

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

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

CASE NO: 2011-CA-001476

**ORDER GRANTING RECEIVER'S MOTION TO APPROVE SALE OF FLOOD BOOK
TO SERVICE INSURANCE COMPANY**

THIS CAUSE having come before the Court on the Florida Department of Financial Services, in its capacity as Receiver for National Group Insurance Company (hereinafter "Receiver"), Motion to Approve Sale of Flood Book to Service Insurance Company, and the Court being otherwise fully informed of the premises, it is

ORDERED AND ADJUDGED that:

1. The Motion to Approve Sale of Flood Book to Sale of Flood Book to Service Insurance Company is hereby granted.
2. The Receiver is hereby directed and authorized to do any and all other things necessary to effect said sale and that upon closing this sale shall stand ratified and approved without further order of this Court.

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

9th day of November, 2011.



CIRCUIT JUDGE

ASSUMPTION AGREEMENT

~~October~~ ^{November} This Assumption Agreement (hereinafter "Agreement") is made this 9th day of ~~October~~, 2011, between the Florida Department of Financial Services ("Receiver"), as Receiver for National Group Insurance Company ("National Group") whose principal place of business is located at 2020 Capital Circle SE, Tallahassee, FL 32301, and Service Insurance Company ("Service") whose offices are located at 4730 SR 64 E, Bradenton, FL 34208.

RECITALS

- A. On October 10, 2011, the Second Judicial Circuit Court ("Court") granted the Order Appointing the Florida Department of Financial Services as Receiver of National Group Insurance Company for Purposes of Liquidation, Injunction, and Automatic Stay ("Order"); and
- B. Pursuant to the Order, the Receiver is in possession of the assets of National Group, and is administering those assets under the general supervision of the Court; and
- C. The Receiver is signing this Agreement on behalf of National Group. Where this Agreement refers to obligations of National Group, those obligations will be discharged on behalf of National Group by the Receiver or persons acting pursuant to the direction of the Receiver; and
- D. National Group has in force policies of Flood Insurance ("Flood Book" or "Flood Policies") issued pursuant to the Federal Emergency management Agency's ("FEMA") Write Your Own ("WYO") flood insurance program; and
- E. The Federal Insurance Administration ("FIA") entered into a Financial Assistance/Subsidy Arrangement ("Arrangement") under which FIA provides a subsidy to National Group 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 500 flood policies of National Group. Service Insurance Company submitted, and the Receiver has accepted, a proposal to purchase the Flood Book; and
- G. This Agreement is contingent on the Receivership Court Approval. The Court will be motioned to enter an Order Granting the Receiver's Motion to Approve Sale of Flood Book, granting the Receiver authority to sell the Flood Book to Service in accordance with Service's proposal, after the parties have executed this Agreement; and
- H. Pursuant to its proposal, Service is willing to assume, and the Receiver desires to relieve itself from, any and all liability and obligations occurring under the Flood Book written by National Group pursuant to the Arrangement; and
- I. Service is willing to assume one hundred percent (100%) of the Receiver's liability and obligations under such Flood Book as provided herein; and
- J. The Receiver desires to assign to Service all of National Group's right, title, interest, and obligations under the Arrangement; and
- K. FIA consents to said assignment and assumption.

THEREFORE, in consideration of the mutual covenants and understandings contained herein and upon the terms and conditions set forth below, the parties hereto agree as follows:

ARTICLE I

Exhibit A

Business Covered/Charges:

The Receiver hereby assigns and conveys to Service all of its rights and duties, title and interest in Flood Policies and renewals thereof written by National Group pursuant to the terms of the Arrangement, and Service hereby assumes all of the rights and duties, title and interest in the Flood Policies. Service further agrees to perform, as of the Effective Date, any and all services with regard to the Flood Policies, including, but not limited to, all of those services required to be performed by National Group under the Arrangement.

The parties agree that the performance of the services after the Effective Date shall include adjustment and settlement of all claims reported either prior to or after the Effective Date. Payments made and unallocated expenses incurred on such claims shall be the sole responsibility of Service.

The parties further agree that, as of the Effective Date, Service will assume responsibility for all services presently performed by National Group.

ARTICLE II

Effective Date:

This Assumption Agreement shall become effective on ^{November} ~~October~~ ^{9th}, 2011, after execution of said Agreement by all parties upon approval by the Court ("Effective Date").

ARTICLE III

Payment:

The payment terms are as follows: Service agrees to pay the Receiver a total of \$10,000 advance payment for the Flood Book. The amount shall be due and owing to the Receiver on the Effective Date upon Court approval, as set forth in Article II.

ARTICLE IV

Cover:

Service hereby assumes as of the Effective Date and in substitution for the obligations of the Receiver, one hundred percent (100%) of the Receiver's liability under the Flood Policies for all claims, losses, and costs thereunder, including, without limitation, all unpaid claims as of the Effective Date and all subsequent claims, regardless of when asserted or when the loss or other liability-producing event occurred in the past or may occur in the future. Service agrees to be subject to all the obligations, terms and provisions of the Flood Policies excluding the costs of National Group and the Receiver. Service shall have all defenses and offsets against claims and actions under the Flood Policies as National Group and the Receiver previously had.

ARTICLE V

Notice to Policyholders:

Service shall cause to be issued and shall mail a notice of assumption, in such form as may be required by FIA, in order to advise policyholders of the assumption by Service, in substitution for National Group, contemplated hereby. Such notice shall be mailed by Service with the next policy transaction (policy renewal, policy endorsement or policy cancellation) with the policyholder but not later than policy renewal.

ARTICLE VI

Indemnification:

Service will hold harmless and indemnify the Receiver from and against any and all liability, costs or expense in connection with occurrences on and after the Effective Date involving the Flood Policies, including without limitation, the servicing thereof and claims and loss thereunder, and Service shall, at its own cost and expense and in its own name, investigate, compromise, settle, defense against or take any other action in respect of any such claim or legal action.

ARTICLE VII

Premium and Commission:

As consideration for the assumption of the Flood Policies by Service, the Receiver hereby cedes to Service the following:

- A. 100% of the gross unearned commission for all policies which incepted prior to the Effective date; and
- B. 100% of funds required to be held in the separate bank account pursuant to the National Flood Insurance Act of 1968.

ARTICLE VIII

Consent:

FIA hereby consents to the Receiver's assignment of the Arrangement to Service and agrees to confer upon Service all of the rights, benefits and obligations of the Arrangement to Service upon the Effective Date of this Assumption Agreement. Service hereby agrees to be bound by the terms and conditions of the Arrangement as of the Effective Date of this Assumption Agreement.

ARTICLE IX

Transfer of Records:

The Receiver shall use its best efforts to transfer to Service copies of all necessary records (including related books, information and computer runs) regarding the Flood Policies and the Assumption agreement, or on before the Effective date. The Receiver shall assist Service in making an orderly assumption of the Flood Policies. Notwithstanding the foregoing, the Receiver shall be responsible for retaining any and all records it is required to keep by law or regulation.

ARTICLE X

Reserves:

Service agrees to maintain proper reserves upon the Flood Policies and the Assumption Agreement in accordance with generally accepted statutory accounting principles.

ARTICLE XI

Resolution of Disputes:

Any unresolved disputes arising out of or in connection with this Agreement will be resolved in accordance with the laws of the State of Florida, 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. The parties further agree to submit to mediation of any such disputes before a certified civil circuit court mediator in an effort to resolve said disputes.

ARTICLE XII

Further Instruments:

The parties hereto agree to execute and deliver such further instruments and do such further acts as may be necessary and proper to carry out the purposes of this Assumption Agreement.

ARTICLE XIII

Partial Invalidity:

If any provision of this Assumption Agreement or the applicability thereto to any person or circumstance is held invalid by any court, the remainder of this Assumption Agreement, including the remainder of the section in which such provision appears, or the applicability of such provision to other persons or circumstances, shall not be affected thereby.

ARTICLE XIV

Entire Understanding:

This Assumption Agreement contains the entire understanding of the parties with respect to the subject matter thereof; there are no restrictions, promises, warranties, covenants, or undertakings with respect to such subject matter, other than those expressly set forth herein; and this Assumption Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

ARTICLE XV

Burden and Benefit:

This Assumption Agreement is binding on and shall insure to the benefit of the parties hereto, their successors and assigns.

ARTICLE XVI

Counterparts:

This Assumption Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

ARTICLE XVII

Notices:

All notices, consents, requests, waivers, elections and other communications (collectively "Notices") authorized, required or permitted to be given under this Agreement shall be addressed as follows:

If to Service: Service Insurance Company
 P.O. Box 9729
(Insert Address) Bradenton, FL 34206-9729

If to the Receiver:

Florida Department of Financial Services

Division of Rehabilitation and Liquidation as Receiver for
National Group Insurance Company
2020 Capital Circle SE
Alexander Building, Suite 310
Tallahassee, FL 32301
Attn: Legal Department

All Notices must be given in writing, mailed by first class registered or certified mail, and shall be deemed to be received three (3) days after the day of mailing. Either party may change its address for the receipt of Notices or the party to whose attention Notices are sent at any time by giving notice thereof to the other party hereto: In the event that and legal process, notice, or bulletin to Service as directed above, via registered or certified mail, and with an additional copy sent via electronic mail.

ARTICLE XVIII

No Intermediary:

The parties represent and warrant to each other that no intermediary was involved in the transactions contemplated by this Assumption Agreement nor are any payments being made as a result of the transactions contemplated by this Assumption Agreement.

**FLORIDA DEPARTMENT OF FINANCIAL SERVICES, DIVISION OF
REHABILITATION, AS RECEIVER FOR NATIONAL GROUP INSURANCE
COMPANY**

By: Salma Zacur

Title: Salma Zacur, Deputy Receiver of National
Group Insurance Co.

Date: ~~October 8~~, 2011.

November 17

SERVICE INSURANCE COMPANY

By: David C. Cruikshank David C. Cruikshank

Title: SE Vice President

Date: ~~October~~ November, 2011. 11/18/11

FEDERAL INSURANCE ADMINISTRATION

By: Deborah A. ...

Title: Deputy Associate Administrator for Insurance

Date: ~~October~~, 2011.

November 7, 2011

SPC
11/7/11