



Division of Rehabilitation and Liquidation
www.floridainsurancereceiver.org

April 26, 2006

Notice to Agents Regarding the Receivership of Southern Family Insurance Company

On April 25, 2006, Southern Family Insurance Company ("Southern Family") was ordered into receivership for purposes of rehabilitation by Judge Janet E. Ferris of the Second Judicial Circuit Court in Leon County, Florida. The Florida Department of Financial Services is the court appointed Receiver of Southern Family. A copy of the rehabilitation order is available at the Receiver's website, www.floridainsurancereceiver.org.

The Receiver is sending this notice of rehabilitation to all of Southern Family's agents of record in order to provide them with information regarding the Receiver's upcoming plans for the receivership and to better assist them in advising the Southern Family policyholders who are their clients. Under the Receiver's plan, if approved by the Court, no policyholder should experience a lapse in coverage.

Based in Tampa, Florida, Southern Family and its affiliated insurance entities Atlantic Preferred Insurance Company and Florida Preferred Insurance Company are members of the Poe Financial Group. In March, 2006, Southern Family reported an impaired financial condition on its annual financial statement as of December 31, 2005. Its officers ceased writing insurance business, and ceased offering renewal business while they announced that they would seek new capital and reinsurance. On March 21, 2006, Southern Family and its affiliate, Atlantic Preferred, consented to enter administrative supervision under the direction of the Office of Insurance Regulation. The companies also agreed to the entry of an order of rehabilitation effective April 15, 2006 and May 1, 2006 respectively.

In conjunction with the Office of Insurance Regulation, the Florida Insurance Guaranty Association, and Citizens Property and Casualty Insurance Corporation, the Receiver has developed a receivership plan, the goal of which is to provide for an orderly transition of policyholders from the Poe Financial Group companies to Citizens or other insurers while continuing to serve the interests of Southern Family's creditors and the public. Southern Family is the first of the three Poe insurance subsidiaries to be placed in receivership. Atlantic Preferred is anticipated to be placed in rehabilitation on May 1. **During rehabilitation, the Receiver will continue to pay claims in the ordinary course of business to the extent possible and will continue efforts to place blocks of business with insurers other than Citizens. Policyholders should continue to pay premiums as normal in order to continue their insurance coverage.**

The third insurer, Florida Preferred Insurance Company, will enter into rehabilitation on June 1 and, if unable to obtain reinsurance, will be placed into liquidation. If approved by the Court, under the Receiver's plan, Southern Family, Atlantic Preferred and Florida Preferred would be ordered into liquidation on or about June 2, 2006. These proposed timeframes are a result of an expiring quota share reinsurance arrangement, the financial position of the companies, and other factors. Again assuming Court approval, policyholders unable to secure coverage in the private market would be automatically transitioned to Citizens Property Insurance Corporation effective on or about July 2, 2006 without the need for a new application or underwriting. The Florida Insurance Guaranty Association would be activated to help pay outstanding claims and assist

policyholders with existing damage in getting the repairs they need so that they can properly insure their home.

The anticipated timeline for rehabilitation and liquidation for the three companies is as follows:

April 26, 2006 – Southern Family placed into Rehabilitation. Policyholders are encouraged to seek alternate coverage.

May 1, 2006 – Atlantic Preferred placed into Rehabilitation. Policyholders are encouraged to seek alternate coverage.

June 1, 2006 – If unable to obtain reinsurance, Florida Preferred will be placed into Liquidation. Policyholders are encouraged to seek alternate coverage.

June 2, 2006 – Southern Family and Atlantic Preferred placed into Liquidation. Policyholders are encouraged to seek alternate coverage.

By July 1, 2006— Remaining policyholders with Southern Family, Atlantic Preferred and potentially Florida Preferred will be automatically covered by Citizens Property Insurance Corporation without any disruption in coverage, level of coverage or premium increase. As the policies reach their anniversary dates, Citizens will offer new coverage to those policyholders who are unable to obtain coverage in the voluntary market.

As required under Florida law after a liquidation order is entered, notices of cancellation of coverage will be sent to insurance agents representing the Poe companies' policyholders. The agent is then required to share the cancellation notice with the policyholder. However, since the policies are anticipated to be automatically transitioned to Citizens with court approval, the Receiver will be requesting court approval of a method to lessen the burden on the agents to actually send notices to the policyholders.

In the meantime, the company's claim processing procedure will continue. Agents and policyholders needing to file a new claim or with questions regarding the status of an existing claim should call Southern Family Insurance Company at 1-800-365-8541. Additional information on how to contact Southern Family is available on the company's website, www.poefinancialgroup.com.

For additional information regarding Southern Family 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.