

**COPY**

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

IN RE: The Receivership of  
VANGUARD FIRE AND CASUALTY  
COMPANY, a Florida corporation.

CASE NO.: 2007- CA 186

**ORDER APPOINTING THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES  
AS RECEIVER FOR PURPOSES OF REHABILITATION, INJUNCTION, AND NOTICE  
OF AUTOMATIC STAY**

This matter came on for consideration of the Petition for Order Appointing the Florida Department of Financial Services as Receiver for Purposes of Rehabilitation, Injunction, and Notice of Automatic Stay filed by the Florida Department of Financial Services (hereinafter the "Department"). The Department asked this Court, pursuant to Sections 631.031 and 631.051, Florida Statutes, to enter a consent order of rehabilitation for Vanguard Fire and Casualty Company (hereinafter the "Respondent"). Having considered the Petition and being otherwise fully advised in the premises, the Court finds as follows:

1. This Court has jurisdiction pursuant to Section 631.021 (1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
2. 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 their 2006 For Profit Corporation Annual Report with the Florida Department of State, Division of Corporations, is 2600 Maitland Center Parkway, Suite 300, Maitland, FL 32751.
3. 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.

4. Pursuant to Section 631.031, Florida Statutes, the Department is empowered to apply to this Court for an Order directing the Respondent to show cause why the Department should not be appointed Receiver of Respondent for purposes of rehabilitation under any of the following grounds set out in Section 631.051, Florida Statutes.

5. The Respondent has consented to the appointment of the Department as Receiver for the purposes of rehabilitation pursuant to Section 631.051(11). Accordingly, it is in the best interests of Respondent and its creditors and insureds that the relief requested in the petition be granted. A copy of the consent is incorporated herein as Attachment "A".

6. Pursuant to Section 631.031(1), Florida Statutes, Kevin McCarty, the Commissioner of the Office of Insurance Regulation, has written a letter to the Chief Financial Officer Alex Sink stating grounds for the initiation of delinquency proceedings against Vanguard Fire and Casualty Company. A copy of the letter is incorporated herein as Attachment "B".

**WHEREFORE**, the Court finds as follows:

7. The Department of Financial Services of the State of Florida shall be appointed Receiver of Respondent for purposes of rehabilitation and that the Receiver be 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. Appoint one or more special agents and 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 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.

8. 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 shall be required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes, notwithstanding the provisions of the above paragraph.

9. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, shall be vested in the Receiver pursuant to Section 631.141, Florida Statutes.

10. The Receiver shall be 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 shall have full power to direct and manage the affairs of Respondent, to hire and discharge employees, administer the computer network and hardware utilized by the Respondent, and to deal with the property and business of the Respondent.

11. All attorneys employed by Respondent as of the date of the Order, within 10 days of receiving notice of this Order, shall be 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 shall also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent shall be 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. 1<sup>st</sup> 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 shall be 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, shall not be extinguished by the delivery of these documents.

12. 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 shall 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 shall use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

13. 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.

14. Upon request by the Receiver, any company providing telephonic services to the Respondent shall 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.

15. 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 shall 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.

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

17. Any data processing service not affiliated with Respondent 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 Respondent shall 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 shall 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.

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

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

20. All affiliated companies and associations shall 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 shall have 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 shall be safeguarded and presented to this Court for review prior to copying by the Receiver.

21. The Receiver shall have complete access to and control of all computer records of the Respondent and its affiliates, including administrative rights, 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.

22. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms may be directed to appear before this Court to show good cause, if any they

may have, as to why it should not be held in contempt of Court for violation of the provisions of this Order.

23. 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 hereby 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 in 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 shall be permitted to accept and be subpoenaed for non-party production of claims files in its possession, including medical records, which may be contained therein. In such cases, the requesting party must submit an affidavit to the 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.



24. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Vanguard Fire and Casualty Company shall fully cooperate with the Receiver in the effort to rehabilitate Vanguard Fire and Casualty Company.

25. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Vanguard Fire and Casualty Company having any interest in the building located at 2600 Maitland Center Parkway, Suite 300, Maitland, FL 32751; or any other facility in which Vanguard Fire and Casualty Company may operate, shall make available, at that location and at no charge to the Receiver or to Vanguard Fire and Casualty 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.

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

27. 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**

28. The Receiver is authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, 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 shall 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 Respondent and the above-specified entities shall cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation shall 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.

29. 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 shall 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 shall 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.

30. All Sheriffs and all law enforcement officials of this state are required to cooperate with and assist the Receiver in the implementation of this Order.

31. 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.

32. 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, without further notice or hearing.

#### **NOTICE OF AUTOMATIC STAY**

33. Notice shall be 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.

34. This Court shall retain jurisdiction of this cause for the purpose of granting such other and further relief as from time to time shall be deemed appropriate.

ORDERED on this 19<sup>th</sup> day of June, 2007.

*[Handwritten Signature]*  
 \_\_\_\_\_  
 CIRCUIT JUDGE

A Certified Copy  
Attest:

**Bob Inzer**

Clerk Circuit Court  
Leon County, Florida

By *[Handwritten Signature]*  
 \_\_\_\_\_  
 D.C.

