calculations, including but not limited to commission adjustment and limit of liability shall be on the combined sum of all named companies in this Contract that are included as the Company.

Article XXIV - Entire Agreement

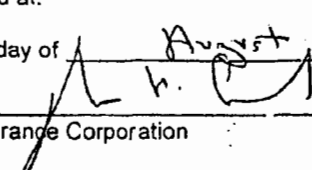
This Contract supersedes all prior discussions and agreements between the parties with respect to the subject matter of this Contract. This Contract, including the schedules attached hereto (if any), contains the sole and entire Contract between the parties with respect to the subject matter hereof. Any and all changes to this Contract will not be valid unless and until they are submitted in writing and are properly executed by all parties.

Article XXX - Intermediary (BRMA 23A)

Benfield Inc. is hereby recognized as the Intermediary negotiating this Contract for all business hereunder. All communications (including but not limited to notices, statements, premium, return premium, commissions, taxes, losses, Loss Adjustment Expense, salvages and loss settlements) relating thereto shall be transmitted to the Company or the Reinsurer through Benfield Inc. Payments by the Company to the Intermediary shall be deemed to constitute payment to the Reinsurer. Payments by the Reinsurer to the Intermediary shall be deemed to constitute payment to the Company only to the extent that such payments are actually received by the Company.

In Witness Whereof, the Company by its duly authorized representative has executed this Contract as of the date undermentioned at:

Birmingham, Alabama, this 15th day of August in the year 2005.



Vesta Fire Insurance Corporation

U.S.A.

NUCLEAR INCIDENT EXCLUSION CLAUSE - PHYSICAL DAMAGE - REINSURANCE

1. This Reinsurance does not cover any loss or liability accruing to the Reassured, directly or indirectly and whether as Insurer or Reinsurer, from any Pool of Insurers or Reinsurers formed for the purpose of covering Atomic or Nuclear Energy risks.

2. Without in any way restricting the operation of paragraph (1) of this Clause, this Reinsurance does not cover any loss or liability accruing to the Reassured, directly or indirectly and whether as Insurer or Reinsurer, from any insurance against Physical Damage (including business interruption or consequential loss arising out of such Physical Damage) to:

- I. Nuclear reactor power plants including all auxiliary property on the site, or
- II. Any other nuclear reactor installation, including laboratories handling radioactive materials in connection with reactor installations, and "critical facilities" as such, or
- III. Installations for fabricating complete fuel elements or for processing substantial quantities of "special nuclear material," and for reprocessing, salvaging, chemically separating, storing or disposing of "spent" nuclear fuel or waste materials, or
- IV. Installations other than those listed in paragraph (2) III above using substantial quantities of radioactive isotopes or other products of nuclear fission.

3. Without in any way restricting the operations of paragraphs (1) and (2) hereof, this Reinsurance does not cover any loss or liability by radioactive contamination accruing to the Reassured, directly or indirectly, and whether as Insurer or Reinsurer, from any insurance on property which is on the same site as a nuclear reactor power plant or other nuclear installation and which normally would be insured therewith except that this paragraph (3) shall not operate

- (a) where Reassured does not have knowledge of such nuclear reactor power plant or nuclear installation, or
- (b) where said insurance contains a provision excluding coverage for damage to property caused by or resulting from radioactive contamination, however caused. However on and after 1st January 1960 this sub-paragraph (b) shall only apply provided the said radioactive contamination exclusion provision has been approved by the Governmental Authority having jurisdiction thereof.

4. Without in any way restricting the operations of paragraphs (1), (2) and (3) hereof, this Reinsurance does not cover any loss or liability by radioactive contamination accruing to the Reassured, directly or indirectly, and whether as Insurer or Reinsurer, when such radioactive contamination is a named hazard specifically insured against.

5. It is understood and agreed that this Clause shall not extend to risks using radioactive isotopes in any form where the nuclear exposure is not considered by the Reassured to be the primary hazard.

6. The term "special nuclear material" shall have the meaning given it in the Atomic Energy Act of 1954 or by any law amendatory thereof.

7. Reassured to be sole judge of what constitutes:

- (a) substantial quantities, and
- (b) the extent of installation, plant or site.

Note. Without in any way restricting the operation of paragraph (1) hereof, it is understood and agreed that

- (a) all policies issued by the Reassured on or before 31st December 1957 shall be free from the application of the other provisions of this Clause until expiry date or 31st December 1960 whichever first occurs whereupon all the provisions of this Clause shall apply.

U.S.A.

NUCLEAR INCIDENT EXCLUSION CLAUSE - PHYSICAL DAMAGE - REINSURANCE

1. This Reinsurance does not cover any loss or liability accruing to the Reassured, directly or indirectly and whether as Insurer or Reinsurer, from any Pool of Insurers or Reinsurers formed for the purpose of covering Atomic or Nuclear Energy risks.

2. Without in any way restricting the operation of paragraph (1) of this Clause, this Reinsurance does not cover any loss or liability accruing to the Reassured, directly or indirectly and whether as Insurer or Reinsurer, from any insurance against Physical Damage (including business interruption or consequential loss arising out of such Physical Damage) to:

- I. Nuclear reactor power plants including all auxiliary property on the site, or
- II. Any other nuclear reactor installation, including laboratories handling radioactive materials in connection with reactor installations, and "critical facilities" as such, or
- III. Installations for fabricating complete fuel elements or for processing substantial quantities of "special nuclear material," and for reprocessing, salvaging, chemically separating, storing or disposing of "spent" nuclear fuel or waste materials, or
- IV. Installations other than those listed in paragraph (2) III above using substantial quantities of radioactive isotopes or other products of nuclear fission.

3. Without in any way restricting the operations of paragraphs (1) and (2) hereof, this Reinsurance does not cover any loss or liability by radioactive contamination accruing to the Reassured, directly or indirectly, and whether as Insurer or Reinsurer, from any insurance on property which is on the same site as a nuclear reactor power plant or other nuclear installation and which normally would be insured therewith except that this paragraph (3) shall not operate

- (a) where Reassured does not have knowledge of such nuclear reactor power plant or nuclear installation, or
- (b) where said insurance contains a provision excluding coverage for damage to property caused by or resulting from radioactive contamination, however caused. However on and after 1st January 1960 this sub-paragraph (b) shall only apply provided the said radioactive contamination exclusion provision has been approved by the Governmental Authority having jurisdiction thereof.

4. Without in any way restricting the operations of paragraphs (1), (2) and (3) hereof, this Reinsurance does not cover any loss or liability by radioactive contamination accruing to the Reassured, directly or indirectly, and whether as Insurer or Reinsurer, when such radioactive contamination is a named hazard specifically insured against.

5. It is understood and agreed that this Clause shall not extend to risks using radioactive isotopes in any form where the nuclear exposure is not considered by the Reassured to be the primary hazard.

6. The term "special nuclear material" shall have the meaning given it in the Atomic Energy Act of 1954 or by any law amendatory thereof.

7. Reassured to be sole judge of what constitutes:

- (a) substantial quantities, and
- (b) the extent of installation, plant or site.

Note. Without in any way restricting the operation of paragraph (1) hereof, it is understood and agreed that

- (a) all policies issued by the Reassured on or before 31st December 1957 shall be free from the application of the other provisions of this Clause until expiry date or 31st December 1960 whichever first occurs whereupon all the provisions of this Clause shall apply.

- (b) with respect to any risk located in Canada policies issued by the Reassured on or before 31st December 1958 shall be free from the application of the other provisions of this Clause until expiry date or 31st December 1960 whichever first occurs whereupon all the provisions of this Clause shall apply.

12/12/57
N.M.A. 1119
BRMA 35B

U.S.A.

NUCLEAR INCIDENT EXCLUSION CLAUSE - LIABILITY - REINSURANCE
(Approved by Lloyd's Underwriters' Fire and Non-Marine Association)

(1) This reinsurance does not cover any loss or liability accruing to the Reassured as a member of, or subscriber to, any association of insurers or reinsurers formed for the purpose of covering nuclear energy risks or as a direct or indirect reinsurer of any such member, subscriber or association.

(2) Without in any way restricting the operation of paragraph (1) of this Clause it is understood and agreed that for all purposes of this reinsurance all the original policies of the Reassured (new, renewal and replacement) of the classes specified in Clause II of this paragraph (2) from the time specified in Clause III in this paragraph (2) shall be deemed to include the following provision (specified as the Limited Exclusion Provision):

Limited Exclusion Provision.*

- I. It is agreed that the policy does not apply under any liability coverage,
to *(injury, sickness, disease, death or destruction* with respect to which an insured under the
(bodily injury or property damage
policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability.
 - II. Family Automobile Policies (liability only), Special Automobile Policies (private passenger automobiles, liability only), Farmers Comprehensive Personal Liability Policies (liability only), Comprehensive Personal Liability Policies (liability only) or policies of a similar nature; and the liability portion of combination forms related to the four classes of policies stated above, such as the Comprehensive Dwelling Policy and the applicable types of Homeowners Policies.
 - III. The inception dates and thereafter of all original policies as described in II above, whether new, renewal or replacement, being policies which either
 - (a) become effective on or after 1st May, 1960, or
 - (b) become effective before that date and contain the Limited Exclusion Provision set out above;provided this paragraph (2) shall not be applicable to Family Automobile Policies, Special Automobile Policies, or policies or combination policies of a similar nature, issued by the Reassured on New York risks, until 90 days following approval of the Limited Exclusion Provision by the Governmental Authority having jurisdiction thereof.
- (3) Except for those classes of policies specified in Clause II of paragraph (2) and without in any way restricting the operation of paragraph (1) of this Clause, it is understood and agreed that for all purposes of this reinsurance the original liability policies of the Reassured (new, renewal and replacement) affording the following coverages:

Owners, Landlords and Tenants Liability, Contractual Liability, Elevator Liability, Owners or Contractors (including railroad) Protective Liability, Manufacturers and Contractors Liability, Product Liability, Professional and Malpractice Liability, Storekeepers Liability, Garage Liability, Automobile Liability (including Massachusetts Motor Vehicle or Garage Liability)

shall be deemed to include, with respect to such coverages, from the time specified in Clause V of this paragraph (3), the following provision (specified as the Broad Exclusion Provision):

Broad Exclusion Provision.*

It is agreed that the policy does not apply:

- I. Under any Liability Coverage to *(injury, sickness, disease, death or destruction*
(bodily injury or property damage
 - (a) with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
 - (b) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

- II. Under any Medical Payments Coverage, or under any Supplementary Payments Provision relating to *(immediate medical or surgical relief* to expenses incurred with respect *(first aid,* to *(bodily injury, sickness, disease or death* resulting from the hazardous properties of *(bodily injury* nuclear material and arising out of the operation of a nuclear facility by any person or organization.
- III. Under any Liability Coverage to *(injury, sickness, disease, death or destruction* resulting from the hazardous properties of nuclear material, if *(bodily injury or property damage*
- (a) the nuclear material (1) is at any nuclear facility owned by, or operated by or on behalf of, an insured or (2) has been discharged or dispersed therefrom;
 - (b) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or
 - (c) the *(injury, sickness, disease, death or destruction* arises out of the furnishing by an insured *(bodily injury or property damage* of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories, or possessions or Canada, this exclusion (c) applies only to *(injury to or destruction of property at such nuclear facility* *(property damage to such nuclear facility and any property thereat.*
- IV. As used in this endorsement:
- "hazardous properties" include radioactive, toxic or explosive properties; "nuclear material" means source material, special nuclear material or byproduct material; "source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor; "waste" means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof; "nuclear facility" means
- (a) any nuclear reactor,
 - (b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling processing or packaging waste,
 - (c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235,
 - (d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;
- () *With respect to injury to or destruction of property, the word "injury" or "destruction"*
 - () *"property damage" includes all forms of radioactive contamination of property.*
 - () *includes all forms of radioactive contamination of property.*
- V. The inception dates and thereafter of all original policies affording coverages specified in this paragraph (3), whether new, renewal or replacement, being policies which become effective on or after 1st May, 1960, provided this paragraph (3) shall not be applicable to
- (i) Garage and Automobile Policies issued by the Reassured on New York risks, or
 - (ii) statutory liability insurance required under Chapter 90, General Laws of Massachusetts, until 90 days following approval of the Broad Exclusion Provision by the Governmental Authority having jurisdiction thereof.
- (4) Without in any way restricting the operation of paragraph (1) of this Clause, it is understood and agreed that paragraphs (2) and (3) above are not applicable to original liability policies of the Reassured in Canada and that with respect to such policies this Clause shall be deemed to include the Nuclear Energy Liability Exclusion Provisions adopted by the Canadian Underwriters' Association of the Independent Insurance Conference of Canada.

*NOTE. The words printed in italics in the Limited Exclusion Provision and in the Broad Exclusion Provision shall apply only in relation to original liability policies which include a Limited Exclusion Provision or a Broad Exclusion Provision containing those words.

Monthly Reporting Requirements

- Premium
 - Unearned at 7/1/05
 - Written Beginning 7/1/05
 - Earned during treaty term
- Ceding Commission
 - Paid
 - Expected Final
- Loss & ALAE
 - Paid Loss
 - Paid ALAE
 - Outstanding Loss & ALAE
- IBNR Loss & ALAE
- Mold Loss & ALAE
- Shock Loss & ALAE

[illegible]

Interests and Liabilities Agreement

of

ACE Property & Casualty Insurance Company
Philadelphia, Pennsylvania

by

ACE Tempest Re USA, LLC

Stamford, Connecticut

(hereinafter referred to as the "Subscribing Reinsurer")

with respect to the

Net Quota Share

Reinsurance Contract

Effective: July 1, 2005

issued to and duly executed by

VESTA FIRE INSURANCE CORPORATION

SHELBY INSURANCE COMPANY

THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.

FLORIDA SELECT INSURANCE COMPANY

SHELBY CASUALTY INSURANCE COMPANY

VESTA INSURANCE CORPORATION

and

TEXAS SELECT LLOYDS INSURANCE COMPANY

and

any other insurance companies which are now or

hereafter come under the ownership, control or management of

Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

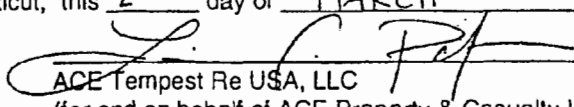
The *Subscribing Reinsurer* hereby accepts a 25.0% share in the interests and liabilities of the "Reinsurer" as set forth in the attached Contract captioned above.

This Agreement shall become effective at 12:01 a.m., Local Standard Time, at the subject loss location on July 1, 2005, and shall continue in force until June 30, 2006, both days inclusive, unless terminated earlier in accordance with the provisions of the attached Contract.

The *Subscribing Reinsurer's* share in the attached Contract shall be separate and apart from the shares of the other reinsurers, and shall not be joint with the shares of the other reinsurers, it being understood that the *Subscribing Reinsurer* shall in no event participate in the interests and liabilities of the other reinsurers.

In Witness Whereof, the *Subscribing Reinsurer* by its duly authorized representative has executed this Agreement as of the date undermentioned at:

Stamford, Connecticut, this 2ND day of MARCH in the year 2006.


ACE Tempest Re USA, LLC

(for and on behalf of ACE Property & Casualty Insurance Company)

Interests and Liabilities Agreement

of

Swiss Reinsurance America Corporation

Armonk, New York

through

Swiss Re Underwriters Agency, Inc.

Calabasas, California

(hereinafter referred to as the "Subscribing Reinsurer")

with respect to the

Net Quota Share Reinsurance Contract

Effective: July 1, 2005

issued to and duly executed by

Vesta Fire Insurance Corporation

Birmingham, Alabama

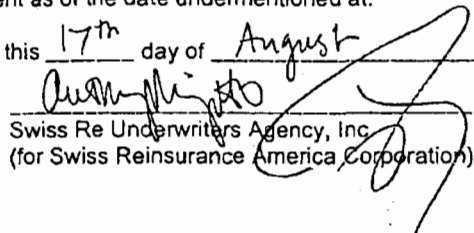
The *Subscribing Reinsurer* hereby accepts a 75.0% share in the interests and liabilities of the "Reinsurer" as set forth in the attached Contract captioned above.

This Agreement shall become effective on July 1, 2005, and shall continue in force until June 30, 2006, both days inclusive, unless earlier terminated in accordance with the provisions of the attached Contract.

The *Subscribing Reinsurer's* share in the attached Contract shall be separate and apart from the shares of the other reinsurers, and shall not be joint with the shares of the other reinsurers, it being understood that the *Subscribing Reinsurer* shall in no event participate in the interests and liabilities of the other reinsurers.

In Witness Whereof, the *Subscribing Reinsurer* by its duly authorized representative has executed this Agreement as of the date undermentioned at:

Calabasas, California, this 17th day of August in the year 2005.


Swiss Re Underwriters Agency, Inc.
(for Swiss Reinsurance America Corporation)

Addendum No. 1

to the

**Net Quota Share
Reinsurance Contract
Effective: July 1, 2005**

issued to the

VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION
and
TEXAS SELECT LLOYDS INSURANCE COMPANY
and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

It is Hereby Agreed, effective December 1, 2005, with respect to losses arising out of Loss Occurrences commencing on or after that date, that paragraph A of Article VIII - Retention and Limit - shall be deleted and the following substituted therefor:

"A. The Company shall cede to the Reinsurer and the Reinsurer agrees to accept 75.0% of the Company's Net Liability under Policies in force at the effective date hereof or issued or renewed during the Contract Year. Further, the Company shall cede to the Reinsurer 75.0% of the Net Unearned Premium Reserves at inception of this Agreement and 75.0% of the Net Written Premium on all Policies subject to this Contract."

The provisions of this Contract shall remain otherwise unchanged.

Addendum No. 1

to the

Interests and Liabilities Agreement

of

ACE Property & Casualty Insurance Company
Philadelphia, Pennsylvania

by

ACE Tempest Re USA, LLC
Stamford, Connecticut
(hereinafter referred to as the "Subscribing Reinsurer")

with respect to the

**Net Quota Share
Reinsurance Contract**
Effective: July 1, 2005

issued to and duly executed by

VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION

and

TEXAS SELECT LLOYDS INSURANCE COMPANY

and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

It Is Hereby Agreed that Addendum No. 1 to the Contract shall form part of the Contract,
effective December 1, 2005.

It Is Further Agreed that the *Subscribing Reinsurer's* share in the interests and liabilities of the
"Reinsurer" under the Contract shall be revised from 25.000% to 16.667%, effective

December 1, 2005, with respect to losses arising out of Loss Occurrences commencing on or after that date.

In Witness Whereof, the parties hereto by their duly authorized representatives have executed this Addendum as of the dates undermentioned at:

Birmingham, Alabama, this 4th day of January in the year 2006.

[Signature]
Vesta Fire Insurance Corporation (for and on behalf of the Company)

Stamford, Connecticut, this 2nd day of MARCH in the year _____.

[Signature]
ACE Tempest Re USA, LLC
(for and on behalf of ACE Property & Casualty Insurance Company)

Addendum No. 2

to the

Interests and Liabilities Agreement

of

Swiss Reinsurance America Corporation

Armonk, New York

through

Swiss Re Underwriters Agency, Inc.

Calabasas, California

(hereinafter referred to as the "Subscribing Reinsurer")

with respect to the

Net Quota Share

Reinsurance Contract

Effective: July 1, 2005

issued to and duly executed by

VESTA FIRE INSURANCE CORPORATION

SHELBY INSURANCE COMPANY

THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.

FLORIDA SELECT INSURANCE COMPANY

SHELBY CASUALTY INSURANCE COMPANY

VESTA INSURANCE CORPORATION

and

TEXAS SELECT LLOYDS INSURANCE COMPANY

and

any other insurance companies which are now or

hereafter come under the ownership, control or management of

Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

It is Hereby Agreed that Addendum No. 1 to the Contract shall form part of the Contract, effective December 1, 2005.

It is Further Agreed that the *Subscribing Reinsurer's* share in the interests and liabilities of the

"Reinsurer" under the Contract shall be revised from 75.0% to 50.0%, effective December 1, 2005, with respect to losses arising out of Loss Occurrences commencing on or after that date.

In Witness Whereof, the parties hereto by their duly authorized representatives have executed this Addendum as of the dates undermentioned at:

Birmingham, Alabama, this 4th day of January in the year 2006.

L N. C. A.
Vesta Fire Insurance Corporation (for and on behalf of the Company)

Calabasas, California, this 18 day of January in the year 2006.

Supacuo
Swiss Re Underwriters Agency, Inc.
(for Swiss Reinsurance America Corporation)

Interests and Liabilities Agreement

entered into by and between

VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION
and
TEXAS SELECT LLOYDS INSURANCE COMPANY
and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

and

E+S Reinsurance (Ireland) Limited
Dublin, Ireland
(hereinafter referred to as the "Subscribing Reinsurer")

It Is Hereby Agreed that the *Subscribing Reinsurer* shall have a 6.666% share in the interests and liabilities of the "Reinsurer" as set forth in the attached Contract entitled:

**Net Quota Share
Reinsurance Contract**
Effective: July 1, 2005
(as amended by Addendum No. 1)

It Is Further Agreed that this Agreement shall become effective on December 1, 2005, with respect to losses arising out of Loss Occurrences commencing on or after that date, and shall continue in force until June 30, 2006, both days inclusive, unless earlier terminated in accordance with the provisions of the attached Contract.

It Is Also Agreed that the *Subscribing Reinsurer's* share in the attached Contract shall be separate and apart from the shares of the other reinsurers, and shall not be joint with the shares of the other reinsurers, it being understood that the *Subscribing Reinsurer* shall in no event participate in the interests and liabilities of the other reinsurers.

It is Also Agreed that as respects the *Subscribing Reinsurer's* percentage share(s) in the attached Contract, the following shall apply:

1. In lieu of the provisions of paragraph A of Article I - Definitions - the following paragraph shall apply:

"A. 'Contract Year' as used herein shall mean the period from December 1, 2005 through June 30, 2006, both days inclusive. If this Contract is terminated prior to June 30, 2006, the Contract Year shall be from December 1, 2005 through the date of termination."

2. In lieu of the provisions of paragraph A of Article XII - Reports and Remittances - the following paragraph shall apply:

"A. On December 20, 2005, the Company shall report to the Reinsurer the ceded unearned premium (net of inuring reinsurance as set forth in Article VI) with respect to business in force on December 1, 2005. The Company shall remit payment of this amount, less Ceding Commission, by January 3, 2006."

3. In lieu of the Schedule A attached to and forming part of the attached Contract, the Schedule A attached to and forming part of this Agreement shall apply.

In Witness Whereof, the parties hereto by their respective duly authorized representatives have executed this Agreement as of the dates undermentioned at:

Birmingham, Alabama, this 4th day of January in the year 2006.

[Signature]
Vesta Fire Insurance Corporation (for and on behalf of the Company)

Dublin, Ireland, this 18th day of January in the year 2006.

[Signature]
E+S Reinsurance (Ireland) Limited

(IRELAND) LTD.

Interests and Liabilities Agreement

entered into by and between

VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION
and
TEXAS SELECT LLOYDS INSURANCE COMPANY
and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

and

Hannover Reinsurance (Ireland) Ltd.
Dublin, Ireland
(hereinafter referred to as the "Subscribing Reinsurer")

It Is Hereby Agreed that the *Subscribing Reinsurer* shall have a 26.667% share in the interests and liabilities of the "Reinsurer" as set forth in the attached Contract entitled:

Net Quota Share Reinsurance Contract Effective: July 1, 2005

It Is Further Agreed that this Agreement shall become effective on December 1, 2005, with respect to losses arising out of Loss Occurrences commencing on or after that date, and shall continue in force until June 30, 2006, both days inclusive, unless earlier terminated in accordance with the provisions of the attached Contract.

It Is Also Agreed that the *Subscribing Reinsurer's* share in the attached Contract shall be separate and apart from the shares of the other reinsurers, and shall not be joint with the shares of the other reinsurers, it being understood that the *Subscribing Reinsurer* shall in no event participate in the interests and liabilities of the other reinsurers.

It is Also Agreed that as respects the *Subscribing Reinsurer's* percentage share(s) in the attached Contract, the following shall apply:

1. In lieu of the provisions of paragraph A of Article I - Definitions - the following paragraph shall apply:

"A. 'Contract Year' as used herein shall mean the period from December 1, 2005 through June 30, 2006, both days inclusive. If this Contract is terminated prior to June 30, 2006, the Contract Year shall be from December 1, 2005 through the date of termination."

2. In lieu of the provisions of paragraph A of Article XII - Reports and Remittances - the following paragraph shall apply:

"A. On December 20, 2005, the Company shall report to the Reinsurer the ceded unearned premium (net of inuring reinsurance as set forth in Article VI) with respect to business in force on December 1, 2005. The Company shall remit payment of this amount, less Ceding Commission, by January 3, 2006."

3. In lieu of the Schedule A attached to and forming part of the attached Contract, the Schedule A attached to and forming part of this Agreement shall apply.

In Witness Whereof, the parties hereto by their respective duly authorized representatives have executed this Agreement as of the dates undermentioned at:

Birmingham, Alabama, this 4th day of January in the year 2006.

[Signature]
Vesta Fire Insurance Corporation (for and on behalf of the Company)

Dublin, Ireland, this 18th day of January in the year 2006.

[Signature] HRI
Hannover Reinsurance (Ireland) Ltd.

(Revised: December 1, 2005)

**Net Quota Share
Reinsurance Contract
Effective: July 1, 2005**

issued to

VESTA FIRE INSURANCE CORPORATION
SHELBY INSURANCE COMPANY
THE HAWAIIAN INSURANCE AND GUARANTY COMPANY, LTD.
FLORIDA SELECT INSURANCE COMPANY
SHELBY CASUALTY INSURANCE COMPANY
VESTA INSURANCE CORPORATION

and

TEXAS SELECT LLOYDS INSURANCE COMPANY

and

any other insurance companies which are now or
hereafter come under the ownership, control or management of
Vesta Fire Insurance Corporation and agreed to be included in advance by the Reinsurer

Reinsurers	Participations
ACE Tempest Re USA, LLC (for ACE Property & Casualty Insurance Company)	16.667%
E+S Reinsurance (Ireland) Ltd.	6.666
Hannover Reinsurance (Ireland) Ltd.	26.667
Swiss Re Underwriters Agency, Inc. (for Swiss Reinsurance America Corporation)	50.000
Total	100.000%

DATE RECEIVED: DEC 03 2007
(To Be Completed by SDR)

POC #526-1118

PROOF OF CLAIM

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

- ☒ VESTA FIRE INSURANCE CORPORATION IN RECEIVERSHIP
☐ SHELBY CASUALTY INSURANCE COMPANY IN RECEIVERSHIP
☐ THE SHELBY INSURANCE COMPANY IN RECEIVERSHIP
☐ TEXAS SELECT LLOYDS INSURANCE COMPANY IN RECEIVERSHIP
☐ SELECT INSURANCE SERVICES, INC. IN RECEIVERSHIP
(Collectively referred to as the "Vesta Receiverships")

PLEASE PRINT

Claimant's Name: Florida Select Insurance Company in Receivership

Street Address: P.O. Box 10280

Tallahassee Florida 32302-2280

City State Zip

Phone: (850) 413-4410 Fax: (850) 488-1510

E-Mail Address: mark.hamilton@fldfs.com DOB: n/a

Social Security No. or Tax ID No.: FEIN NO. 59-3390361

Provide us with the name, address and phone number of someone who will always know how to contact you:

Name: Mark S. Hamilton - Senior Attorney

P.O. Box 110 Tallahassee Florida 32301-0110

Address City State Zip

Phone Number: (850) 413-4410 E-Mail: mark.hamilton@fldfs.com

(If represented by an attorney, please complete this section)

Name of Attorney: Mark S. Hamilton, Senior Attorney

Name of Law Firm: FLDFS, Division of Rehabilitation & Liquidation

Attorney File No.: 2006-1669

Street Address: P.O. Box 110

Tallahassee Florida 32301-0110

City State Zip

E-Mail Address: mark.hamilton@fldfs.com

Phone: (850) 413-4410 Fax: (850) 488-1510

Tax ID No.: FL Bar No. 0063819

POLICY NO. _____

CLAIM NO. _____

Note: Attach a Copy of Power of Attorney

You must notify us of any change in the above addresses or phone numbers.

Claim is for (check the appropriate box below):

Claim Amount:

- ☐ Payments made or expenses incurred by a Guaranty Association in paying covered claims.....\$
☐ Claim, cost of defense, or expense under a policy of insurance not covered by a Guaranty Association\$
☐ Return of premium under a policy of insurance not covered by a Guaranty Association.....\$
☐ Unpaid pre-receivership policy costs such as fees to attorney or other professional services.....\$
☐ Unpaid fees for goods and services to vendors\$
☐ Unpaid commissions or invoices to agents or brokers.....\$
☐ Reinsurance (Facultative ☐ Assumed ☐ Ceded ☐ Premium ☐ ...check one).....\$
Broker: _____ Type of Business: _____ Underwriting Years: _____
☐ Insurance company claim for subrogation ☐ contributions ☐ indemnity ☐\$
☐ Amounts due a governmental entity (city ☐ county ☐ state ☐ Federal ☐).....\$
☒ Other claim.....\$ Unstated
TOTAL AMOUNT OF CLAIM (If the amount is unknown insert the word unstated).....\$ Unstated

Describe the nature of your claim: Direct contractual reinsurance balances and intercompany balances due from Vesta Fire Insurance Corporation. Although "unstated" at this time, the direct contractual balances due from Vesta Fire Insurance Corporation are believed to exceed \$5,000,000. Florida Select reserves its right to supplement this POC as may be appropriate. This POC is separate and distinct from pending claims arising from or related to funds deposited or to be deposited in the Escrow Account noted in the Stipulated Agreement presented by counsel for the Texas Receiver in its Application For Approval of Stipulated Agreement filed on November 18, 2007. By filing this POC, Florida Select is not waiving any rights, claims or defenses, or voluntarily submitting to subject matter jurisdiction by this Court on these matters.

Date of loss: Variable Residency at time of loss: Florida

If you have an assignment of benefits, provide assignors name and address below and attach copy of the assignment:
n/a

If you have assigned any part of your right of recovery, provide assignee's name and address below and attach copy of the assignment:
n/a

If you hold or exercise any control over any cash, securities, trust funds, letters of credit or other assets of the Vesta Receiverships provide description and location of asset: n/a

CERTIFIED MAIL
7001 2510 0006 1065 2099

Exhibit "B"

POC NO.: _____
(To Be Completed by SDR)

DATE RECEIVED: _____
(To Be Completed by SDR)

If you received any payments on your claim, provide the name of who paid you and the amount of payment:
n/a _____

Is there any other insurance available to cover your claim? Yes ☐ No ☒

If the Answer is "yes", what is the name of the insurance company? _____
Contact Person: _____ Phone No.: _____

NOTE: ATTACH DOCUMENTATION TO SUPPORT YOUR CLAIM

AFFIRMATION OF CLAIMANT

I, Patti Turpin affirm that I have read the foregoing Proof of Claim and understand the contents thereof, that this claim of \$ unstated against the Vesta Receiverships is justly owing to me, that I alone am entitled to file this claim, except as stated above, that there is no setoff to the claim thereto, except as stated above, that the matters set forth above and any accompanying statements and documents are true to my own knowledge, and that no payment of or on account of the aforesaid claim has been made, except as stated.

By signing this Proof of Claim form claimant understands that all or some of the information on this form will be used in approving the Proof of Claim and obtaining court approval. Claimant hereby authorizes the Vesta Receiverships, its affiliates or representatives or agents to disclose, discuss, and/or release, orally or in writing, information contained in this Proof of Claim form. Claimant agrees to cooperate in signing additional release forms, if any.

CLAIMANT UNDERSTANDS THAT BY FILING THIS CLAIM IN THE ESTATE OF THE INSURER CLAIMANT IS WAIVING ANY RIGHT TO PURSUE THE PERSONAL ASSETS OF THE INSURED TO THE EXTENT THAT THERE ARE POLICY LIMITS OR COVERAGE PROVIDED BY THE VESTA RECEIVERSHIPS

11/30/07

DATE SIGNED
Deputy Receiver

SIGNATURE OF PERSON MAKING CLAIM
Patti Turpin
PRINTED NAME

TITLE (IF APPLICABLE)

If someone other than the person making the claim has completed this form, please provide the following information:

Date: _____ Name: _____
Address: _____ Relationship to Claimant: _____

Phone Number _____

Signature of Person Completing the Form for the Claimant _____

IMPORTANT NOTICE

RETURN THE COMPLETED POC AND REQUESTED DOCUMENTATION TO:
VESTA RECEIVERSHIPS

P.O. Box 1133, DRIPPING SPRINGS, TEXAS 78620-1133

CONTACT NUMBER: 1-888-313-5685

www.sdrtpoc.com

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, Florida 32302-0110

CERTIFIED MAIL



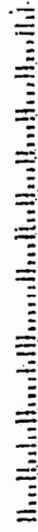
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02 1A \$05.21
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MAILED FROM ZIP CODE 32301

THE VESTA RECEIVERSHIPS
P.O. BOX 1133
Dripping Springs, Texas 78620-1133

78520+1133-33 E013



POC NO. [REDACTED]
(To Be Completed by SDR)

DATE RECEIVED: DEC 03 2007
(To Be Completed by SDR)

POC #527-1896

IM

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

- ☐ VESTA FIRE INSURANCE CORPORATION IN RECEIVERSHIP
☒ SHELBY CASUALTY INSURANCE COMPANY IN RECEIVERSHIP
☐ THE SHELBY INSURANCE COMPANY IN RECEIVERSHIP
☐ TEXAS SELECT LLOYDS INSURANCE COMPANY IN RECEIVERSHIP
☐ SELECT INSURANCE SERVICES, INC. IN RECEIVERSHIP
(Collectively referred to as the "Vesta Receiverships")

PLEASE PRINT

Claimant's Name: Florida Select Insurance Company In Receivership

Street Address: P.O. Box 10280

Tallahassee Florida 32302-2280

City State Zip

Phone: (850) 413-4410 Fax: (850) 488-1510

E-Mail Address: mark.hamilton@fldfs.com DOB: n/a

Social Security No. or Tax ID No.: FEIN NO. 59-3390361

Provide us with the name, address and phone number of someone who will always know how to contact you:

Name: Mark S. Hamilton - Senior Attorney

P.O. Box 110 Tallahassee Florida 32301-0110

Address City State Zip

Phone Number: (850) 413-4410 E-Mail: mark.hamilton@fldfs.com

(If represented by an attorney, please complete this section)

Name of Attorney: Mark S. Hamilton, Senior Attorney

Name of Law Firm: FLDFS, Division of Rehabilitation & Liquidation

Attorney File No.: 2006-1669

Street Address: P.O. Box 110

Tallahassee Florida 32301-0110

City State Zip

E-Mail Address: mark.hamilton@fldfs.com

Phone: (850) 413-4410 Fax: (850) 488-1510

Tax ID No.: FL Bar No. 0063819

POLICY NO. _____

CLAIM NO. _____

Note: Attach a Copy of Power of Attorney

You must notify us of any change in the above addresses or phone numbers.

Claim is for (check the appropriate box below):

Claim Amount:

- ☐ Payments made or expenses incurred by a Guaranty Association in paying covered claims.....\$
☐ Claim, cost of defense, or expense under a policy of insurance not covered by a Guaranty Association.....\$
☐ Return of premium under a policy of insurance not covered by a Guaranty Association.....\$
☐ Unpaid pre-receivership policy costs such as fees to attorney or other professional services.....\$
☐ Unpaid fees for goods and services to vendors.....\$
☐ Unpaid commissions or invoices to agents or brokers.....\$
☐ Reinsurance (Facultative ☐ Assumed ☐ Ceded ☐ Premium ☐ ...check one).....\$
Broker: _____ Type of Business: _____ Underwriting Years: _____
☐ Insurance company claim for subrogation ☐ contributions ☐ indemnity.....\$
☐ Amounts due a governmental entity (city ☐ county ☐ state ☐ Federal ☐).....\$
☒ Other claim.....\$ Unstated
TOTAL AMOUNT OF CLAIM (If the amount is unknown insert the word unstated).....\$ Unstated

Describe the nature of your claim: Intercompany balances due from Shelby Casualty Insurance Company. Florida Select reserves its right to supplement this POC as may be appropriate. This POC is separate and distinct from pending claims arising from or related to funds deposited or to be deposited in the Escrow

Account noted in the Stipulated Agreement presented by counsel for the Texas Receiver in its Application For Approval of Stipulated Agreement filed on November 19, 2007.

By filing this POC, Florida Select is not waiving any rights, claims or defenses, or voluntarily submitting to subject matter jurisdiction by this Court on those matters.

Date of loss: Variable Residency at time of loss: Florida

If you have an assignment of benefits, provide assignors name and address below and attach copy of the assignment:
n/a

If you have assigned any part of your right of recovery, provide assignee's name and address below and attach copy of the assignment:
n/a

If you hold or exercise any control over any cash, securities, trust funds, letters of credit or other assets of the Vesta Receiverships provide description and location of asset: n/a

CERTIFIED MAIL
7001 2510 0006 1065 2105

Exhibit "C"

POC NO.: _____
(To Be Completed by SDR)

DATE RECEIVED: _____
(To Be Completed by SDR)

If you received any payments on your claim, provide the name of who paid you and the amount of payment:
n/a

Is there any other insurance available to cover your claim? Yes ☐ No ☒

If the Answer is "yes", what is the name of the insurance company? _____

Contact Person: _____ Phone No.: _____

NOTE: ATTACH DOCUMENTATION TO SUPPORT YOUR CLAIM

AFFIRMATION OF CLAIMANT

I, Patti Turpin affirm that I have read the foregoing Proof of Claim and understand the contents thereof, that this claim of \$ unstated against the Vesta Receiverships is justly owing to me, that I alone am entitled to file this claim, except as stated above, that there is no setoff to the claim thereto, except as stated above, that the matters set forth above and any accompanying statements and documents are true to my own knowledge, and that no payment of or on account of the aforesaid claim has been made, except as stated.

By signing this Proof of Claim form claimant understands that all or some of the information on this form will be used in approving the Proof of Claim and obtaining court approval. Claimant hereby authorizes the Vesta Receiverships, its affiliates or representatives or agents to disclose, discuss, and/or release, orally or in writing, information contained in this Proof of Claim form. Claimant agrees to cooperate in signing additional release forms, if any.

CLAIMANT UNDERSTANDS THAT BY FILING THIS CLAIM IN THE ESTATE OF THE INSURER CLAIMANT IS WAIVING ANY RIGHT TO PURSUE THE PERSONAL ASSETS OF THE INSURED TO THE EXTENT THAT THERE ARE POLICY LIMITS OR COVERAGE PROVIDED BY THE VESTA RECEIVERSHIPS

11/30/07

DATE SIGNED

Deputy Receiver

TITLE (IF APPLICABLE)

Patti Turpin Deputy Receiver

SIGNATURE OF PERSON MAKING CLAIM

Patti Turpin

PRINTED NAME

If someone other than the person making the claim has completed this form, please provide the following information:

Date: _____

Name: _____

Address: _____

Relationship to Claimant: _____

Phone Number _____

Signature of Person Completing the Form for the Claimant _____

IMPORTANT NOTICE

RETURN THE COMPLETED POC AND REQUESTED DOCUMENTATION TO:

VESTA RECEIVERSHIPS

P.O. Box 1133, DRIPPING SPRINGS, TEXAS 78620-1133

CONTACT NUMBER: 1-888-313-5685

www.sdrtpoc.com

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, Florida 32302-0110

CERTIFIED MAIL



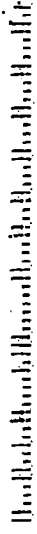
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MAILED FROM ZIP CODE 32301

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Dripping Springs, Texas 78620-1133

78620+1133-33 E013



PC
(T)

POC #528-531

DATE RECEIVED: DEC 03 2007
(To Be Completed by SDR)

PROOF OF CLAIM

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

- ☐ VESTA FIRE INSURANCE CORPORATION IN RECEIVERSHIP
☐ SHELBY CASUALTY INSURANCE COMPANY IN RECEIVERSHIP
☒ THE SHELBY INSURANCE COMPANY IN RECEIVERSHIP
☐ TEXAS SELECT LLOYDS INSURANCE COMPANY IN RECEIVERSHIP
☐ SELECT INSURANCE SERVICES, INC. IN RECEIVERSHIP
(Collectively referred to as the "Vesta Receiverships")

PLEASE PRINT

Claimant's Name: Florida Select Insurance Company in Receivership

Street Address: P.O. Box 10280

Tallahassee Florida 32302-2280

City State Zip

Phone: (850) 413-4410 Fax: (850) 488-1510

E-Mail Address: mark.hamilton@fldfs.com DOB: n/a

Social Security No. or Tax ID No.: FEIN NO. 59-3390361

Provide us with the name, address and phone number of someone who will always know how to contact you:

Name: Mark S. Hamilton - Senior Attorney

P.O. Box 110 Tallahassee Florida 32301-0110

Address City State Zip

Phone Number: (850) 413-4410 E-Mail: mark.hamilton@fldfs.com

(If represented by an attorney, please complete this section)

Name of Attorney: Mark S. Hamilton, Senior Attorney

Name of Law Firm: FLDFS, Division of Rehabilitation & Liquidation

Attorney File No.: 2006-1669

Street Address: P.O. Box 110

Tallahassee Florida 32301-0110

City State Zip

E-Mail Address: mark.hamilton@fldfs.com

Phone: (850) 413-4410 Fax: (850) 488-1510

Tax ID No.: FL Bar No. 0063819

POLICY NO. _____

CLAIM NO. _____

Note: Attach a Copy of Power of Attorney

You must notify us of any change in the above addresses or phone numbers.

Claim is for (check the appropriate box below):

Claim Amount:

- ☐ Payments made or expenses incurred by a Guaranty Association in paying covered claims.....\$
☐ Claim, cost of defense, or expense under a policy of insurance not covered by a Guaranty Association\$
☐ Return of premium under a policy of insurance not covered by a Guaranty Association.....\$
☐ Unpaid pre-receivership policy costs such as fees to attorney or other professional services.....\$
☐ Unpaid fees for goods and services to vendors\$
☐ Unpaid commissions or invoices to agents or brokers.....\$
☐ Reinsurance (Facultative ☐ Assumed ☐ Ceded ☐ Premium ☐ ...check one).....\$
Broker: _____ Type of Business: _____ Underwriting Years: _____
☐ Insurance company claim for subrogation ☐ contributions ☐ indemnity ☐\$
☐ Amounts due a governmental entity (city ☐ county ☐ state ☐ Federal ☐).....\$
☒ Other claim.....\$ Unstated
TOTAL AMOUNT OF CLAIM (If the amount is unknown insert the word unstated)..... - \$ Unstated

Describe the nature of your claim: Intercompany balances due from The Shelby Insurance Company. Florida Select reserves its right to supplement this POC as may be appropriate. This POC is separate and distinct from pending claims arising from or related to funds deposited or to be deposited in the Escrow

Account noted in the Stipulated Agreement presented by counsel for the Texas Receiver in its Application For Approval of Stipulated Agreement filed on November 19, 2007.

By filing this POC, Florida Select is not waiving any rights, claims or defenses, or voluntarily submitting to subject matter jurisdiction by this Court on those matters.

Date of loss: Variable Residency at time of loss: Florida

If you have an assignment of benefits, provide assignors name and address below and attach copy of the assignment:
n/a

If you have assigned any part of your right of recovery, provide assignee's name and address below and attach copy of the assignment:
n/a

If you hold or exercise any control over any cash, securities, trust funds, letters of credit or other assets of the Vesta Receiverships provide description and location of asset: n/a

CERTIFIED MAIL
7001 2510 0006 1065 2112

Exhibit "D"

POC NO.: _____
(To Be Completed by SDR)

DATE RECEIVED: _____
(To Be Completed by SDR)

If you received any payments on your claim, provide the name of who paid you and the amount of payment:
na

Is there any other insurance available to cover your claim? Yes ☐ No ☒

If the Answer is "yes", what is the name of the insurance company? _____
Contact Person: _____ Phone No.: _____

NOTE: ATTACH DOCUMENTATION TO SUPPORT YOUR CLAIM

AFFIRMATION OF CLAIMANT

I, Patti Turpin affirm that I have read the foregoing Proof of Claim and understand the contents thereof, that this claim of \$ unstated against the Vesta Receiverships is justly owing to me, that I alone am entitled to file this claim, except as stated above, that there is no setoff to the claim thereto, except as stated above, that the matters set forth above and any accompanying statements and documents are true to my own knowledge, and that no payment of or on account of the aforesaid claim has been made, except as stated.

By signing this Proof of Claim form claimant understands that all or some of the information on this form will be used in approving the Proof of Claim and obtaining court approval. Claimant hereby authorizes the Vesta Receiverships, its affiliates or representatives or agents to disclose, discuss, and/or release, orally or in writing, information contained in this Proof of Claim form. Claimant agrees to cooperate in signing additional release forms, if any.

CLAIMANT UNDERSTANDS THAT BY FILING THIS CLAIM IN THE ESTATE OF THE INSURER CLAIMANT IS WAIVING ANY RIGHT TO PURSUE THE PERSONAL ASSETS OF THE INSURED TO THE EXTENT THAT THERE ARE POLICY LIMITS OR COVERAGE PROVIDED BY THE VESTA RECEIVERSHIPS

11/30/07
DATE SIGNED
Deputy Receiver
TITLE (IF APPLICABLE)
SIGNATURE OF PERSON MAKING CLAIM
Patti Turpin Deputy Receiver
Patti Turpin
PRINTED NAME

If someone other than the person making the claim has completed this form, please provide the following information:

Date: _____ Name: _____
Address: _____ Relationship to Claimant: _____

Phone Number _____ Signature of Person Completing the Form for the Claimant _____

IMPORTANT NOTICE

**RETURN THE COMPLETED POC AND REQUESTED DOCUMENTATION TO:
VESTA RECEIVERSHIPS**

**P.O. Box 1133, DRIPPING SPRINGS, TEXAS 78620-1133
CONTACT NUMBER: 1-888-313-5685**

www.sdrtxpoc.com

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, Florida 32302-0110

CERTIFIED MAIL



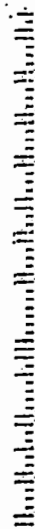
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THE VESTA RECEIVERSHIPS
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Dripping Springs, Texas 78620-1133

78620+1133-33 B013



PC
(T)

DATE RECEIVED: DEC 03 2007
(To Be Completed by SDR)

POC #529-1266

PROOF OF CLAIM

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

- ☐ VESTA FIRE INSURANCE CORPORATION IN RECEIVERSHIP
☐ SHELBY CASUALTY INSURANCE COMPANY IN RECEIVERSHIP
☐ THE SHELBY INSURANCE COMPANY IN RECEIVERSHIP
☒ TEXAS SELECT LLOYDS INSURANCE COMPANY IN RECEIVERSHIP
☐ SELECT INSURANCE SERVICES, INC. IN RECEIVERSHIP
(Collectively referred to as the "Vesta Receiverships")

PLEASE PRINT

Claimant's Name: Florida Select Insurance Company in Receivership

Street Address: P.O. Box 10280

Tallahassee Florida 32302-2280

City State Zip

Phone: (850) 413-4410 Fax: (850) 488-1510

E-Mail Address: mark.hamilton@fldfs.com DOB: n/a

Social Security No. or Tax ID No.: FEIN NO. 59-3390361

Provide us with the name, address and phone number of someone who will always know how to contact you:

Name: Mark S. Hamilton - Senior Attorney

P.O. Box 110 Tallahassee Florida 32301-0110

Address City State Zip

Phone Number: (850) 413-4410 E-Mail: mark.hamilton@fldfs.com

(If represented by an attorney, please complete this section)

Name of Attorney: Mark S. Hamilton, Senior Attorney

Name of Law Firm: FLDFS, Division of Rehabilitation & Liquidation

Attorney File No.: 2006-1669

Street Address: P.O. Box 110

Tallahassee Florida 32301-0110

City State Zip

E-Mail Address: mark.hamilton@fldfs.com

Phone: (850) 413-4410 Fax: (850) 488-1510

Tax ID No.: FL Bar No. 0063819

POLICY NO. _____

CLAIM NO. _____

Note: Attach a Copy of Power of Attorney

You must notify us of any change in the above addresses or phone numbers.

Claim is for (check the appropriate box below):

Claim Amount:

- ☐ Payments made or expenses incurred by a Guaranty Association in paying covered claims.....\$
☐ Claim, cost of defense, or expense under a policy of insurance not covered by a Guaranty Association.....\$
☐ Return of premium under a policy of insurance not covered by a Guaranty Association.....\$
☐ Unpaid pre-receivership policy costs such as fees to attorney or other professional services.....\$
☐ Unpaid fees for goods and services to vendors.....\$
☐ Unpaid commissions or invoices to agents or brokers.....\$
☐ Reinsurance (Facultative ☐ Assumed ☐ Ceded ☐ Premium ☐ ...check one).....\$
Broker: _____ Type of Business: _____ Underwriting Years: _____
☐ Insurance company claim for subrogation ☐ contributions ☐ indemnity.....\$
☐ Amounts due a governmental entity (city ☐ county ☐ state ☐ Federal ☐).....\$
☒ Other claim.....\$ Unstated
TOTAL AMOUNT OF CLAIM (If the amount is unknown insert the word unstated).....\$ Unstated

Describe the nature of your claim: Intercompany balances due from Texas Select Lloyds Insurance Company. Florida Select reserves its right to supplement this POC as may be appropriate. This POC is separate and distinct from pending claims arising from or related to funds deposited or to be deposited in the Escrow

Account noted in the Stipulated Agreement presented by counsel for the Texas Receiver in its Application For Approval of Stipulated Agreement filed on November 19, 2007.

By filing this POC, Florida Select is not waiving any rights, claims or defenses, or voluntarily submitting to subject matter jurisdiction by this Court on those matters.

Date of loss: Variable Residency at time of loss: Florida

If you have an assignment of benefits, provide assignors name and address below and attach copy of the assignment:
n/a

If you have assigned any part of your right of recovery, provide assignee's name and address below and attach copy of the assignment:
n/a

If you hold or exercise any control over any cash, securities, trust funds, letters of credit or other assets of the Vesta Receiverships provide description and location of asset: n/a

CERTIFIED MAIL
7001 2510 0006 1065 2129

Exhibit "E"

POC NO.: _____
(To Be Completed by SDR)

DATE RECEIVED: _____
(To Be Completed by SDR)

If you received any payments on your claim, provide the name of who paid you and the amount of payment:
n/a _____

Is there any other insurance available to cover your claim? Yes ☐ No ☒

If the Answer is "yes", what is the name of the insurance company? _____

Contact Person: _____ Phone No.: _____

NOTE: ATTACH DOCUMENTATION TO SUPPORT YOUR CLAIM

AFFIRMATION OF CLAIMANT

I, Patti Turpin affirm that I have read the foregoing Proof of Claim and understand the contents thereof, that this claim of \$ unstated against the Vesta Receiverships is justly owing to me, that I alone am entitled to file this claim, except as stated above, that there is no setoff to the claim thereto, except as stated above, that the matters set forth above and any accompanying statements and documents are true to my own knowledge, and that no payment of or on account of the aforesaid claim has been made, except as stated.

By signing this Proof of Claim form claimant understands that all or some of the information on this form will be used in approving the Proof of Claim and obtaining court approval. Claimant hereby authorizes the Vesta Receiverships, its affiliates or representatives or agents to disclose, discuss, and/or release, orally or in writing, information contained in this Proof of Claim form. Claimant agrees to cooperate in signing additional release forms, if any.

CLAIMANT UNDERSTANDS THAT BY FILING THIS CLAIM IN THE ESTATE OF THE INSURER CLAIMANT IS WAIVING ANY RIGHT TO PURSUE THE PERSONAL ASSETS OF THE INSURED TO THE EXTENT THAT THERE ARE POLICY LIMITS OR COVERAGE PROVIDED BY THE VESTA RECEIVERSHIPS

11/30/07

DATE SIGNED
Deputy Receiver

Patti Turpin Deputy Receiver

SIGNATURE OF PERSON MAKING CLAIM

Patti Turpin

TITLE (IF APPLICABLE)

PRINTED NAME

If someone other than the person making the claim has completed this form, please provide the following information:

Date: _____ Name: _____

Address: _____ Relationship to Claimant: _____

Phone Number _____

Signature of Person Completing the Form for the Claimant _____

IMPORTANT NOTICE

RETURN THE COMPLETED POC AND REQUESTED DOCUMENTATION TO:

VESTA RECEIVERSHIPS

P.O. Box 1133, DRIPPING SPRINGS, TEXAS 78620-1133

CONTACT NUMBER: 1-888-313-5685

www.sdrtpoc.com

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, Florida 32302-0110

CERTIFIED MAIL



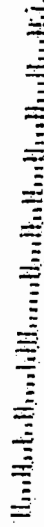
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UNITED STATES POSTAGE
02 1A \$05.21⁰
0004326864 NOV 30 2007
MAILED FROM ZIP CODE 32301

THE VESTA RECEIVERSHIPS
P.O. BOX 1133
Dripping Springs, Texas 78620-1133

78620+1133-33 B013



POC
(To

POC #530-25

DATE RECEIVED: DEC 03 2007
(To Be Completed by SDR)

PROOF OF CLAIM

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

- ☐ VESTA FIRE INSURANCE CORPORATION IN RECEIVERSHIP
☐ SHELBY CASUALTY INSURANCE COMPANY IN RECEIVERSHIP
☐ THE SHELBY INSURANCE COMPANY IN RECEIVERSHIP
☐ TEXAS SELECT LLOYDS INSURANCE COMPANY IN RECEIVERSHIP
☒ SELECT INSURANCE SERVICES, INC. IN RECEIVERSHIP
(Collectively referred to as the "Vesta Receiverships")

PLEASE PRINT

Claimant's Name: Florida Select Insurance Company In Receivership

Street Address: P.O. Box 10280

Tallahassee Florida 32302-2280
City State Zip

Phone: (850) 413-4410 Fax: (850) 488-1510

E-Mail Address: mark.hamilton@fdfs.com DOB: n/a

Social Security No. or Tax ID No.: FEIN NO. 59-3390361

Provide us with the name, address and phone number of someone who will always know how to contact you:

Name: Mark S. Hamilton - Senior Attorney

P.O. Box 110 Tallahassee Florida 32301-0110

Address City State Zip

Phone Number: (850) 413-4410 E-Mail: mark.hamilton@fdfs.com

(If represented by an attorney, please complete this section)

Name of Attorney: Mark S. Hamilton, Senior Attorney

Name of Law Firm: FLDFS, Division of Rehabilitation & Liquidation

Attorney File No.: 2006-1669

Street Address: P.O. Box 110

Tallahassee Florida 32301-0110
City State Zip

E-Mail Address: mark.hamilton@fdfs.com

Phone: (850) 413-4410 Fax: (850) 488-1510

Tax ID No.: FL Bar No. 0063819

POLICY NO. _____

CLAIM NO. _____

Note: Attach a Copy of Power of Attorney

You must notify us of any change in the above addresses or phone numbers.

Claim is for (check the appropriate box below):

Claim Amount:

- ☐ Payments made or expenses incurred by a Guaranty Association in paying covered claims.....\$
☐ Claim, cost of defense, or expense under a policy of insurance not covered by a Guaranty Association.....\$
☐ Return of premium under a policy of insurance not covered by a Guaranty Association.....\$
☐ Unpaid pre-receivership policy costs such as fees to attorney or other professional services.....\$
☐ Unpaid fees for goods and services to vendors.....\$
☐ Unpaid commissions or invoices to agents or brokers.....\$
☐ Reinsurance (Facultative ☐ Assumed ☐ Ceded ☐ Premium ☐ check one).....\$
Broker: _____ Type of Business: _____ Underwriting Years: _____
☐ Insurance company claim for subrogation ☐ contributions ☐ indemnity ☐.....\$
☐ Amounts due a governmental entity (city ☐ county ☐ state ☐ Federal ☐).....\$
☒ Other claim.....\$ Unstated

TOTAL AMOUNT OF CLAIM (If the amount is unknown insert the word unstated).....\$ Unstated

Describe the nature of your claim: Intercompany balances due from Select Insurance Services, Inc.. Florida Select reserves its right to supplement this POC as may be appropriate. This POC is separate and distinct from pending claims arising from or related to funds deposited or to be deposited in the Escrow

Account noted in the Stipulated Agreement presented by counsel for the Texas Receiver in its Application For Approval of Stipulated Agreement filed on November 19, 2007.

By filing this POC, Florida Select is not waiving any rights, claims or defenses, or voluntarily submitting to subject matter jurisdiction by this Court on those matters.

Date of loss: Variable Residency at time of loss: Florida

If you have an assignment of benefits, provide assignors name and address below and attach copy of the assignment:
n/a

If you have assigned any part of your right of recovery, provide assignee's name and address below and attach copy of the assignment:
n/a

If you hold or exercise any control over any cash, securities, trust funds, letters of credit or other assets of the Vesta Receiverships provide description and location of asset: n/a

CERTIFIED MAIL

7001 2510 0006 1065 2143

Exhibit "F"

POC NO.: _____
(To Be Completed by SDR)

DATE RECEIVED: _____
(To Be Completed by SDR)

If you received any payments on your claim, provide the name of who paid you and the amount of payment:
na _____

Is there any other insurance available to cover your claim? Yes ☐ No ☒

If the Answer is "yes", what is the name of the insurance company? _____
Contact Person: _____ Phone No.: _____

NOTE: ATTACH DOCUMENTATION TO SUPPORT YOUR CLAIM

AFFIRMATION OF CLAIMANT

I, Patti Turpin affirm that I have read the foregoing Proof of Claim and understand the contents thereof, that this claim of \$ unstated against the Vesta Receiverships is justly owing to me, that I alone am entitled to file this claim, except as stated above, that there is no setoff to the claim thereto, except as stated above, that the matters set forth above and any accompanying statements and documents are true to my own knowledge, and that no payment of or on account of the aforesaid claim has been made, except as stated.

By signing this Proof of Claim form claimant understands that all or some of the information on this form will be used in approving the Proof of Claim and obtaining court approval. Claimant hereby authorizes the Vesta Receiverships, its affiliates or representatives or agents to disclose, discuss, and/or release, orally or in writing, information contained in this Proof of Claim form. Claimant agrees to cooperate in signing additional release forms, if any.

CLAIMANT UNDERSTANDS THAT BY FILING THIS CLAIM IN THE ESTATE OF THE INSURER CLAIMANT IS WAIVING ANY RIGHT TO PURSUE THE PERSONAL ASSETS OF THE INSURED TO THE EXTENT THAT THERE ARE POLICY LIMITS OR COVERAGE PROVIDED BY THE VESTA RECEIVERSHIPS

11/30/07

DATE SIGNED
Deputy Receiver

Patti Turpin Deputy Receiver
SIGNATURE OF PERSON MAKING CLAIM
Patti Turpin

TITLE (IF APPLICABLE)

PRINTED NAME

If someone other than the person making the claim has completed this form, please provide the following information:

Date: _____ Name: _____

Address: _____ Relationship to Claimant: _____

Phone Number _____

Signature of Person Completing the Form for the Claimant _____

IMPORTANT NOTICE

RETURN THE COMPLETED POC AND REQUESTED DOCUMENTATION TO:
VESTA RECEIVERSHIPS

P.O. Box 1133, DRIPPING SPRINGS, TEXAS 78620-1133

CONTACT NUMBER: 1-888-313-5685

www.sdrtxpoc.com

THE DEADLINE FOR FILING YOUR PROOF OF CLAIM IS 11:59P.M. C.S.T., NOVEMBER 30, 2007

Department of Financial Services
Division of Rehabilitation and Liquidation
P.O. Box 110
Tallahassee, Florida 32302-0110

CERTIFIED MAIL



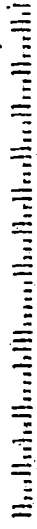
7001 2510 0006 1065 2143



UNITED STATES POSTAGE
02 1A \$05.21⁰
0004326864 NOV 30 2007
MAILED FROM ZIP CODE 32301

THE VESTA RECEIVERSHIPS
P.O. BOX 1133
Dripping Springs, Texas 78620-1133

79620+1133-33 B013



POC #526-4

DATE RECEIVED: FEB 27 2007
(To Be Completed by SDR)

PROOF OF CLAIM

- ☒ VESTA FIRE INSURANCE CORPORATION IN RECEIVERSHIP
☐ SHELBY CASUALTY INSURANCE COMPANY IN RECEIVERSHIP
☐ THE SHELBY INSURANCE COMPANY IN RECEIVERSHIP
☐ TEXAS SELECT LLOYDS INSURANCE COMPANY IN RECEIVERSHIP
☐ SELECT INSURANCE SERVICES, INC. IN RECEIVERSHIP
 (Collectively referred to as the "Vesta Receiverships")

PLEASE PRINT

Claimant's Name: Hawaiian Insurance & Guaranty, Ltd
 Street Address: 1001 Bishop Street, Suite 1150
Honolulu, HI 96813
 City State Zip
 Phone: 808-536-7314 Fax: 808-536-7349
 E-Mail Address: benunico@hawaii.rr.com DOB: _____
 Social Security No. or Tax ID No.: 99-6005726
 Provide us with the name, address and phone number of someone who will
 always know how to contact you:
 Name: Ben Fukuoka
1001 Bishop St, Suite 1150, Honolulu, HI 96813
 Address City State Zip
 Phone Number: 808-536-7314 E-Mail: benunico@hawaii.rr.com

(If represented by an attorney, please complete this section)

Name of Attorney: Clifford Higa
 Name of Law Firm: Kobayashi, Sugita & Goda
 Attorney File No.: _____
 Street Address: 989 Bishop Street, Suite 2600
Honolulu, HI 96813
 City State Zip
 E-Mail Address: CKH@ksglaw.com
 Phone: 808-539-8700 Fax: 808-539-8799
 Tax ID No.: 99-0283752

POLICY NO. _____

CLAIM NO. _____
 Note: Attach a Copy of Power of Attorney

You must notify us of any change in the above addresses or phone numbers.

Claim is for (check the appropriate box below):

Claim Amount:

- ☐ Payments made or expenses incurred by a Guaranty Association in paying covered claims.....\$
☐ Claim, cost of defense, or expense under a policy of insurance not covered by a Guaranty Association\$
☐ Return of premium under a policy of insurance not covered by a Guaranty Association.....\$
☐ Unpaid pre-receivership policy costs such as fees to attorney or other professional services.....\$
☐ Unpaid fees for goods and services to vendors\$
☐ Unpaid commissions or invoices to agents or brokers.....\$
☒ Reinsurance (Facultative ☐ Assumed ☐ Ceded ☒ Premium ☐check one).....\$ 24,655,800
 Broker: Inter-company Type of Business: Personal lines Underwriting Years: Multiple
☐ Insurance company claim for subrogation ☐ contributions ☐ indemnity.....\$
☐ Amounts due a governmental entity (city ☐ county ☐ state ☐ Federal ☐).....\$
☐ Other claim.....\$

TOTAL AMOUNT OF CLAIM (If the amount is unknown insert the word "unstated").....\$

Describe the nature of your claim: 100% quote share ceding to Vesta Fire. \$24 mil recoverable based on 6/30/06
quarterly financials (Footnote 23) filed with State of Hawaii Insurance Division. Copy of footnote attached.

Date of loss: _____ Residency at time of loss: _____

If you have an assignment of benefits, provide assignors name and address below and attach copy of the assignment:

If you have assigned any part of your right of recovery, provide assignee's name and address below and attach copy of the assignment:

If you hold or exercise any control over any cash, securities, trust funds, letters of credit or other assets of the Vesta Receiverships provide description and location of asset:

POC NO.: _____
(To Be Completed by SDR)

DATE RECEIVED: _____
(To Be Completed by SDR)

If you received any payments on your claim, provide the name of who paid you and the amount of payment:

Is there any other insurance available to cover your claim? Yes _____ No _____

If the Answer is "yes", what is the name of the insurance company? _____

Contact Person: _____ Phone No.: _____

NOTE: ATTACH DOCUMENTATION TO SUPPORT YOUR CLAIM

AFFIRMATION OF CLAIMANT

I, _____ affirm that I have read the foregoing Proof of Claim and understand the contents thereof, that this claim of \$_____ against the Vesta Receiverships is justly owing to me, that I alone am entitled to file this claim, except as stated above, that there is no setoff to the claim thereto, except as stated above, that the matters set forth above and any accompanying statements and documents are true to my own knowledge, and that no payment of or on account of the aforesaid claim has been made, except as stated.

By signing this Proof of Claim form claimant understands that all or some of the information on this form will be used in approving the Proof of Claim and obtaining court approval. Claimant hereby authorizes the Vesta Receiverships, its affiliates or representatives or agents to disclose, discuss, and/or release, orally or in writing, information contained in this Proof of Claim form. Claimant agrees to cooperate in signing additional release forms, if any.

CLAIMANT UNDERSTANDS THAT BY FILING THIS CLAIM IN THE ESTATE OF THE INSURER CLAIMANT IS WAIVING ANY RIGHT TO PURSUE THE PERSONAL ASSETS OF THE INSURED TO THE EXTENT THAT THERE ARE POLICY LIMITS OR COVERAGE PROVIDED BY THE VESTA RECEIVERSHIPS

DATE SIGNED

2/16/07
Special Deputy Liquorstore

TITLE (IF APPLICABLE)

SIGNATURE OF PERSON MAKING CLAIM

MARK K. MORITA

PRINTED NAME

If someone other than the person making the claim has completed this form, please provide the following information:

Date: _____

Name: _____

Address: _____

Relationship to Claimant: _____

Phone Number _____

Signature of Person Completing the Form for the Claimant _____

IMPORTANT NOTICE

RETURN THE COMPLETED POC AND REQUESTED DOCUMENTATION TO:
VESTA RECEIVERSHIPS
P.O. Box 1133, DRIPPING SPRINGS, TEXAS 78620-1133
CONTACT NUMBER: 1-512-894-3705

STATEMENT AS OF JUNE 30, 2006 OF THE HAWAIIAN INSURANCE & GUARANTY COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENTS

E. Business Interruption Insurance Recoveries – None to Report

22. Events Subsequent

There were no events occurring subsequent to June 30, 2006 meeting disclosure.

23. Reinsurance

A. Unsecured Reinsurance Recoverables:

The Company does have an unsecured aggregate recoverable for losses, paid and unpaid including IBNR, loss adjustment expenses and unearned premiums with individual reinsurers, authorized or unauthorized, that exceeds 3% of policyholders' surplus:

NAIC Code	Federal ID #	Name of Reinsurer	Amount
11762	63-0598629	Vesta Fire Insurance Corp	\$ 24,655,896
18453	13-5616275	Transatlantic Reinsurance Co	\$ 3,614,618
42609	34-1385465	Affirmative Insurance Company	\$ 615,594

B. Reinsurance Recoverable in Dispute

The Company does not have reinsurance recoverable for paid losses and loss adjustment expenses that exceed 5% of policyholders' surplus for an individual reinsurer or 10% of policyholders' surplus in aggregate.

C. Reinsurance Assumed and Ceded

1. The following table summarizes ceded and assumed premiums and the related commission equity as of June 30, 2006:

	Assumed		Ceded		Assumed Less Ceded	
	Premium Reserves	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$ -0-	\$ -0-	\$ 14,632,418	\$ -0-	(\$ 14,632,418)	\$ -0-
b. All Other	\$ -0-	\$ -0-	\$ 1,693,798	\$ 292,426	(\$ 1,693,798)	(\$ 292,426)
c. TOTAL	\$ -0-	\$ -0-	\$ 16,326,216	\$ 292,426	(\$ 16,326,216)	(\$ 292,426)
d. Direct Unearned Premium Reserve:	\$ 16,326,216					

2. Certain agency agreements and ceded reinsurance contracts provide for additional or return commissions based on the actual loss experience of the produced or reinsured business. Amounts accrued as of June 30, 2006 are as follows:

	Direct	Assumed	Ceded	Net
a. Contingent Commission	\$ 2,622,725	\$ 0	\$ 2,557,735	\$ 64,990
b. Sliding Scale Adjustments	\$ 0	\$ 0	\$ 0	\$ 0
c. Other Profit Commission	\$ 0	\$ 0	\$ 0	\$ 0
d. TOTAL	\$ 2,622,725	\$ 0	\$ 2,557,735	\$ 64,990

3. The Company does not use protected cells as an alternative to traditional reinsurance.

D. Uncollectible Reinsurance:

During the recent year, the Company wrote off reinsurance balances of \$ -0-.

E. Commutation of Ceded Reinsurance – None to Report

F. Retroactive Reinsurance – None to Report

G. Reinsurance Accounted for as a Deposit – None to Report

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. Method Used to Estimate – None to Report

B. Method Used to Record – None to Report

C. Amount and Percent of Net Retrospective Premiums – None to Report

D. Calculation of Nonadmitted Accrued Retrospective Premiums – None to Report

25. Change in Incurred Losses and Loss Adjustment Expenses

The Company was 100 % Reinsured by its Parent, Vesta Fire Insurance Corporation, for the years 2000, 2001, 2002, and 2003. Effective December 31, 2003, the Company ceded the unearned premium on its non-standard auto business to Affirmative Insurance Company. Net losses occurring on the Company's non-standard business after 2004 will be ceded to Affirmative Insurance Company. All other business will continue to be assumed by the Company.

26. Intercompany Pooling Arrangements – None to Report

27. Structured Settlements

A. Reserves Released due to Purchase of Annuities – None to Report

B. Annuity Insurers with Balances due Greater than 1% of Policyholders' Surplus – None to Report

HIG, Limited (in Liquidation)
Post Office Box 1350
Honolulu, Hawaii 96807-1350

CERTIFIED MAILSM



7005 1820 0002 1887 5848



0000

78620

U.S. POSTAGE
PAID
HONOLULU, HI
96813
FEB 20, 07
AMOUNT

\$464

00022552-47

FIRST CLASS MAIL

VISTA RECEIVERSHIPS
PO BOX 1133
DRIPPING SPRINGS, TX 78620-1133

**RETURN RECEIPT
REQUESTED**

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

CIVIL ACTION NO.: 2006-1669

In Re: The Receivership of
FLORIDA SELECT INSURANCE COMPANY,
a Florida Corporation authorized to
transact an insurance business in Florida.

**ORDER APPROVING THE RECEIVER'S MOTION FOR
APPROVAL OF SETTLEMENT AND RELEASE AGREEMENT**

THIS MATTER came before the Court on the *Receiver's Motion for Approval of Settlement and Release Agreement*. The Court having considered the Receiver's motion and being otherwise fully advised in the premises it is,

ORDERED AND ADJUDGED:

1. The *Receiver's Motion for Approval of Settlement and Release Agreement* (hereinafter "Motion") is hereby GRANTED.

2. The Settlement and Release Agreement attached and incorporated in the Receiver's Motion as Attachment "B" is approved. The Receiver is authorized and directed to proceed in furtherance of the provisions set forth in the Motion and Settlement and Release Agreement.

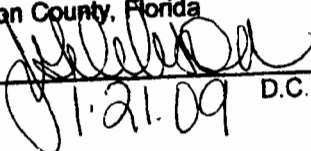
DONE AND ORDERED in Chambers at Tallahassee, Leon County, Florida, this
23 day of January 2009.

A Certified Copy
Attest:

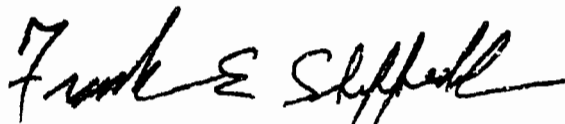
Bob Inzer

Clerk Circuit Court
Leon County, Florida

By


D.C.





Frank E. Sheffield
Circuit Judge

PROPOSED NOTICE

NOTICE

FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP **CLAIMS FILING DEADLINE BAR DATE: **TBD**/2010**

<<Policyholder Name>>
<<Street Address>>
<<City>> <<State>> <<Zip>>

***PLEASE IGNORE THIS FORM IF:** 1) You have no claim;
2) Your claim has already been resolved; **OR**
3) You have already been contacted by
Wimberly Claims Service regarding an existing claim

In the event that you do have a claim, failure to fully complete and return a Proof of Claim Form by the claim filing deadline of **TBD**/2010 may result in your claim being denied and forever barred

On June 30, 2006, the Leon County Circuit Court in and for Leon County, Florida ("Receivership Court") executed the *Consent Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, and Notice of Automatic Stay* (the "Rehabilitation Order") of Florida Select Insurance Company ("Florida Select"). The Florida Department of Financial Services, Division of Rehabilitation and Liquidation, is the Court appointed receiver ("Receiver") of Florida Select. At the inception of the Receivership, Florida Select had approximately 14,000 policyholders in the State of South Carolina and 70,000 policyholders in the State of Florida.

The Receiver, working closely with the South Carolina Department of Insurance, developed a plan that allowed for Florida Select's South Carolina policyholders to continue their homeowner and flood insurance coverage through Capitol Preferred Insurance Company ("Capitol Preferred"). On October 4, 2006, the Receivership Court approved the plan and entered its *Order Approving Assumption Agreement between Florida Select and Capitol Preferred* ("Assumption Order"). Capitol Preferred assumed Florida Select's South Carolina policies and responsibility for payment of any claims under those policies which were incurred on or after September 15, 2006. Claims that were incurred prior to September 15, 2006, remain the responsibility of Florida Select.

In furtherance of protecting Florida Select policyholders in the state of Florida, the Receiver was able to develop a plan for the transition of those remaining policies. On December 21, 2006, the Receivership Court entered its *Order Approving the Receiver's Motion for Order Approving Plan for Transition of Florida Select Policies* ("Transition Order"). Pursuant to the Transition Order, Florida Select's Florida policyholders were provided the opportunity to choose to continue their homeowners and flood insurance coverage through Southern Fidelity Insurance Company ("Southern Fidelity"). The transition of all Florida Select Insurance Company policies in the state of Florida was completed in 2007.

Pursuant to the Rehabilitation Order, the Receiver has conducted the business of Florida Select and taken steps toward the removal of the causes and conditions which made the Rehabilitation Order necessary, as well as taken further action as deemed appropriate to attempt to protect policyholders and revitalize the company. Additionally, the Receiver has conducted substantial investigation into the affairs of Florida Select and made significant efforts to try to salvage monies towards payment of potential losses in an attempt to maximize value to claimants in the receivership.

In furtherance of maximizing value to claimants, on October 2, 2009, the Receiver filed its *Status Report and Motion for Approval of Rehabilitation Plan* ("Motion"). On **TBD**, 2009, the Receivership Court entered its *Order Approving Status Report and Rehabilitation Plan* ("Order"). Copies of the Motion and Order, along with additional information pertaining to Florida Select can be obtained at the Receiver's website at: www.floridainsurancereceiver.org

The purpose of this Notice is to provide the following to you:

1. Information regarding the background and current status of the receivership;
2. *Notice of opportunity to submit a claim in the Florida Select receivership prior to the claims filing deadline bar date;*
3. *Notice of the Florida Select receivership claims filing deadline bar date of **TBD**, 2010; and*
4. *Notice that you may obtain a Florida Select Proof of Claim Form at the Receiver's website at: www.floridainsurancereceiver.org, or by calling 1-800-882-3054.*

All persons having claims against Florida Select shall present them to the receivership by **TBD**2010, or such claims may be denied and forever barred. Claims are to be submitted on the Florida Select Proof of Claim Form to:

Florida Select Insurance Company in Receivership
c/o Claims Department
P.O. Box 110
Tallahassee, Florida 32302-0110

Copies of the Motion, Order, and a Florida Select Proof of Claim Form may be obtained at: www.floridainsurancereceiver.org. You may also obtain a Florida Select Proof of Claim Form by calling 1-800-882-3054.

IMPORTANT INFORMATION: THE INFORMATION YOU PROVIDE ON THE FLORIDA SELECT PROOF OF CLAIM FORM MAY BE SHARED WITH A THIRD PARTY FOR THE PURPOSE OF EVALUATING YOUR CLAIM OR OTHER INTERNAL RECEIVERSHIP OPERATIONS. THE RECEIVER BY CONTRACT REQUIRES ANY THIRD PARTY CONTRACTOR TO MAINTAIN CONFIDENTIALITY REGARDING THE PERTINENT INFORMATION IN ITS POSSESSION.

PROPOSED FLORIDA SELECT
PROOF OF CLAIM FORM

FLORIDA SELECT INSURANCE COMPANY IN RECEIVERSHIP

PROOF OF CLAIM FORM

***NOTICE: Please file one (1) Proof of Claim Form per claim. In the event that you intend to submit more than one (1) claim, a separate Proof of Claim Form is to be used for each specific claim you submit.**

If you have no claim, please ignore this form. In the event you wish to submit a claim, print or type your information as required below on this Proof of Claim Form:

A. BACKGROUND INFORMATION

Name/Company: _____
Date of Birth: _____
Street Address: _____
City/State/Zip Code: _____
Contact Person: _____
Contact Telephone: _____
Contact E-Mail: _____
Policy Number: _____
Policy Property Address (if different from above): _____
Premium Paid (if known): _____
Date of Loss: _____

B. CLAIMANT TYPE: _____ Insured _____ Person Injured/Damaged by Insured
(Check One) _____ Employee _____ Premium Finance Company
_____ Insurance Agent _____ Accounting, Legal or other Professional Services
_____ General Creditor _____ Other (Describe: _____)

C. TOTAL AMOUNT OF CLAIM: \$ _____
If you receive a distribution in the receivership will it be considered income for you? _____ YES* _____ NO
*If YES, you must submit a W-9 Form. Go to: IRS.gov to obtain a W-9 Form.

D. DESCRIPTION OF CLAIM (PROVIDE SPECIFIC DATES AND FACTS – YOU MAY USE A SEPARATE SHEET IF NECESSARY): _____

E. DOCUMENTATION: In order to evaluate your claim, we need documentation that supports your claim. All documentation in support of your claim must be submitted along with this Proof of Claim Form. Depending on the type of your claim, examples of supporting documentation include: paid medical bills, police reports, repair estimates, cancelled checks or receipts; invoices; contracts; judgments or court orders; witness statements; etc.

FAILURE TO PROVIDE ALL APPLICABLE INFORMATION ON THIS PROOF OF CLAIM FORM OR SUBMIT DOCUMENTATION IN SUPPORT OF YOUR CLAIM MAY RESULT IN THE DENIAL OF YOUR CLAIM

I swear or affirm that I am the claimant referenced on this Proof of Claim Form and/or am authorized to sign this form on the claimant's behalf. I further swear under penalty of law that all information contained on this form as well as all attachments are true and correct to the best of my knowledge. The filing of a claim in the receivership proceeding is a release of the insured to the extent of coverage provided by the insurer.

Signature of/for Claimant: _____ Date Signed: ____/____/____

Printed Name of Person Signing and Title: _____

RETURN CLAIM FORM(S) POSTMARKED NO LATER THAN ** TBD **, 2010 TO:

Florida Select Insurance Company, in Receivership
c/o Claims Department
P.O. Box 110

Tallahassee, Florida 32302-0110

Toll Free: (800) 882-3054

Website: www.floridainsurancereceiver.org