

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

In Re: The Receivership of SOUTHERN  
FAMILY INSURANCE COMPANY, a Florida  
corporation.

CASE NO.: 06-CA-1060

**ORDER GRANTING RECEIVER'S MOTION TO APPROVE SALE OF FLOOD  
BOOK TO FIDELITY AND TO COMPEL NATIONAL FLOOD SERVICES,  
INC.'S TRANSFER OF DATA TO FACILITATE SALE**

**ORDER GRANTING RECEIVER'S MOTION TO MODIFY LIQUIDATION  
ORDER TO EXEMPT FLOOD POLICIES FROM CANCELLATION**

THIS CAUSE came on for consideration upon the Department of Financial Services, as Receiver of SOUTHERN FAMILY INSURANCE COMPANY'S Motion to Approve Sale of Flood Book to Fidelity and to Compel National Flood Services, Inc.'s Transfer of Data to Facilitate the Sale, and Motion to Modify Liquidation Order to Exempt Flood Policies from Cancellation, and the Court having heard argument of counsel and being duly advised in the premises, it is:

**ORDERED AND ADJUDGED** as follows:

1. The Court APPROVES the sale of Southern Family Insurance Company's Flood Book to Fidelity and directs National Flood Services, Inc. (hereinafter "NFS") to transfer the Flood Policy Files and to provide the Services as defined in and in accordance with the Conversion Agreement as referenced in Paragraph 3 of this Order.

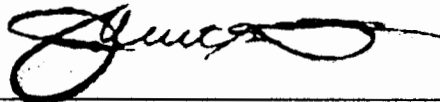
2. The Court approves the sale of the Flood Book to Fidelity National Insurance Services, Inc. and Fidelity National Property and Casualty Insurance Company (collectively "Fidelity"), and authorizes the Receiver to enter into this sale transaction and authorizes the Receiver to take all necessary action to effectuate the sale, including

the execution of the Assumption Agreement previously attached to the Receiver's "Motion to Approve Sale of Flood Book to Fidelity and to Compel National Flood Services, Inc.'s Transfer of Data to Facilitate the Sale."

3. The Court approves the Conversion Agreement between Fidelity, the Receiver, NFS, and the Federal Insurance Administration in the form attached hereto as Attachment A (the "Conversion Agreement") and the Receiver is hereby authorized to enter into the Conversion Agreement.

4. The Motion to Modify Liquidation Order to Exempt Flood Policies from Cancellation is **GRANTED**, and the Liquidation Order is modified such that references to cancellation and transition of insurance policies do not include flood policies.

**DONE AND ORDERED** in Chambers at Leon County, Florida, this 23 day of June, 2006.



JANET E. FERRIS  
CIRCUIT JUDGE

Copies to:

Steve Brangaccio, Esq., P.O. Box 110, Tallahassee, FL 32302-0110

Anton Rosandic, Esq., Fidelity National Insurance Services, Inc., 10301 Deerwood Park Blvd., Suite 100, Jacksonville, FL 32256

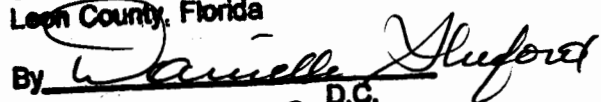
J. Bruce Culpepper, Esq., 106 E. College Avenue, Suite 1200, Tallahassee, Florida 32301

A Certified Copy  
Attest

**Bob Inzer**

Clerk of Circuit Court  
Leon County, Florida

By



D.C.  
6-26-06



## CONVERSION AGREEMENT

This Conversion Agreement (this "Agreement") is made as of June 23, 2006, by and among FIDELITY NATIONAL INSURANCE SERVICES, INC., a California corporation ("FIDELITY SERVICES"), FIDELITY NATIONAL PROPERTY AND CASUALTY INSURANCE COMPANY, a New York corporation (collectively with Fidelity Services, "FIDELITY"), the FLORIDA DEPARTMENT OF FINANCIAL SERVICES, AS RECEIVER FOR SOUTHERN FAMILY INSURANCE COMPANY ("Receiver"), NATIONAL FLOOD SERVICES, INC., a Delaware corporation ("NFS") and the FEDERAL INSURANCE ADMINISTRATION ("FIA").

### RECITALS

- A. By Court Order entered on May 31, 2006 ("Filing Date"), the 2<sup>nd</sup> Judicial Circuit Court in and for Leon County, Florida (the "Court") ordered the liquidation of Southern Family Insurance Company ("SFIC"), a property and casualty insurance company, and appointed the Receiver (the "Order"); and
- B. Pursuant to the Order, the Receiver is in possession of or is now acquiring possession of the assets of SFIC, and is administering those assets under the general supervision of the Court; and
- C. The Receiver is signing this Agreement on behalf of SFIC. Where this Agreement refers to obligations of SFIC, those obligations will be discharged on behalf of SFIC by the Receiver or persons acting pursuant to the direction of the Receiver; and
- D. SFIC has policies of flood insurance (in force, lapsed, cancelled or expired) issued pursuant to the Federal Emergency Management Agency's ("FEMA") "Write Your Own" flood insurance program (the "Flood Policies"); and
- E. FIA entered into a Financial Assistance/Subsidy Arrangement (the "Arrangement") under which FIA provided a subsidy to SFIC for the issuance of flood insurance policies and mandatory renewals thereof in accordance with the terms and conditions of the Arrangement; and
- F. The Receiver solicited proposals to purchase the Flood Policies. The Receiver accepted Fidelity's proposal to purchase the Flood Policies after Fidelity submitted a proposal to the Receiver to purchase same; and
- G. The Receiver and Fidelity are entering into a separate Assumption Agreement (the "Assumption Agreement") in order to facilitate the transfer of the Flood Policies. At a hearing on June 22, 2006, the Court approved the sale of the Flood Book to Fidelity and further authorized the Receiver to enter into this Agreement and the Assumption Agreement; and

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- H. Pursuant to the Assumption Agreement, the Receiver desires to assign to Fidelity all of its right, title, interest, and obligations under the Arrangement for all Flood Policies; and Fidelity desires to assume from the Receiver all right, title and interest and obligations under the Arrangement for all Flood Policies; and
- I. NFS currently provides certain flood processing services to SFIC and Fidelity desires NFS to provide certain services to convert data and information belonging to SFIC or its policyholders held by NFS to Fidelity Services and Fidelity desires to receive such services as described below; and
- J. Simultaneously with execution of this Agreement, and pursuant to the Order, the Receiver has determined to terminate the Flood Insurance Full Service Vendor Agreement between SFIC and NFS dated October 18, 2000 ("NFS Agreement") as of July 20, 2006; and
- I. Pursuant to the Arrangement, FIA has the right and desires hereby to consent to the conversion described below in this Agreement ("Conversion").

**AGREEMENT**

In consideration of the foregoing and the respective representations, warranties, covenants, agreements and conditions hereinafter set forth, and intending to be legally bound hereby, the parties hereto agree as follows.

**1. Conversion Services; Return of Funds; Consent.**

(a) Conversion Services. Receiver hereby directs NFS to and NFS agrees to (i) transfer copies of policies and claims files relating to the Flood Policies ("Flood Policies Files") retained in electronic or imaged form to Fidelity Services, (ii) to transfer any physical Flood Policies Files in NFS' position to Fidelity Services and (iii) to provide Fidelity Services with copies of the information listed on Exhibits A, B and C attached hereto on NFS computer tapes or an FTP server designated by NFS (collectively, (i), (ii) and (iii) are the "Services"). NFS shall complete the Services listed in Exhibits A and B no later than June 28, 2006 (the "Final Conversion Date") and complete those in Exhibit C by July 20, 2006 unless a different date is otherwise specified in Exhibit C, in all cases, subject to Fidelity's timely provision of resources and cooperation reasonably requested by NFS related to the Services.

(b) Post Conversion Obligations; Fidelity Return of Funds. After the Final Conversion Date, NFS shall not be obligated to provide Fidelity with any additional services, information, data, correspondence, copies or documentation except for the Services listed in Exhibit C. After the Final Conversion Date, if Fidelity receives correspondence, documentation and/or funds which are directed to a Flood Policy administered by NFS, Fidelity shall promptly forward them to NFS. Any checks received by Fidelity that are partially for a flood policy administered by NFS will be returned to the sender for two separate checks. Fidelity shall provide an activity report in a form mutually acceptable to the Receiver and Fidelity containing data reflecting checks and documents where payments were received by NFS or Fidelity after the Final Conversion Date.

(c) **Obligation to Purge.** Upon completion of Services, except as provided in the last sentence of this Section 1(c), NFS agrees not to use, not to provide to any other person or entity (unless required by law) and to promptly but no later than July 31, 2006 purge, any electronic copies of Flood Policies Files retained on NFS' computers; provided, however, the foregoing shall not require NFS to purge backup files or tapes containing such copies, which files or tapes are written over, recycled or destroyed in the ordinary course of NFS' business. The proviso in the previous sentence shall not be used by NFS for the purpose of evading or circumventing NFS's obligations to not use any such Flood Policies Files. By July 31, 2006, NFS shall provide a written certification to Fidelity that NFS has complied with the provisions of this Section 1(c). Notwithstanding the foregoing, NFS shall be allowed to retain and use electronic copies of accounting records relating to support for agent statement requests.

2. **Terms.** Fidelity shall pay NFS a total fee of \$100,000 for the Services with \$50,000 paid upon execution of this Agreement and \$50,000 paid no later than two business days after July 3, 2006.

3. **Notice to Agents and Policyholders.** From the date of this Agreement, NFS shall promptly refer all agents and policyholders, upon inquiry from such agents or policyholders and relating to the Flood Policies, to Fidelity Services as follows:

Marketing Toll Free Number:	(866) 373-5663
Toll Free Number:	(800) 820-3242
Fax Number:	(800) 850-3299
Agent Website	<a href="http://www.fidelitynationalflood.com">www.fidelitynationalflood.com</a>
E-mail:	<a href="mailto:floodcustomerservice@fnf.com">floodcustomerservice@fnf.com</a>

4. **Consent and Termination:** The Receiver and FIA hereby consent to the Conversion. Pursuant to the Order, the Receiver hereby terminates the NFS Agreement effective as of midnight July 20, 2006.

5. **Miscellaneous**

5.1 **Notices.** Any notices required or permitted to be given hereunder by a party to another shall be given in writing: (a) by personal delivery; (b) by electronic facsimile with confirmation sent by United States first class registered or certified mail, postage prepaid, return receipt requested; (c) by bonded courier or by a nationally recognized overnight delivery; or (d) by United States first class registered or certified

mail, postage prepaid, return receipt requested, in each case, addressed to the parties as follows (or to such other addresses as the parties may request in writing by notice given pursuant to this Section):

TO: FIDELITY  
Fidelity National Insurance Services, Inc.  
10301 Deerwood Park Blvd., Suite 100  
Jacksonville, Florida 32256  
Tel: 904-997-7310  
Fax: 904-641-1793

TO: SFIC or the Receiver  
2020 Capital Circle SE  
Alexander Building, Suite 310  
Tallahassee, FL 32301  
Tel: 850-413-3179  
Fax: 850-488-1510

TO: FIA  
Attn: Edward Connor  
500 C Street SW  
Washington, DC 20472  
Tel: 202-646-3429  
Fax: 202-646-3445

and

TO: NFS  
National Flood Services, Inc.  
555 Corporate Drive  
Kalispell, Montana 59901  
Tel: 406-756-8656  
Fax: 406-257-5709

Notices shall be deemed received on the earliest of personal delivery, upon delivery by electronic facsimile with confirmation from the transmitting machine that the transmission was completed, twenty-four (24) hours following deposit with a bonded courier or overnight delivery; or seventy-two (72) hours following deposit in the U.S. Mail as required herein.

**5.2 Governing Law; Resolution of Disputes** This Agreement shall be governed by the laws of the State of Florida, without regard to conflicts of laws and jurisdiction and venue shall be in the Receivership Court in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida. Any unresolved disputes arising out of or in connection with this Agreement will be submitted to non-binding, mandatory

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mediation before a certified civil circuit court mediator and if not so resolved, then, such dispute(s) shall be resolved in the state courts of Florida.

**5.3 Expenses.** The parties agree that each party shall bear its own costs and attorneys' fees in any dispute arising out of or in connection with this Agreement.

**5.4 Entire Agreement; Counterparts; Headings.** Except as to the Receiver and Fidelity with respect to the Assumption Agreement, this instrument embodies the entire agreement between the parties hereto with respect to the transactions contemplated herein, and there have been and are no agreements, representations or warranties between the parties other than those set forth or provided for herein. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

**5.5 No Third Party Beneficiaries.** This Agreement shall benefit and bind the parties hereto and their respective successors and assigns. No person other than the parties hereto and their successors and assigns shall have any rights under this Agreement.

**5.6. Assignability.** Neither this Agreement nor any of the parties' rights hereunder shall be assignable by any party without the prior written consent of the other parties.

**5.7 Invalid Provisions.** If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, rule or regulation, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision has never comprised a part hereof. The remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom.

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The parties have executed this Agreement as of the date and year first written above.

**FLORIDA DEPARTMENT OF FINANCIAL SERVICES AS RECEIVER FOR  
SOUTHERN FAMILY INSURANCE COMPANY,**

By: \_\_\_\_\_  
Title: Patti Turpin, Special Deputy Receiver

**NATIONAL FLOOD SERVICES, INC.**

By: \_\_\_\_\_  
Title: Michael Jones, President

**FIDELITY NATIONAL PROPERTY AND CASUALTY INSURANCE  
COMPANY**

By: Mark O. Davey  
Title: President/CEO

**FIDELITY NATIONAL INSURANCE SERVICES**

By: Mark O. Davey  
Title: President/CEO

**FEDERAL INSURANCE ADMINISTRATION**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

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## INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Description</u>
A	Conversion Data Services
B	Accounting Requirements for Vendor Conversion
C	Post Final Conversion Date Services

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**Exhibit A**  
Conversion Data Services

**Data:**

**Agent Information.**

1. Detail – including W-9 information
2. Negative Commission Balances
3. Statement/Commission handling
4. Agent check history
5. Agent statements dated December 2005 through May 31, 2006

**Quote Information**

1. Active quotes

**Policy Information**

1. Policies –active and historical
2. Policies in suspense
3. Policies in renewal status
4. Policies scheduled for non-renewal
5. Rollover policies
6. All cash history and pending associated with the policy.
7. All refund history and pending associated with the policy
8. All policy history and activity.
9. All policy memos.

**Claims Information**

1. Claims – active and historical
2. Reserve information
3. Paid information
4. Claim check history
5. Claim memos

**Imaging:**

**Documents**

1. Delivery of all documents either scanned input documents or imaged output documents.

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**Exhibit B**  
Accounting Services at Final Conversion Date

- 1) Exhibit III, Lines 345 & 346 Premium Suspense and internal reports to support these amounts. If a balance exists in suspense, clear from suspense before Final Conversion Date. If a balance still exists prior to transferring processing to the Fidelity Services, please issue a refund check payable to the respective entity and forward all relevant documentation supporting the balance including a copy of the check received. Please do individual checks for each policy. Please provide an aged detailed report by policy that also includes the receipt date, deposit date and any other relevant check/policy information. If any NSF's exist, please cancel the policy and remove these from the suspense report.
- 2) Copies of all Financial Statements and Exhibits that were prepared by NFS on behalf of the SFIC through May 31, 2006.
- 3) Control totals for business processed for the month of June 2006 by NFS on behalf of SFIC for Written Premium, Commission Expense, Losses Paid, Adjuster Expense, Salvage/refunds, Ending Reserves, Ending Unearned Premium and Earned Premium ("Control Totals") in preliminary form ("Preliminary Forms").

**Additional Services:**

- A. NFS will process all business received by NFS as of such date 5 days prior to Final Conversion Date.
- B. Copies of all images and data stored in Nautilus for SFIC, including agent and policy data.
- C. Copy of most recent Biennial Audit.
- D. Commissions paid to agents – NFS shall pay balances created by processing off of the NFS system for payment of commission and for issuing 1099's therefor up to Final Conversion Date.

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**Exhibit C**  
Post Final Conversion Date Services

1. Exhibit III, Lines 345 & 346 Premium Suspense--if a balance exists after Final Conversion Date, issue a refund check payable to the respective entity and forward all relevant documentation supporting the balance including a copy of the check received.
2. Forward stale check funds to Fidelity Services on a monthly basis until the earlier of (i) the date NFS's bank account has no outstanding checks or (ii) six months from the check date.
3. After the end of each month, forward an Excel spreadsheet with outstanding checks for Fidelity Services. The spreadsheet will contain, check type, check number and amount.
4. Outstanding commission checks --Provide a detailed listing of all outstanding checks 30 days after Final Conversion Date and each month for up to six months after the check date.
5. For up to one year after the Final Conversion Date, if (i) NFS receives correspondence, documentation and/or funds related to Flood Policies, NFS shall promptly forward them to Fidelity Services, (ii) NFS receives funds which are partially directed for a Flood Policy, NFS shall promptly deposit such amounts in its trust fund and forward a check to Fidelity Services with documentation indicating the payor of the funds, and (iii) any checks made payable to Southern Family or any version of that entity name will be forwarded to Fidelity Services for deposit.
6. Exhibit III, Line 300 Cash and the bank statement to support this amount. If there is a balance in the bank account, excess the balance to the National Flood Insurance Program (NFIP) before Final Conversion Date. (This will only be the Restricted Bank Account)
7. Exhibit III, Lines 305 & 310 Cash not transferred to/from restricted account and internal reports to support these amounts. Provide documentation to clear any outstanding line items.
8. Exhibit III, Line 320 Unearned premium reserves and internal reports to support this amount. Provide detailed unearned premium report by policy.
9. Exhibit III, Lines 325 & 335 Loss reserves, (case) and LAE reserves-case (allocated) and internal reports to support these amounts. Provide detailed reports by policy.
10. Exhibit III, Line 330 Loss reserves (IBNR) and internal reports to support this amount. Provide methodology used by NFS and any backup documentation.

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11. Exhibit III, Line 336 LAE reserve-IBNR (allocated) and internal reports to support this amount.
12. Exhibit III, Line 340 LAE reserve (unallocated) and internal reports to support this amount.
13. Final Trial Balance.
14. Reconciliation Report from the NFIP and support for each variance. If over tolerance exists, provide detailed backup for the variances. Provide monthly reconciled reports for premiums and losses. If a variance between the financial statements and the monthly report exist, provide detail.
15. NFS to send closeout statement to NFIP if necessary.
16. NFS will forward all NSF information to Fidelity Services so that the NSF can be booked to the policy. At the same time, Fidelity shall issue a check, payable to NFS, to cover the returned item.
17. Balance Sheet Reconciliations Issues – If any reconciliation issues exist, a detailed report with supporting documentation should be provided to Fidelity Services.
18. As checks for agent, return premium and claims activity are presented to be stop paid or voided NFS will void these checks from their system. NFS will then forward the Void/Stop payment information along with a check payable to Fidelity National Property & Casualty Insurance Company so that the void can be processed on Fidelity Services's system and a new check can be issued from the new Fidelity account back to the payee.
19. NFS will prepare the adjusters' 1099's for business processed prior to the Final Conversion Date.
20. Copies of the June 2006 Financial Statement and exhibit that were prepared by NFS on behalf of SFIC.
21. Copies of the June 2006 agent statements prepared by NFS on behalf of SFIC.
22. Control Totals if different than the Preliminary Forms.
23. Respond to agent inquiries with respect to agent statements and 1099's for the period prior to December 2005.
24. For up to two years after the date of the Agreement, upon request from Fidelity, provide copies of checks (both incoming and outgoing) to support cash management entries prior to the Final Conversion Date and provide copies of reports submitted to

NFIP prior to the Final Conversion Date, in each case if not previously provided to Fidelity.

25. Upon written request from Fidelity and pursuant to audits required by FEMA as they relate to NFIP and SFIC, NFS shall provide to Fidelity copies of accounting records request by FEMA or its auditor which records are then in NFS' position provided such records or copies thereof were not previously provided to Fidelity hereunder.

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