

**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

CASE NO.:

Sawgrass Mutual Insurance Company,
a Florida corporation,

Respondent.

**THE DEPARTMENT OF FINANCIAL SERVICES APPLICATION FOR ORDER TO SHOW
CAUSE, INJUNCTION, AND NOTICE OF AUTOMATIC STAY
FOR PURPOSES OF LIQUIDATION**

The Florida Department of Financial Services, Division of Rehabilitation and Liquidation (“Department”), hereby applies to this Court pursuant to Sections 631.031 and 631.061, Florida Statutes, for the entry of an Order to Show Cause, Injunction, and Notice of Automatic Stay on the appointment of the Department as Receiver of Sawgrass Mutual Insurance Company (“Respondent” or “SMIC”) for purposes of liquidation. In support of its application, the Department states:

1. This Court has jurisdiction over these proceedings pursuant to section 631.021(1), Florida Statutes, and venue is proper in the Circuit Court of Leon County pursuant to section 631.021(2), Florida Statutes.

2. Pursuant to section 631.021(1), Florida Statutes, this Court has jurisdiction over delinquency proceedings and is authorized to enter all necessary or proper orders to carry out the purpose of the Florida Insurers Rehabilitation and Liquidation Act, sections 631.001 *et seq.*, Florida Statutes.

3. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the State of Florida as a property and casualty insurer since 2009. Respondent's principal place of business is or was located at 1000 Sawgrass Corporate Parkway, Suite 100, Sunrise, Florida 33323.

4. Section 631.021, 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.

5. Section 631.031(2), Florida Statutes, empowers the Department to petition this Court for an order directing it to liquidate a domestic insurer, and section 631.061, Florida Statutes, provides that the Department may apply for such an order if the insurer is or is about to become insolvent or upon the existence of any of the grounds specified in section 631.051, Florida Statutes.

6. By letter dated August 3, 2018, pursuant to section 631.031(1), Florida Statutes, David Altmaier, Commissioner of the Office of Insurance Regulation, advised Florida's Chief Financial Officer, Jimmy Patronis, that grounds exist for the initiation of liquidation proceedings against Respondent. A copy of the letter is attached hereto and incorporated herein as **Department Exhibit 1.**

7. Based on the documentation received from the Florida Office of Insurance Regulation ("the Office"), including a sworn affidavit from Virginia A. Christy, the Director of Property and Casualty Financial Oversight, the Department has determined that Respondent is impaired or insolvent, or is about to become insolvent, and that there exist additional grounds as specified in section 631.051, Florida Statutes, that warrant the liquidation of Respondent. A copy of the Affidavit of Virginia A. Christy is attached hereto and incorporated herein as

Department Exhibit 2

8. According to the Affidavit of Virginia A. Christy, upon the approval of an application, Respondent was licensed by the Office on April 7, 2009, as a state of Florida domestic property and casualty insurer authorized to write insurance, pursuant to Part III of Chapter 624, Florida Statutes. Respondent's principal place of business, and its last known Florida address, is or was 1000 Sawgrass Corporate Parkway, Suite 100, Sunrise, Florida 33323.

9. Respondent agreed to be placed into administrative supervision, pursuant to Part V of Chapter 624, Florida Statutes, for the purpose of protecting the assets of Sawgrass and protecting the interests of its insureds and to implement an orderly wind-down of the company's assets. Administrative Supervision began on August 18, 2017, pursuant to a Consent Order entered into with the Office of Insurance Regulation¹, was extended for two 90-day periods, and was again extended through October 9, 2018 to facilitate the effectuation of run-off.

10. The Office has now determined that grounds exist for the Department to file delinquency proceedings against Respondent, as there are many outstanding issues that are unresolved by the Respondent.

11. Respondent is currently insolvent within the meaning of section 631.011(14), Florida Statutes. Sections 631.051(1) and 631.061(1), Florida Statutes, authorize the initiation of delinquency proceedings against an insurer if the insurer is insolvent. The basis for the determination of insolvency is summarized as set forth below.

12. In its March 31, 2018, Quarterly Statement ("March 2018 Quarterly Statement") (see page 3, line 37 of Exhibit 3 to Affidavit of Virginia A. Christy), Respondent

¹ The Administrative Supervision Consent Order dated August 18, 2017, and succeeding Consent Orders, are attached collectively as Exhibit 1 to Virginia Christy's Affidavit.

reported surplus as to policyholders in the amount of \$529,742. On or about June 1, 2017, Sawgrass negotiated the payment of deposit premium to its reinsurance broker, JLT Re (North America) Inc. (“JLT Re”) in two installments, one due on June 1, 2017, in the amount of \$5,171,516.25, which was paid, and the second installment due on September 30, 2017, in the amount of \$4,741,203.75. In accordance with contract terms, JLT Re’s commissions and fees are considered fully earned when the reinsurance incepts, irrespective of when the premium for the reinsurance is payable, and it is not refundable in the event of cancellation or early termination.

13. When Sawgrass cancelled its reinsurance upon the transfer of policies² to Heritage Property & Casualty Insurance Company (“Heritage”), Sawgrass failed to recognize its payable for the commission owed on the second installment, which has been calculated by JLT Re to be \$566,320.00. The following exhibits to the Christy Affidavit further explain and support the amount payable by Respondent: Exhibit 5, correspondence from JLT Re, along with Exhibit 1 to Exhibit 5, which is an excerpt of JLT Re’s standard broker services agreement showing the commissions and fees are fully earned; and Exhibit 6, the Affidavit of Brian O’Neill, Executive Vice President, National Catastrophe Practice, JLT Re, verifying the amount due by Respondent to JLT Re.

14. Since this amount was not reflected in Sawgrass’s March 2018 Quarterly Statement (Exhibit 3 to Christy Affidavit), surplus as to policyholders is reduced by \$566,320.00, making Sawgrass surplus as to policyholders a negative \$36,577.00. Therefore, Sawgrass is in violation of its surplus requirement and considered insolvent due to its impairment of capital.

15. As part of the first Administrative Supervision Consent Order entered on

² See Exhibit 2 to Virginia Christy Affidavit and the Administrative Supervision Plan Agreement dated September 1, 2017. All of Respondent’s policyholders were offered a replacement policy with Heritage pursuant to the Plan, although policyholders could decline if they chose.

August 18, 2017, Respondent was required to notify the Office of all pending litigation. A list of all such litigation where Respondent was named as a party was provided by Respondent to the Office on August 25, 2017 (Exhibit 7 to Christy Affidavit). The Office subsequently discovered a connection between a \$218,463.00 receivable noted in Respondent's March 2018 Quarterly Statement and a case pending in the United States District Court, Southern District of New York, Holburn Corporation v. Sawgrass Mutual Insurance Company, Case No. 16-cv-09147 (Exhibit 8 to Christy Affidavit) that did not appear on the litigation listing provided to the Office. A further search of pending litigation (Exhibits 9 and 10 to Christy Affidavit) showed other cases that either should have been noted on the listing provided by Respondent to the Office or cases that should have been reported as filed subsequent to the Administrative Supervision Consent Order. An exhaustive search of other litigation where Sawgrass is named as a party has not been done by either the Office or the Department.

16. Within the previous 12 months, Respondent has systematically attempted to compromise with creditors due to its financial disability. Respondent has attempted to compromise with JLT Re, its reinsurance broker, the Florida Hurricane Catastrophe Fund ("FHCF"), Heritage, and the Holburn litigant in an effort to reduce or waive amounts contractually owed due to its declining financial condition.

a) JLT Re contends that Respondent owes \$566,320.00 (see Exhibit 6 to Christy Affidavit).

Respondent negotiated a payment plan for the initial reinsurance agreement and contends at this time that they do not owe this amount. However, as stated in Brian O'Neill's Affidavit (Exhibit 6 to Christy Affidavit), Respondent recently contacted JLT Re and attempted to settle the outstanding debt for \$300,000.00.

b) The FHCF contends that Respondent owes \$562,378.00 (see correspondence and

invoice attached as Exhibit 11 to Christy Affidavit, and Affidavit of Leonard Schulte, Director of Legal Analysis and Risk Evaluation of the FHCF, attached as Exhibit 12). This amount is not accounted for on Respondent's March 2018 Quarterly Statement. As stated in Schulte's Affidavit, Respondent approached the FHCF regarding the liability and requested the FHCF to accept a reduced amount. The FHCF declined to do so.

- c) Heritage contends that Respondent owes it a minimum of \$2.5 million due to reserve development and several other issues (See Affidavit of Kirk Lusk, Chief Financial Officer of Heritage, attached as Exhibit 13 to Christy Affidavit). These amounts are not accounted for on Respondent's March 2018 Quarterly Statement. Settlement discussions between Heritage and Respondent have been ongoing and are currently stalled.

17. The plaintiff in the Holburn case mentioned above contends that it is entitled to approximately \$600,000.00 (see Complaint attached as Exhibit 14 to Christy Affidavit). Respondent did not account for a \$600,000.00 contingent liability on its financial statement but instead included a receivable of \$218,463.00 for the amount already paid to the Plaintiff. The Office states that the Respondent is currently in settlement discussions in this litigation.

18. Based on the foregoing, the Department has determined that grounds for Respondent's liquidation exist under Section 631.051(3), Florida Statutes, in that Respondent is found by the Department to be in such condition as to render its further transaction of insurance presently or prospectively hazardous to its creditors, stockholders, or the public. In addition, Section 631.051(15), Florida Statutes, authorizes the initiation of delinquency proceedings against an insurer if "[w]ithin the previous 12 months the insurer has systematically attempted to compromise with creditors on the grounds that it is financially unable to pay its claims in full." Due to Respondent's insolvency and the above-referenced

business practices, Respondent's continued operation is presently or prospectively hazardous to creditors, stockholders, or the public.

19. Section 631.041(1), Florida Statutes, provides that the Department's Application for an Order to Show Cause operates as an automatic stay of certain actions. Notice of the automatic stay should be contained within the Order to Show Cause. However, the Court Order should provide that regulatory actions against the Respondent by any regulatory body shall not be stayed. Sections 631.041(3) and 631.041(4), Florida Statutes, authorize this Court to enter certain injunctions to preserve the remaining assets of Respondent.

20. It is in the best interest of Respondent, its creditors, policyholders (if any), and the public that the relief requested in this Application be granted.

21. Due to the time-sensitive nature of the filing of this Application and the need to preserve the remaining assets of SMIC for its creditors, policyholders (if any), the Department requests that this Court set the appropriate hearing as expeditiously as possible to avoid further delay.

WHEREFORE, the Florida Department of Financial Services respectfully moves this Court for an Order:

A. Directing Respondent to appear before this Court on a day certain and show good cause, if any, as to why the Department should not be appointed Receiver of Respondent for purposes of liquidation under the provisions of Chapter 631, Florida Statutes.

B. Requiring Respondent to file a written response along with any defenses it may have to the Department's allegations no later than twenty (20) days after the service of any Order to Show Cause issued by this Court and at least fifteen (15) days prior to hearing.

C. Directing that in order to protect the interests of creditors, policyholders (if any), and the public, generally, pending the adjudication of this matter and to protect and preserve the

assets, books, and records of Respondent pending hearing on the Department's application pursuant to section 631.041(3) and section 631.041(4), Florida Statutes, all person, firms, corporations, associations and Respondent's affiliates as defined by section 631.001, Florida Statutes, and all other persons or entities within the jurisdiction of this Court, including but not limited to Respondent and its officers, directors, stockholders, trustees, members, agents and employees be enjoined and restrained from removing, destroying or otherwise disposing of any documents, books, records, including but not limited to electronic records or assets of Respondent (or pertaining to Respondent), from doing, through acts of commission or omission, or permitting to be done any action which might waste or otherwise dispose of the books, records, and assets of, or directly or indirectly relating to, the Respondent; from denying the Department access to the books, records, and assets of, or directly or indirectly relating to, the Respondent; from in any manner interfering with the Department or the conduct of these proceedings, from the removal, concealment or other disposition of the property, books, records, and accounts of, or directly or indirectly relating to, the Respondent; from commencement or prosecution of any actions against the Respondent, or the obtaining of preferences, judgments, writs of attachment or execution against Respondent or its property or assets. However, regulatory actions against Respondent by any regulatory body should not be stayed or enjoined;

D. Directing the Department be given authorization to conduct, at its discretion, an investigation 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 and its parent corporation(s), its subsidiaries and affiliates should be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to the Respondent, wherever located, available for full, free and unhindered inspection and examination by the Department during normal business hours (8:00

a.m. to 5:00 p.m.), Monday through Friday, from the date of the Order. This investigation should include a full and complete examination of any and all reviews, compilations, audits or any other work of whatever nature performed by any accounting firm to include all work papers, on behalf of, related to or in any way connected with Respondent, its affiliates and/or Respondent's corporate structure and affiliations. Respondent and its affiliates are hereby ordered and enjoined to cooperate with the Department 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.

E. Directing that any officer, director, manager, trustee, agent, accountants, adjuster, employee, or independent contractor of Respondent, and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent to fully cooperate with the Department as required by section 631.391, Florida Statutes, and as set out in the preceding paragraph.

F. Directing that the failure of Respondent and its affiliates and all other persons or entities within the jurisdiction of this Court, to cooperate with the Department's investigations as required by section 631.391, Florida Statutes, and that failure to comply with any Order to Show Cause issued by this Court shall result in the immediate entry of an order of liquidation.

G. Giving notice of the automatic stay provisions of section 631.041(1), Florida Statutes.

H. Directing the officers and directors of Respondent to comply with the provisions of

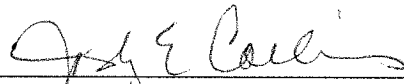
section 626.9541(1)(w), Florida Statutes; and

I. Granting such other relief as the Court deems appropriate.

AND FURTHER, at hearing or on consent of Respondent, if this Court determines that a Receiver should be appointed, the Department moves this Court for entry of an Order of Liquidation. A sample Liquidation Order that the Department may request be entered at the conclusion of the Show Cause proceedings is attached to this Application as **Department's Exhibit**

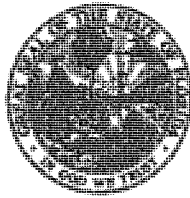
3.

RESPECTFULLY SUBMITTED this 15th day of August, 2018.



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OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

August 3, 2018

The Honorable Jimmy Patronis
Chief Financial Officer
Department of Financial Services
Plaza Level 11, The Capitol
Tallahassee, FL 32399-0301

VIA EMAIL

Re: Sawgrass Mutual Insurance Company

Dear Chief Financial Officer Patronis:

Please be advised that the Office of Insurance Regulation (hereinafter referred to as the "Office") has determined that one or more grounds exist for the initiation of delinquency proceedings, pursuant to Chapter 631, Florida Statutes, against Sawgrass Mutual Insurance Company (hereinafter referred to as "Sawgrass"). Sawgrass is a Florida corporation authorized to transact business as property and casualty insurer in the state of Florida and licensed in the lines of fire, allied lines, homeowners multi-peril, and other liability. As specified in Sections 631.051 and 631.061, Florida Statutes, the grounds that permit the Department of Financial Services (hereinafter referred to as the "Department") may petition for an order appointing the Department as receiver and directing it to rehabilitate or liquidate the business of a domestic insurer on the grounds that Sawgrass:

- (1) **Is impaired or insolvent (§631.051(1), F.S.);**
Is or is about to become insolvent (§631.061(1), F.S.);

Sawgrass's surplus as to policyholders, as filed with the Office was \$529,742 as of March 31, 2018. On or about June 1, 2017, Sawgrass negotiated the payment of deposit premium to its reinsurance broker, JLT Re (North America) Inc. (hereinafter referred to as "JLT Re") in two installments, one due on June 1, 2017, in the amount of \$5,171,516.25, which was paid, and the second installment due on September 30, 2017, in the amount of \$4,741,203.75. In accordance with its contract terms JLT Re's commissions and fees are considered fully earned when the reinsurance incepts, irrespective of when the premium for the reinsurance is payable and is not refundable in the event of cancellation or early termination. On September 1, 2017, Sawgrass cancelled its reinsurance and failed to recognize its payable for the commission owed on the second installment, which has been calculated by JLT Re to be \$566,319.89. Since this amount was not reflected in Sawgrass's first quarter 2018 financial statement, surplus as to policyholder's will be reduced by \$566,319 making Sawgrass surplus as to policyholders a negative \$36,577. Therefore, the Office finds, for the reasons set forth in the attached documents, that Sawgrass has insufficient assets to pay all outstanding obligations and is therefore insolvent.

...

DAVID ALTMAIER • COMMISSIONER
200 EAST GAINES STREET • TALLAHASSEE, FLORIDA 32399-0305 • (850) 413-5914 • FAX (850) 488-3334
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Affirmative Action / Equal Opportunity Employer

DEPARTMENT EXHIBIT 1

- (2) **Is found by the Office to be in such condition or is using or has been subject to such methods or practices in the conduct of its business, as to render its further transaction of insurance presently or prospectively hazardous to its creditors and the public (§631.051(3), F.S.).**

Sawgrass was required to provide to the Office a list of any known, pending litigation in which Sawgrass is named as a party and to immediately notify the Office of any litigation initiated naming Sawgrass as a party after the execution of the Administrative Supervision Consent Order. Sawgrass failed to notify the Office of all known pending litigation in which it is named as a party. Due to the noted failure to properly account for known liabilities and a full list of known litigation, the Office cannot be assured that all liabilities, claims, and obligations are accounted for and able to be satisfied rendering Sawgrass's further transaction of insurance presently hazardous to its creditors and the public.

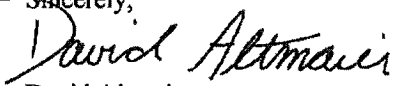
- (3) **Within the previous 12 months has systematically attempted to compromise with creditors on the ground that it is financially unable to pay its claims in full (§631.051(15), F.S.).**

The Office finds, for reasons set forth in the attached documents and affidavits, that Sawgrass has attempted to compromise with at least the following known creditors, JLT Re, its reinsurance broker; the Florida Hurricane Catastrophe Fund; Heritage Property and Casualty Insurance Company; and the Holborn Corporation, in an effort to reduce or waive amounts contractually owed due to its inability to pay amounts owed in full.

Therefore, the Office is advising the Department of this determination so that delinquency proceedings can be initiated by the Division of Rehabilitation and Liquidation. The following documents are attached in support of such determination:

Exhibit A – Affidavit of Virginia Christy, Director, Property & Casualty Financial Oversight, with Exhibits 1 through 14

The Office stands ready to provide any additional information or assistance the Department may require to proceed as expeditiously as possible. Thank you for your attention to this matter.

Sincerely,

David Altmaier
Commissioner

AFFIDAVIT OF VIRGINIA A. CHRISTY

STATE OF FLORIDA

COUNTY OF LEON

BEFORE ME, the undersigned authority, personally appeared Virginia A. Christy, Director of Property & Casualty Financial Oversight for the Office of Insurance Regulation, who after being duly sworn, deposes and says:

1. I, Virginia A. Christy, am over the age of eighteen (18), sui juris, and I am competent to testify to and have personal knowledge of the facts contained herein.

2. I, Virginia A. Christy, currently hold the position as Director of Property & Casualty Financial Oversight, Florida Office of Insurance Regulation (hereinafter referred to as the "Office"). I graduated from Missouri Southern State College in 1987 with a Bachelor of Science degree in Business Administration with a major in Accounting. I have been employed by the Office since July 2012.

3. Sawgrass Mutual Insurance Company (hereinafter referred to as "Sawgrass") was licensed on April 7, 2009, as a state of Florida domestic Property and Casualty insurer authorized to write the following lines of insurance, fire, allied lines, homeowners multi-peril, and other liability, pursuant to Part III of Chapter 624, Florida Statutes. On August 18, 2017, Sawgrass agreed, pursuant to Consent Order 213241-17-CO, amended by Consent Orders 213367-17-CO (changing the confidentiality status), 218725-17-CO (extending the period for an additional 120 days), 224715-18-CO (extending the period for an additional 90 days), and 228992-18-CO (extending the period for an additional 90 days), (hereinafter referred to collectively as "Administrative Supervision Consent Order" and attached collectively as Exhibit 1), to be placed

into Administrative Supervision, pursuant to Part V of Chapter 624, Florida Statutes, for the purpose of protecting the assets of Sawgrass and protecting the interests of its insureds during the implementation of an orderly wind-down of the company's operations. Administrative Supervision has been extended through October 9, 2018, to facilitate the effectuation of run-off.

4. Sawgrass was formed as a mutual insurance company and is owned by its policyholders (hereinafter referred to as "members"). The company issued non-assessable policies and its members had no contingent liabilities. On September 1, 2017, after careful consideration of the most comprehensive protection for policyholders and being responsive to regulatory requirements, the Office approved an agreement that effectively transferred Sawgrass's policyholders to Heritage Property & Casualty Insurance Company (hereinafter referred to as "Heritage"). The agreement (attached as Exhibit 2) provided for the assumption by Heritage of Sawgrass's policyholder claims. In addition, the Office reviewed the sufficiency of Heritage's catastrophe reinsurance program and its capacity to provide coverage to Sawgrass's insureds.

5. Administrative Supervision has continued to date with unresolved issues concerning solvency and outstanding liabilities that prevent the Office from finding that adequate provisions are in place to address Sawgrass's obligations to the public. The Office has now determined that grounds exist for the Department of Financial Services (hereinafter referred to as the "Department") to petition for an order, under Section 631.051 or 631.061, Florida Statutes, directing the Department to initiate delinquency proceedings against Sawgrass. The basis for this determination is summarized as follows:

(a) **Pursuant to Section 631.051(1) and 631.061(1), Florida Statutes, Sawgrass is impaired or insolvent.** On May 15, 2018, Sawgrass filed with the Office its first quarter 2018 Financial Statement (attached as Exhibit 3), showing surplus as to policyholders

in the amount of \$529,742 as of March 31, 2018. Subsequently, on or about June 1, 2017, Sawgrass negotiated the payment of deposit premium to its reinsurance broker, JLT Re (North America) Inc. (hereinafter referred to as "JLT Re") in two installments, one due on June 1, 2017, in the amount of \$5,171,516.25, which was paid, and the second installment due on September 30, 2017, in the amount of \$4,741,203.75 (See attached Exhibit 4).

In accordance with their contract terms, JLT Re's commissions and fees are considered fully earned when the reinsurance incepts, irrespective of when the premium for the reinsurance is payable and is not refundable in the event of cancellation or early termination (See attached Exhibit 5). Sawgrass cancelled its reinsurance with JLT Re on September 1, 2017, due to Sawgrass transferring of its policies to Heritage. Sawgrass failed to recognize on its First Quarter 2018 Financial Statement its payable for the commission owed on the second installment, which has been calculated by JLT Re to be \$566,319.89. (See attached Exhibit 3 and affidavit of Brian O'Neill, attached Exhibit 6). The commission is still due and owing to JLT Re at the time of this affidavit. (See attached Exhibit 6). As this amount was not reflected in Sawgrass's First Quarter 2018 Financial Statement, surplus as to policyholder's will be reduced by \$566,319 making Sawgrass's surplus as to policyholders a negative \$36,577. Therefore Sawgrass is in violation of its surplus requirement and considered insolvent due to its impairment of capital.

(b) **Pursuant to Section 631.051(3) Sawgrass is in such condition and has used methods in the conduct of its business as to render its further transaction of insurance presently hazardous to its creditors and the public.** Sawgrass was required as part of the Administrative Supervision Consent Order (see paragraph 11 of 213241-17-CO, Exhibit 1) to provide to the Office a list of any known, pending litigation in which Sawgrass

is named as a party and to immediately notify the Office of any litigation initiated naming Sawgrass as a party after execution of the Administrative Supervision Consent Order. On Friday, August 25, 2017, the Office was provided a list of pending litigation where Sawgrass was named as a party (attached as Exhibit 7). On or about June 25, 2018, the Office determined a connection between a \$218,463 receivable noted in Sawgrass's First Quarter 2018 Financial Statement and a pending US District, Southern District of NY court case Holborn Corporation v. Sawgrass Mutual Insurance Company, case 16-cv-09147 (attached as Exhibit 8). The existence of this litigation did not appear on the litigation listing provided to the Office. (See attached Exhibit 7). A local search of pending litigation (attached as Exhibit 9 and Exhibit 10) showed other cases that either should have been noted on the listing provided by Sawgrass to the Office or cases that should have been reported as filed subsequent to the Administrative Supervision Consent Order.

The Office has conducted an initial search of other litigation where Sawgrass is named as a party. Due to the noted failure to properly account for known liabilities as indicated in (a) above and the failure to provide a full listing of known litigation the Office, the Office cannot be assured that all liabilities, claims, and obligations are accounted for and able to be satisfied, rendering Sawgrass's further transaction of insurance presently hazardous to its creditors and the public.

(c) **Pursuant to Section 631.051(15), Florida Statutes, Sawgrass has within the previous 12 months systematically attempted to compromise with creditors on the ground that it is financially unable to pay it claims in full.** During the period of Administrative Supervision, the Office discovered that within the last 12 months, Sawgrass has attempted to compromise its debt with JLT Re, the Florida Hurricane Catastrophe Fund, Heritage, and the

Holborn litigant in an effort to reduce or waive amounts contractually owed due to its declining financial condition. Sawgrass owes JLT Re, \$566,320 (See attached as Exhibit 6). Sawgrass negotiated a payment plan for the initial reinsurance agreement due to its deteriorating financial condition and alleges that they do not owe this amount. However, Sawgrass approached JLT Re and asked if JLT Re would settle the amount owed and release Sawgrass from any further obligation in exchange for \$300,000 (See attached Exhibit 6).

Sawgrass owes the Florida Hurricane Catastrophe Fund (“FHCF”) \$562,378 (See attached Exhibit 11). A representative of Sawgrass approached FHFC regarding this liability and requested that FHFC accept a reduced amount from Sawgrass as full payment (See affidavit of Leonard Schulte, attached Exhibit 12). The FHFC informed this representative that it would not.

Sawgrass owes Heritage a minimum of \$2.5 million due to a reserve development and other issues (See affidavit of Kirk Lusk, attached Exhibit 13). This amount is also not accounted for on Sawgrass’s First Quarter 2018 Financial Statement. Sawgrass’s negotiations with Heritage have been ongoing and are currently stalled.

The plaintiff in the Holborn case contends that it is entitled to approximately \$600,000 (See paragraphs 26 and 27 of attached Exhibit 14). Sawgrass did not account for a \$600,000 contingent liability on its First Quarter 2018 Financial Statement, but instead included a receivable of \$218,463 for the amount already paid to the Plaintiff (See attached Exhibit 3). Sawgrass is currently in settlement discussions, the outcome of which is unknown at this time.

6. Based on the above, Sawgrass is insolvent and poses a financially hazardous condition and its further transaction of insurance is presently or prospectively hazardous to creditors and the public. Thus, grounds for issuing an Order for entry into receivership exist under Sections 631.051(1), 631.051(3), 631.051(15) and 631.061(1), Florida Statutes.

FURTHER AFFIANT SAYETH NOT.

Virginia A. Christy
Virginia A. Christy, Director
Property & Casualty Financial Oversight
Office of Insurance Regulation

STATE OF FLORIDA
COUNTY OF LEON

The foregoing affidavit was sworn to and subscribed before me this 1st day of August
2018, by Virginia A Christy.



Amy Yvonne Hardee
NOTARY PUBLIC
STATE OF FLORIDA
Comm# FF951636
Expires 3/18/2020

Amy Yvonne Hardee
(Signature of the Notary)

Amy Yvonne Hardee
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires 3/18/2020



FILED

AUG 18 2017

OFFICE OF
INSURANCE REGULATION
Noted by:

OFFICE OF INSURANCE REGULATION

DAVID ALTMAN
Chairman

IN THE MATTER OF:

CASE NO.: 213241-17-CO

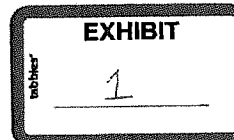
SAWGRASS MUTUAL INSURANCE COMPANY

CONFIDENTIAL
Pursuant to Section
624.82, Florida Statutes

CONSULT ORDER FOR ADMINISTRATIVE SUPERVISION

THIS CAUSE came on for consideration upon review by the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") of the financial condition of SAWGRASS MUTUAL INSURANCE COMPANY (hereinafter referred to as "SAWGRASS"). After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and subject matter of this action.
2. SAWGRASS is a domestic property and casualty insurer authorized to do business in Florida and subject to regulation by the OFFICE, pursuant to the Florida Insurance Code.
3. The OFFICE has determined that grounds exist for SAWGRASS to be placed in administrative supervision for the purpose of protecting the assets of SAWGRASS and protecting the interests of its insureds during the implementation of an orderly wind-down of the company's operations. A period of administrative supervision will permit the OFFICE and SAWGRASS to facilitate the administration of the run-off.
4. SAWGRASS has been fully cooperative with the OFFICE and agrees to be placed under administrative supervision and to be subject to the provisions of Sections 624.80-87, Florida



Statute, as if an order were issued by the OFFICE, for a period of 120 days from the date of execution of this Consent Order. Such administrative supervision may be extended in 120 day increments at the OFFICE's sole discretion for as long as is necessary for the company to implement and complete its wind-down plan ("Plan").

5. SAWGRASS hereby knowingly and voluntarily waives the requirement of written notice under Section 624.81(1), Florida Statute, and therefore agrees that any timelines outlined in this Consent Order will be binding, notwithstanding any timelines provided for in Section 624.81, Florida Statute.

6. SAWGRASS shall file its Plan with the OFFICE by the close of business Friday, September 1, 2017. The Plan must include, but is not limited to the following:

- a. A demonstration of SAWGRASS's ability to fund its operations in amounts sufficient to pay all policyholder claims and provide for the payment of other liabilities as they become due;
- b. A schedule of the distribution of renewals by month, county, and policy type; and
- c. Such other information as the OFFICE may require.

7. Upon execution of the Consent Order, SAWGRASS shall cease writing any new business and shall provide notice to its appointed agents that no new business may be written. SAWGRASS shall cease renewing business in accordance with a non-renewal plan prescribed by the OFFICE.

8. SAWGRASS shall obtain prior written consent from the OFFICE before conducting any of the activities enumerated in Section 624.83, Florida Statute.

9. SAWGRASS shall not enter into any new, or amend any existing, agreements with any affiliate(s), as defined in Section 681.011(1), Florida Statutes, without prior written consent of the OFFICE.

10. SAWGRASS shall not waste assets or expend funds in excess of \$10,000, other than in the ordinary course of business, without the prior written consent of the OFFICE. If, after approval of a transaction over \$10,000 has been granted by the OFFICE, the OFFICE becomes aware of additional facts or circumstances that materially affect such approval, the OFFICE reserves the right to require such corrective action as it may deem necessary or advisable. Transactions in the ordinary course of business shall include, but not be limited to, payment of claims. SAWGRASS need not obtain prior written approval for payment of claims over the amount of \$10,000; however, the OFFICE may retrospectively review such payments.

11. Within five business days of execution of this Consent Order, SAWGRASS shall provide a list of any known, pending litigation in which SAWGRASS is named as a party. SAWGRASS agrees to immediately notify the OFFICE of any litigation initiated, pending, or resolved, in which SAWGRASS is a party, after execution of this Consent Order.

12. The OFFICE may appoint a Deputy Supervisor pursuant to Section 624.87, Florida Statutes. Such Deputy Supervisor shall represent the OFFICE and shall be under the control of the OFFICE.

13. SAWGRASS shall be responsible for administrative supervision expenses pursuant to Section 624.87, Florida Statutes. SAWGRASS shall reimburse the OFFICE for any reasonable expenses of supervision and will pay directly all contractors, including any Deputy Supervisor retained by the OFFICE, for assistance with the administrative supervision. Such reimbursement shall be made biweekly or as otherwise directed by the OFFICE.

14. SAWGRASS agrees that the OFFICE and the Department of Financial Services (hereinafter referred to as the "Department") may have examiners or other designees present at the offices of SAWGRASS to supervise activities, obtain independent information, verify transactions, verify the condition and status of SAWGRASS and its progress in developing and complying with its Plan, and perform any other duty as designated by the OFFICE. SAWGRASS shall cooperate with and facilitate the presence and work of such examiners or designees.

15. Administrative supervision is confidential as provided in Section 624.82, Florida Statutes, unless otherwise specified within that Section. The OFFICE reserves the right to make this Administrative Supervision, including this Consent Order, public pursuant to Section 624.82(4), Florida Statutes.

16. SAWGRASS agrees and affirms that all information, submissions, explanations, representations, and documents provided to the OFFICE in connection with this matter, including all attachments and supplements thereto, are true and correct and material to the issuance of this Consent Order.

17. Should SAWGRASS fail to comply with any provision of this consent order, SAWGRASS consents to the entry of an Order appointing the Department as Receiver and acknowledges that the Department may apply to the Court for an Order of Rehabilitation or Liquidation, at the sole discretion of the Department, on the basis that SAWGRASS has consented to the entry of such an Order. SAWGRASS further agrees that the Department shall have the sole discretion to determine whether SAWGRASS shall be placed into rehabilitation or liquidation. In the event that the Department initially obtains an Order appointing it as Receiver of SAWGRASS for purposes of Rehabilitation, SAWGRASS further consents to the Department obtaining a subsequent Order appointing the Department as Receiver for the purposes of Liquidation, should

the Department, at any time and in its sole discretion, determine that Rehabilitation of Respondent is not feasible.

18. SAWGRASS expressly waives its rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings here to which it may be entitled by law or rules of the OFFICE. SAWGRASS hereby knowingly and voluntarily waives all rights to challenge or contest this Consent Order in any forum now or in the future available to it, including the right to any administrative proceeding, state or federal court action, or any appeal.

19. SAWGRASS acknowledges that the execution of this Consent Order does not prohibit other administrative action upon the Certificate of Arbitrariness of SAWGRASS deemed appropriate by the OFFICE in accordance with the Florida Insurance Code or with Sections 120.569(2)(g) and 120.60(6), Florida Statutes.

20. SAWGRASS agrees that if the OFFICE expends staff time or funds because further proceedings are required to enforce the terms of this Consent Order, or if administrative proceedings are initiated by SAWGRASS regarding this administrative supervision and the OFFICE prevails in such proceedings, SAWGRASS shall reimburse the OFFICE for reasonable attorney's fees and costs. Otherwise, each party to this Consent Order shall bear its own costs and attorney's fees.

21. Any prior Order(s) of the OFFICE, or Consent Order(s) or corrective action plan(s) that SAWGRASS has entered into with the OFFICE prior to the issuance of this Consent Order, shall apply and remain in full force and effect for SAWGRASS unless inconsistent with this Consent Order.

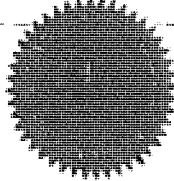
22. Any deadlines set forth in this Consent Order may be extended by written approval of the OFFICE. Approval of any deadline extension is subject to statutory and administrative regulation limitations.

23. SAWGRASS agrees that it has entered into this Consent Order voluntarily, without coercion from the OFFICE, or any agent, employee, or designee of the OFFICE, and that SAWGRASS has obtained legal counsel from its attorney(s) prior to entering into this Consent Order.

24. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of SAWGRASS or its authorized representative, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SAWGRASS agrees that its signature, as affixed to this Consent Order, shall be under the seal of a Notary Public.

WHEREFORE, the agreement between SAWGRASS MUTUAL INSURANCE COMPANY and the OFFICE, the terms and conditions of which are set forth above, is APPROVED. FURTHER, all terms and conditions contained herein in place SAWGRASS MUTUAL INSURANCE COMPANY in administrative supervision are hereby ORDERED.

DONE and ORDERED this 17 day of August, 2017.



David Altmaker
David Altmaker, Commissioner
Office of Insurance Regulation

By execution hereof, SAWGRASS MUTUAL INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind SAWGRASS MUTUAL INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for SAWGRASS MUTUAL INSURANCE COMPANY.

SAWGRASS MUTUAL INSURANCE COMPANY

(Corporate Seal)

[Signature]

Name: Daniel O'Neil
(Please type or print)

Title: CEO

Date: 8-18-17

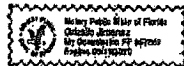
STATE OF Florida

COUNTY OF BROWARD

The foregoing affidavit was sworn to and subscribed before me this 18th day of AUGUST, 2017.

by Daniel O'Neil as Chief Executive Officer
(Name of person) (Type of authority...e.g. officer, trustee, attorney in fact)

for Sawgrass Mutual Insurance Company
(Company Name)



[Signature]
(Signature of Notary)

CRISTINE J. JACOB
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification _____

Type of identification produced NA

My Commission Expires 3/11/2020

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FILED

AUG 22 2017

OFFICE OF
INSURANCE REGULATION
Docketed by: 10/15

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 213367-17-CO

SAWGRASS MUTUAL INSURANCE COMPANY

AMENDED
CONSENT ORDER FOR ADMINISTRATIVE SUPERVISION

THIS CAUSE came on for consideration upon notification to OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") by SAWGRASS MUTUAL INSURANCE COMPANY (hereinafter referred to as "SAWGRASS") of a change in circumstances since the entry of the Consent Order for Administrative Supervision entered on August 18, 2017, in case number 213241-17-CO (hereinafter referred to as "Administrative Supervision Consent Order," attached as Exhibit A, and hereby incorporated by reference). After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and subject matter of this action.
2. On August 18, 2017, SAWGRASS and the OFFICE entered into the Administrative Supervision Consent Order.
3. The Administrative Supervision Consent Order provided that this Administrative Supervision, including the Administrative Supervision Consent Order, is confidential pursuant to Section 624.82, Florida Statutes, but that the "OFFICE reserves the right to make this

Administrative Supervision, including this Consent Order, public pursuant to Section 624.82(4), Florida Statutes.”

4. SAWGRASS has notified the OFFICE that the plan for orderly wind-down of the company’s operations that SAWGRASS had contemplated when entering into the Administrative Supervision Consent Order is no longer feasible.

5. Accordingly, the OFFICE has determined that this Administrative Supervision, including the Administrative Supervision Consent Order, as amended herein, should be made public in order to facilitate the consideration of other plans for the orderly transition of SAWGRASS’s business.

6. Therefore, paragraph fifteen (15) of the Administrative Supervision Consent Order is hereby replaced with the following:

15. Administrative supervision is confidential as provided in Section 624.82, Florida Statutes, unless otherwise specified within that Section. Section 624.82(4), Florida Statutes, provides that the OFFICE “may open the proceedings or hearings or make public the notices, correspondence, reports, records, or other information if the [OFFICE] finds that it is in the best interest of the public, the insurer in supervision, or its insureds.” The OFFICE finds, and SAWGRASS agrees, that it is in the best interest of its policyholders and the public to make this Consent Order public pursuant to Section 624.82(4), Florida Statutes. This finding does not affect the confidentiality of any other orders, notices, correspondence, reports, records, or other information in the possession of the OFFICE

relating to the administrative supervision of SAWGRASS pursuant to Section 624.82(1), Florida Statutes.

7. The parties agree that all other terms and conditions of the Administrative Supervision Consent Order remain unchanged by this Amended Consent Order and remain in full force and effect.

8. SAWGRASS agrees and affirms that all information, submissions, explanations, representations, and documents provided to the OFFICE in connection with this matter, including all attachments and supplements thereto, are true and correct and material to the issuance of this Amended Consent Order.

9. SAWGRASS expressly waives its rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings herein to which it may be entitled by law or rules of the OFFICE. SAWGRASS hereby knowingly and voluntarily waives all rights to challenge or contest this Amended Consent Order in any forum now or in the future available to it, including the rights to any administrative proceeding, state or federal court action, or any appeal.

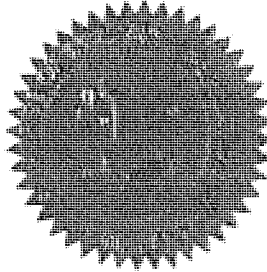
10. SAWGRASS agrees that it has entered into this Amended Consent Order voluntarily, without coercion from the OFFICE, or any agent, employee, or designee of the OFFICE, and that SAWGRASS has obtained legal counsel from its attorney(s) prior to entering into this Amended Consent Order.

11. The parties agree that this Amended Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Amended Consent Order bearing the signature of SAWGRASS or its authorized representative, notwithstanding the fact that the copy

may have been transmitted to the OFFICE electronically. Further, SAWGRASS agrees that its signature, as affixed to this Amended Consent Order, shall be under the seal of a Notary Public.

WHEREFORE, the agreement between SAWGRASS MUTUAL INSURANCE COMPANY and the OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED, and paragraph fifteen (15) of the Consent Order for Administrative Supervision entered on August 18, 2017, in case number 213241-17-CO, is hereby modified as set forth above.

DONE and ORDERED this 22nd day of August, 2017.



David Altmaier

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, SAWGRASS MUTUAL INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind SAWGRASS MUTUAL INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for SAWGRASS MUTUAL INSURANCE COMPANY.

SAWGRASS MUTUAL INSURANCE COMPANY

[Corporate Seal]

By: [Signature]
Name: Daniel O'Neal
(Please type or print)

Title: CEO

Date: 8-23-17

STATE OF FLORIDA

COUNTY OF Broward

The foregoing affidavit was sworn to and subscribed before me this 23rd day of August, 2017.

by Daniel O'Neal as Chief Executive Officer
(Name of person) (Type of authority...e.g. officer, trustee, attorney in fact)

for Sawgrass Mutual Insurance Company
(Company name)

[Signature]
(Signature of Notary)

Shirley J. Jernandez
(Print, Type, or Stamp Commissioned Name of Notary)



Personally Knows OR Produced Identification _____

Type of identification produced N/A

My Commission Expires 3/31/2020

COPIES FURNISHED TO:

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Facsimile: (850) 922-2543
E-Mail: alyssa.lathrop@flor.com



FILED

DEC 13 2017

OFFICE OF
INSURANCE REGULATION

Doctated by: 12/13/17

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 218725-17-CO

SAWGRASS MUTUAL INSURANCE COMPANY

CONSENT ORDER EXTENDING PERIOD OF ADMINISTRATIVE SUPERVISION

THIS CAUSE came on for consideration upon review by the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") of the financial condition of SAWGRASS MUTUAL INSURANCE COMPANY (hereinafter referred to as "SAWGRASS"). After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and subject matter of this action.
2. The OFFICE and SAWGRASS entered into Consent Order 213241-17-CO on August 18, 2017, and entered into an Amended Consent Order 213367-17-CO on August 22, 2017 (attached as Exhibit "1" and hereby incorporated by reference). Under the terms of that Consent Order and Amended Consent Order, SAWGRASS was placed in administrative supervision for a period of one hundred twenty (120) days from the date of execution of the Consent Order.
3. Administrative supervision of SAWGRASS is currently set to expire on December 16, 2017.
4. Paragraph four (4) of Consent Order 213241-17-CO states as follows:

SAWGRASS has been fully cooperative with the OFFICE and agrees to be placed under administrative supervision and to be subject to the provisions of Sections 624.80-.87, Florida Statutes, as if an order were issued by the OFFICE, for a period

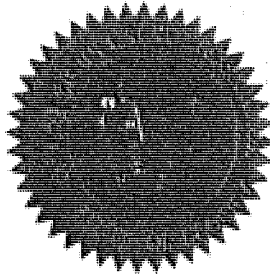
of 120 days from the date of execution of this Consent Order. Such administrative supervision may be extended in 120 day increments at the OFFICE's sole discretion for as long as is necessary for the company to implement and complete its wind-down plan ("Plan").

5. As of the date of this Consent Order, conditions justifying administrative supervision exist that necessitate an extension of the period of administrative supervision.

WHEREFORE, because the OFFICE has determined that conditions justifying continued administrative supervision exist, the administrative supervision of SAWGRASS is hereby extended for an additional 120 days from the date of execution of this Consent Order. All terms and conditions contained herein are hereby ORDERED, and all other provisions of Consent Order 213241-17-CO and Amended Consent Order 213367-17-CO remain unchanged by this Consent Order.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 13 day of December, 2017.



David Altmaier
David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, SAWGRASS MUTUAL INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind SAWGRASS MUTUAL INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for SAWGRASS MUTUAL INSURANCE COMPANY.

SAWGRASS MUTUAL INSURANCE COMPANY

[Corporate Seal]

Name: Daniel O'Neil
(Please type or print)

Title: CEO

Date: 12-13-17

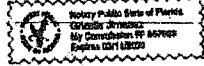
STATE OF Nevada

COUNTY OF Bronx

The foregoing affidavit was sworn to and subscribed before me this 13th day of December, 2017,

by Daniel O'Neil as CEO
(Name of person) (Type of authority...e.g. officer, trustee, attorney in fact)

for Sawgrass Mutual Insurance Co.
(Company name)



[Signature]
(Signature of Notary)

Corielle Jimenez
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification

Type of identification produced known

My Commission Expires 3.11.2020

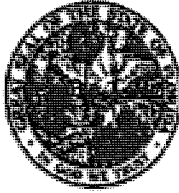
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E-Mail: msir@sirmans@foir.com



FILED

APR 12 2018

OFFICE OF
INSURANCE REGULATION
Dictated by: SAB

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 224715-18-CO

SAWGRASS MUTUAL INSURANCE COMPANY

SECOND CONSENT ORDER EXTENDING PERIOD OF ADMINISTRATIVE
SUPERVISION

THIS CAUSE came on for consideration upon review by the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") of the financial condition of SAWGRASS MUTUAL INSURANCE COMPANY (hereinafter referred to as "SAWGRASS"). After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and subject matter of this action.
2. The OFFICE and SAWGRASS entered into Consent Order 213241-17-CO on August 18, 2017, and entered into Amended Consent Order 213367-17-CO on August 22, 2017 (attached as Exhibit "1" and hereby incorporated by reference and hereinafter collectively referred to as "Consent to Administrative Supervision"). SAWGRASS was placed in administrative supervision for a period of 120 days from the date of execution of Consent Order 213241-17-CO.
3. The OFFICE and SAWGRASS entered into a Consent Order Extending Period of Administrative Supervision 218725-17-CO on December 13, 2017 (attached as Exhibit "2" and hereby incorporated by reference), extending the period of administrative supervision for an additional 120 days from the date of execution of that Consent Order.

4. Administrative supervision of SAWGRASS is currently set to expire on April 12, 2018.

5. Paragraph 4 of Consent Order 213241-17-CO states as follows:

SAWGRASS has been fully cooperative with the OFFICE and agrees to be placed under administrative supervision and to be subject to the provisions of Sections 624.80-.87, Florida Statutes, as if an order were issued by the OFFICE, for a period of 120 days from the date of execution of this Consent Order. Such administrative supervision may be extended in 120 day increments at the OFFICE's sole discretion for as long as is necessary for the company to implement and complete its wind-down plan ("Plan").

6. Section 624.81(8), Florida Statutes, provides that the OFFICE "may extend the supervision in increments of 60 days or longer...if conditions justifying supervision exist."

7. As of the date of this Consent Order, conditions justifying administrative supervision exist that necessitate an extension of the period of administrative supervision.

8. SAWGRASS hereby consents to having the period of administrative supervision extended for an additional period of 90 days.

9. SAWGRASS expressly waives a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings herein to which it may be entitled by law or rules of the OFFICE. SAWGRASS hereby knowingly and voluntarily waives all rights to challenge or to contest this Consent Order in any forum available to it, now or in the future, including the right to any administrative proceeding, state or federal court action, or any appeal.

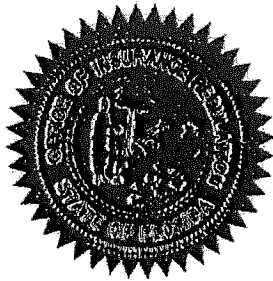
10. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of the authorized representative of SAWGRASS, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SAWGRASS agrees that the signature of its

authorized representative as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, because the OFFICE has determined that conditions justifying continued administrative supervision exist, the administrative supervision of SAWGRASS is hereby extended for an additional 90 days from the date of execution of this Consent Order. All terms and conditions contained herein are hereby ORDERED, and all other provisions of the Consent to Administrative Supervision remain unchanged by this Consent Order.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 12 day of April, 2018.



David Altmaier

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, SAWGRASS MUTUAL INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind SAWGRASS MUTUAL INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he or she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for SAWGRASS MUTUAL INSURANCE COMPANY.

SAWGRASS MUTUAL INSURANCE COMPANY

By: 

[Corporate Seal]

Name: Daniel O'Neil
(Please type or print)

Title: CEO

Date: 4-12-18

STATE OF Florida

COUNTY OF Broward

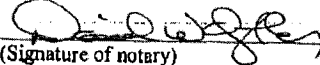
The foregoing affidavit was sworn to and subscribed before me this 12 day of April, 2018,

by Daniel O'Neil as officer (C.E.O.)
(Name of person) (Type of authority...e.g. officer, trustee attorney in fact)

for Sawgrass Mutual Insurance Company
(Company name)



DAVID W. OPATOSKY
MY COMMISSION # GG 063028
EXPIRES: May 3, 2021
Dated: Then I signed Notary Services


(Signature of notary)

DAVID W. OPATOSKY
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known _____ OR Produced Identification

Type of identification produced FL DRIVER LIC -

My Commission Expires 5.3.2021

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Facsimile: (850) 922-2543
E-Mail: matt.sirmans@floir.com



FILED

JUL 11 2018

OFFICE OF
INSURANCE REGULATION
Docketed by:

OFFICE OF INSURANCE REGULATION

DAVID ALTMAJER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 228992-18-CO

SAWGRASS MUTUAL INSURANCE COMPANY

THIRD CONSENT ORDER EXTENDING PERIOD OF ADMINISTRATIVE SUPERVISION

THIS CAUSE came on for consideration upon review by the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE") of the financial condition of SAWGRASS MUTUAL INSURANCE COMPANY (hereinafter referred to as "SAWGRASS"). After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and subject matter of this action.
2. The OFFICE and SAWGRASS entered into Consent Order 213241-17-CO on August 18, 2017, and entered into Amended Consent Order 213367-17-CO on August 22, 2017 (attached as Exhibit "1" and hereby incorporated by reference and hereinafter collectively referred to as "Consent to Administrative Supervision"). SAWGRASS was placed in administrative supervision for a period of 120 days from the date of execution of Consent Order 213241-17-CO.
3. The OFFICE and SAWGRASS entered into a Consent Order Extending Period of Administrative Supervision 218725-17-CO on December 13, 2017 (attached as Exhibit "2" and hereby incorporated by reference), extending the period of administrative supervision for an additional 120 days from the date of execution of that Consent Order.

4. The Office and SAWGRASS entered into a Consent Order Extending Period of Administration Supervision 224715-18-CO on April 12, 2018 (Attached as Exhibit "3" and hereby incorporated by reference), extending the period of administration supervision for an additional 90 days from the date of execution of that Consent Order.

5. Administrative supervision of SAWGRASS is currently set to expire on July 11, 2018.

6. Paragraph 4 of Consent Order 213241-17-CO states as follows:

SAWGRASS has been fully cooperative with the OFFICE and agrees to be placed under administrative supervision and to be subject to the provisions of Sections 624.80-.87, Florida Statutes, as if an order were issued by the OFFICE, for a period of 120 days from the date of execution of this Consent Order. Such administrative supervision may be extended in 120 day increments at the OFFICE's sole discretion for as long as is necessary for the company to implement and complete its wind-down plan ("Plan").

7. Section 624.81(8), Florida Statutes, provides that the OFFICE "may extend the supervision in increments of 60 days or longer...if conditions justifying supervision exist."

8. As of the date of this Consent Order, conditions justifying administrative supervision exist that necessitate an extension of the period of administrative supervision.

9. SAWGRASS hereby consents to having the period of administrative supervision extended for an additional period of 90 days.

10. SAWGRASS agrees to provide, within 45 days of execution of this Consent Order, evidence sufficient for the OFFICE to conclude that provisions are adequate for the satisfaction of SAWGRASS's obligations to both policyholders and the public.

11. SAWGRASS expressly waives a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings herein to which it may be entitled by law or rules of the OFFICE. SAWGRASS hereby knowingly and voluntarily

waives all rights to challenge or to contest this Consent Order in any forum available to it, now or in the future, including the right to any administrative proceeding, state or federal court action, or any appeal.

12. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of the authorized representative of SAWGRASS, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SAWGRASS agrees that the signature of its authorized representative as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, because the OFFICE has determined that conditions justifying continued administrative supervision exist, the administrative supervision of SAWGRASS is hereby extended for an additional 90 days from the date of execution of this Consent Order. All terms and conditions contained herein are hereby ORDERED, and all other provisions of the Consent to Administrative Supervision remain unchanged by this Consent Order.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 11th day of July, 2018.

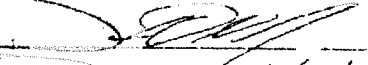


David Altmaier

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, SAWGRASS MUTUAL INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he or she has the authority to bind SAWGRASS MUTUAL INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he or she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for SAWGRASS MUTUAL INSURANCE COMPANY.

SAWGRASS MUTUAL INSURANCE COMPANY

By: 

[Corporate Seal]

Name: James E. Neal
(Please type or print)

Title: CEO

Date: 7-11-18

STATE OF

COUNTY OF

The foregoing affidavit was sworn to and subscribed before me this ___ day of _____, 2018.

by _____ as _____
(Name of person) (Type of authority... e.g. officer, trustee, attorney in fact)

for _____
(Company name)

(Signature of notary)

(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known _____ OR Produced Identification _____

Type of identification produced _____

My Commission Expires _____

COPIES FURNISHED TO:

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Davie, Florida 33355
E-Mail: Doneal@sawgrassmutual.com

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FILED

SEP 01 2017

OFFICE OF
INSURANCE REGULATION
Docketed by:

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 213907-17-CO

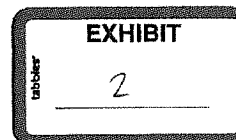
SAWGRASS MUTUAL INSURANCE COMPANY
_____ /

CONSENT ORDER

THIS CAUSE came on for consideration upon the filing by SAWGRASS MUTUAL INSURANCE COMPANY (hereinafter referred to as "SAWGRASS") of an Administrative Supervision Plan Agreement (hereinafter referred to as the "Agreement") for approval by the OFFICE OF INSURANCE REGULATION (hereinafter referred to as "OFFICE"). The Agreement protects SAWGRASS's policyholders and facilitates the winding down of SAWGRASS's business by, among other things, effectively transferring SAWGRASS's policies to HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY (hereinafter referred to as "HERITAGE") and providing for the assumption by HERITAGE of SAWGRASS's claims. After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and the subject matter of this proceeding.
2. SAWGRASS and HERITAGE are domestic property and casualty insurers authorized to transact insurance business in the state of Florida pursuant to Certificates of Authority issued by the OFFICE pursuant to Chapter 624, Part III, Florida Statutes.

Page 1 of 9



3. On August 18, 2017, the OFFICE issued a Consent Order for Administrative Supervision (hereinafter "Supervision Order"), in case number 213241-17-CO, in which SAWGRASS agreed to be placed in administrative supervision for the purpose of protecting the assets of SAWGRASS and protecting the interests of its insureds during the implementation of an orderly wind-down of SAWGRASS's operations. Pursuant to the Supervision Order, SAWGRASS had until the close of business on Friday, September 1, 2017, to file a plan for the orderly transfer of its policies with the OFFICE. The Agreement filed by SAWGRASS with the OFFICE constitutes the plan required by the Supervision Order.

4. On or about August 21, 2017, Demotech, a financial stability rating agency, downgraded SAWGRASS from an "A" rating to an "L" rating, thereby resulting in the possibility that SAWGRASS's policies will no longer be acceptable to its policyholders' mortgage companies.

5. On August 22, 2017, due to a change in circumstances following the entry of the Supervision Order, the OFFICE issued an Amended Consent Order for Administrative Supervision, in case number 213367-17-CO, which amended the Supervision Order to make it public, pursuant to Section 624.82(4), Florida Statutes. All other terms of the Supervision Order remained unchanged and remained in full force and effect.

6. SAWGRASS received and evaluated various proposals for the orderly transition of its business and determined that the HERITAGE proposal was the most viable plan best suited to protect SAWGRASS's policyholders.

7. Pursuant to the Agreement, all of SAWGRASS's policies will be canceled effective September 1, 2017, and replaced with short-term replacement policies issued by HERITAGE (hereinafter referred to as "Replacement Policies" or "Replacement Policy"), effective September 1, 2017.

8. SAWGRASS and HERITAGE have entered into, and filed with the OFFICE, the Agreement, in which SAWGRASS agrees to issue cancellation notices to all of its policyholders and transfer the corresponding unearned premium to HERITAGE. HERITAGE agrees to issue coverage to all SAWGRASS policyholders for the unexpired portion of the SAWGRASS policy term. HERITAGE also agrees to assume liability for all SAWGRASS policy claims incurred prior to September 1, 2017. A copy of this agreement is attached hereto as Exhibit A.

9. Pursuant to Section 627.4133(2)(c), Florida Statutes, if an insurer fails to provide the notice required under that subsection, "the coverage provided to the named insured shall remain in effect until the effective date of replacement coverage or until the expiration of a period of days after the notice is given equal to the required notice period, whichever occurs first." Additionally, under Section 627.4133(2)(c), Florida Statutes, the premium shall remain the same during the period of extension of coverage.

10. Although SAWGRASS is not providing the statutorily required notice of policy cancellation, the effective date of the replacement coverage is September 1, 2017, with no lapse in coverage. The replacement coverage is being provided to the policyholders at the same premium as the SAWGRASS policies, as contemplated by Section 627.4133(2)(c), Florida Statutes. SAWGRASS policyholders will be afforded 45 days to reject the short-term coverage from HERITAGE.

11. Along with its review of the Agreement, the OFFICE has reviewed the sufficiency of HERITAGE's catastrophe reinsurance program and its capacity to provide coverage to SAWGRASS's insureds.

12. The OFFICE finds that the Agreement submitted by SAWGRASS provides the most comprehensive protection for policyholders as well as being responsive to regulatory requirements. The OFFICE approves SAWGRASS's Agreement, as submitted, subject to the following conditions:

a. SAWGRASS shall cancel all existing policies in accordance with this Consent Order and the Agreement.

b. The Replacement Policies issued by HERITAGE shall provide the same coverage as provided by the SAWGRASS policy that is being replaced.

c. HERITAGE shall charge the same premium for the Replacement Policies as would have been charged by SAWGRASS for that policy.

d. HERITAGE shall provide the SAWGRASS policyholders a new Declaration Page that establishes proof of their Replacement Policies.

e. Any premium policyholders have already paid to SAWGRASS shall be transferred to HERITAGE.

f. Should any SAWGRASS policyholder wish to decline the Replacement Policy, that policyholder may do so by notifying HERITAGE no later than October 15, 2017.

g. Any Replacement Policy issued by HERITAGE shall be subject to cancellation upon request by the policyholder, and any unearned premium shall be calculated on a pro-rata basis and returned to the policyholder within 15 days of the cancellation request.

h. Prior to the expiration of the term of the Replacement Policies, HERITAGE shall have the exclusive right to renew such policies using HERITAGE forms and rates that have been approved by the OFFICE.

13. The OFFICE hereby approves HERITAGE's use of SAWGRASS's current policy forms and rates as necessary for the purpose of issuing the Replacement Policies by HERITAGE.

14. In conjunction with the Agreement, SAWGRASS provided the OFFICE with copies of the proposed cancellation notice to be provided to policyholders, and HERITAGE provided its proposed letter to policyholders, its pro forma financial statements, and confirmation that its existing

reinsurance program would provide adequate coverage for the additional SAWGRASS policies, in combination with their own current policies. SAWGRASS and HERITAGE acknowledge that all of the documents referenced in this paragraph are material to the issuance of this Consent Order.

15. SAWGRASS acknowledges and agrees that the OFFICE has relied upon the representations made in the Agreement, including supporting documents and communications related to the Agreement. Further, SAWGRASS and HERITAGE agree to secure written approval from the OFFICE prior to any material deviation from the Agreement.

16. SAWGRASS acknowledges and agrees that failure to comply with any of the terms of this Consent Order would constitute an immediate danger to the public and the OFFICE may immediately suspend, revoke, or take other administrative action as it deems appropriate upon the Certificate of Authority of SAWGRASS in this state, in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

17. Any prior Order(s) of the OFFICE, or Consent Order(s) or corrective action plan(s) that SAWGRASS and HERITAGE have entered into with the OFFICE prior to the issuance of this Consent Order, shall apply and remain in full force and effect for SAWGRASS and HERITAGE, except where provisions of such Order(s), Consent Order(s), or corrective action plan(s) have expired; have been superseded by subsequent Order(s), Consent Order(s), or corrective action plan(s); or are inconsistent with this Consent Order.

18. Each party to this action shall bear its own costs and attorney's fees.

19. SAWGRASS and HERITAGE expressly waive their rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings to which SAWGRASS and HERITAGE may be entitled, either by law or by rules of the OFFICE. SAWGRASS and HERITAGE hereby knowingly and voluntarily waive all rights to

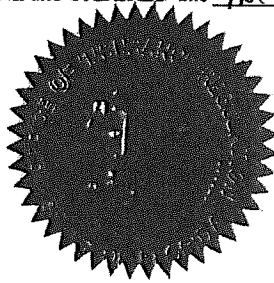
challenge or to contest this Consent Order, in any forum now or in the future available to them, including the right to any administrative proceeding, state or federal court action, or any appeal.

20. The parties agree this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of SAWGRASS, or its authorized representative, and HERITAGE, or its authorized representative, under the seal of a notary public, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SAWGRASS and HERITAGE agree that their signatures, as affixed to this Consent Order, shall be under the seal of a Notary Public.

WHEREFORE, the agreement between SAWGRASS MUTUAL INSURANCE COMPANY, HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY, and the OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 1st day of September 2017.



David Altmaier
David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, SAWGRASS MUTUAL INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind SAWGRASS MUTUAL INSURANCE COMPANY to the terms and conditions of this Consent Order.

SAWGRASS MUTUAL INSURANCE COMPANY

[Corporate Seal]

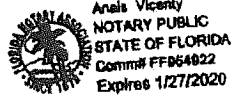
By: [Signature]
Name: Daniel Onkal
(Please type or print)
Title: CEO
Date: 9-1-17

STATE OF Florida
COUNTY OF Broward

The foregoing affidavit was sworn to and subscribed before me this 1 day of September 2017,

by Daniel Onkal as CEO
(Name of person) (Type of authority...e.g. officer, trustee attorney in fact)

for Sawgrass Mutual Insurance Company
(Company name)



[Signature]
(Signature of notary)
Anais Vicenty
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known X OR Produced Identification _____

Type of identification produced _____

My Commission Expires 1/27/20

By execution hereof, HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY to the terms and conditions of this Consent Order.

HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY

By: Bruce Lucas

[Corporate Seal]

Name: Bruce Lucas
(Please type or print)

Title: Chairman + CEO

Date: 9-1-17

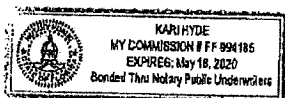
STATE OF FL

COUNTY OF Pinellas

The foregoing affidavit was sworn to and subscribed before me this 1 day of September, 2017,

by Bruce Lucas as Chairman + CEO
(Name of person) (Type of authority...e.g. officer, trustee attorney in fact)

for Heritage Insurance
(Company name)



Kari Hyde
(Signature of notary)

Kari Hyde
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification _____

Type of identification produced _____

My Commission Expires 5-18-20

COPIES FURNISHED TO:

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Administrative Supervision Plan Agreement

This Administrative Supervision Plan Agreement ("Agreement"), dated as of September 1, 2017, is made by and between Heritage Property & Casualty Insurance Company ("HP&C") and Sawgrass Mutual Insurance Company ("Sawgrass") (Sawgrass together with HP&C, the "Parties" and, individually, a "Party").

Preliminary Statements

WHEREAS, Sawgrass is a property and casualty insurance company domiciled in Florida that underwrites property and casualty insurance in Florida ("Insurance"), produced through its managing general and/or general agents;

WHEREAS, the Florida Office of Insurance Regulation ("OIR") and Sawgrass entered into a confidential Consent Order for Administrative Supervision on August 18, 2017 (the "Consent Order"), whereby Sawgrass was required to submit a "wind-down plan" to the OIR by the close of business on September 1, 2017 and agreed to cease writing any new business as of the date of the Consent Order;

WHEREAS, the OIR and Sawgrass later amended the Consent Order on August 22, 2017 ("Amended Consent Order"), as a result of notification by Sawgrass to the OIR that the plan for an orderly wind-down of its operations is not feasible and the Amended Consent Order provided for public notification of the administrative supervision in order to facilitate the consideration of other plans for the orderly transition of Sawgrass's business;

WHEREAS, HP&C is an insurance company domiciled in Florida that underwrites property and casualty insurance;

WHEREAS, HP&C has proposed a plan to facilitate such orderly transition and Sawgrass and the OIR have agreed to such plan;

WHEREAS, HP&C desires to replace each Sawgrass Policy with a HP&C issued policy, which has the same terms, conditions and rates as the Sawgrass Policy for the remaining term of the Sawgrass Policy (excluding any renewal thereof arising under renewal notices issued on and after the Effective Date) (HP&C Replacement Policies"), pursuant to a plan approved by the OIR as being in the best interest of the policyholders of Sawgrass;

WHEREAS, HP&C may employ or retain certain employees of Sawgrass as employees or as independent contractors, respectively, as HP&C may deem necessary; and

WHEREAS, HP&C may require access to certain systems of Sawgrass so as to effectively administer the HP&C Replacement Policies;

NOW, THEREFORE, in consideration of the premises and the mutual agreements, covenants, representations and warranties set forth in this Agreement and for other good, valid

Exhibit A

and binding consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties intending to be legally bound, hereby agree as follows:

Article I. Terms of the Transaction

1.1 Cancellation of Sawgrass Policies. On the Effective Date, Sawgrass shall cancel all of its existing insurance policies and issue cancellation notices to all policyholders of Sawgrass. Sawgrass shall, at its expense, mail to all of its policyholders the following items: (i) cancellation notice in a form approved by the OIR, (ii) letter from HP&C in a form reviewed by or approved by the OIR, and (iii) a new policy declaration page (on a form approved by the OIR) issued by HP&C to Sawgrass policyholders as proof of coverage under an HP&C Replacement Policy.

1.2 Exclusive Renewal Rights. Sawgrass has sent policy renewals prior to the Effective Date that, if accepted by the recipient policyholder, shall be immediately cancelled by Sawgrass and replaced with an HP&C Replacement Policy. Upon the renewal date of any HP&C Replacement Policy, all such renewals shall be issued by HP&C using the HP&C forms and rates not associated with an HP&C Replacement Policy.

1.3 Assumption of Liabilities. HP&C has not agreed to pay, will not be required to assume and will have no liability or obligation with respect to, any liability or obligation, direct or indirect, absolute or contingent, of Sawgrass other than as may otherwise be set forth in this Agreement.

1.4 Issuance of HP&C Replacement Policies. HP&C shall issue to each policyholder of Sawgrass an HP&C Replacement Policy, subject to a forty-five day right of rejection by such policyholder of an HP&C Replacement Policy.

1.5 Unearned Agent Commission. If any policy issued by Sawgrass or any HP&C Replacement Policy is cancelled, HP&C shall have the right to collect and retain any unearned agent commission associated with such policy and Sawgrass on the Effective Date shall wire transfer to HP&C any unearned agent commission in its possession.

1.6 Maintenance of Systems. Heritage shall maintain, at its expense, all policy processing and accounting systems, websites, email, and phone numbers of Sawgrass for a period of six months after the Effective Date.

1.7 Excluded Assets, Obligations and Liabilities. HP&C is only acquiring from Sawgrass (i) the right to issue HP&C Replacement Policies, (ii) HP&C policies at renewal using other approved HP&C forms and rates, and (iii) the right to service Sawgrass claims as set forth below. Without limiting the foregoing, the following assets, obligations and liabilities of Sawgrass are specifically excluded:

- (a) All contractual rights or obligations of Sawgrass unrelated to the Insurance;
- (b) All extra-contractual obligations of Sawgrass of whatever kind and however occurring;

- (c) The insurance license(s) and certificates of authority of Sawgrass;
- (d) Any obligations or liabilities of Sawgrass to any employee of Sawgrass;
- (e) Any obligations or liabilities of Sawgrass relating to any and all surplus notes;
- (f) Any obligations or liabilities of Sawgrass to policyholders under the terms of its Bylaws or resulting from its being a mutual insurer; and
- (g) Any obligations or liabilities of Sawgrass not specifically set forth in this Agreement.

1.8 Transfer of Unearned Premium. On the Effective Date, Sawgrass shall provide HP&C an accounting of all inforce premium, payments made by policyholders, and unearned premium balances and shall wire transfer to HP&C all unearned premium received by Sawgrass in connection with the policies of Sawgrass and any premiums collected by Sawgrass from August 31, 2016 to September 1, 2017. If additional premium payments are received by Sawgrass, such payments shall be immediately transferred by Sawgrass to HP&C. HP&C shall have no obligation to issue HP&C Replacement Policies or the declaration pages related thereto until the entire balance of collected unearned premium is wire transferred to HP&C.

1.9 Assignment of Sawgrass Claim Reserves and Reinsurance Recoveries; Payment of Return Reinsurance Premium. On the Effective Date, Sawgrass shall wire transfer to HP&C all Gross Loss Reserves as of the Effective Date and all reinsurance recoverables and reinsurance premium refunds paid to Sawgrass and in the possession of Sawgrass. If any Gross Loss Reserves are held by Sawgrass in the form of a reinsurance recovery, Sawgrass hereby assigns all rights to such recoveries to HP&C and shall turn such funds over to HP&C upon receipt. Sawgrass shall fully cooperate with HP&C and use its best efforts to collect all reinsurance recoveries. If any reinsurance premium is refunded to Sawgrass, including, but not limited to, any refund of the reimbursement premium for the Florida Hurricane Catastrophe Fund, or any reinsurance payments are received by Sawgrass from any of its reinsurers, including, but not limited to, the Florida Hurricane Catastrophe Fund, Sawgrass shall pay such refunded reinsurance premium or reinsurance payments to HP&C.

1.10 Additional Loss Reserves. On the Effective Date, Sawgrass shall wire transfer to HP&C an amount equal to 10% of the Gross Loss Reserves plus \$1,000,000 to provide additional claims paying capacity for claims of Sawgrass (the "Additional Loss Reserves").

1.11 Assumption of Sawgrass Claims. Provided the entire balance of the Gross Loss Reserves, Additional Loss Reserves, Litigation Reserves, and Claim Handling Fees are transferred to HP&C as set forth herein, HP&C shall assume all policy claim obligations of Sawgrass, except extracontractual obligations. In consideration of this assumption, HP&C shall retain any Gross Loss Reserves, Additional Loss Reserves, Litigation Reserves, and Claim Handling Fees remaining after all Sawgrass claims are resolved.

1.12 Claim Reserve Adequacy. Sawgrass shall set the Gross Loss Reserve as of the Effective Date using the midpoint of its actuarial range. In addition, Sawgrass shall establish a \$20,000 loss adjustment expense reserve for every claim that is in litigation (the "Litigation Reserve").

1.13 Claim Handling Fees. HP&C shall pay the salary owed to all Sawgrass claims personnel. In exchange, Sawgrass shall, on the Effective Date, pay HP&C a claim handling fee equal to \$1,500 per open claim and for all anticipated incurred but not reported claims (the "Claim Handling Fees").

1.14 Subrogation Assignment. Sawgrass hereby assigns in full all subrogation claims and subrogation recoveries to HP&C.

1.15 Limitation of Liability. The parties hereby agree that HP&C shall not be liable to pay any Sawgrass claims unless the total amount of Gross Loss Reserves, Additional Loss Reserves, Litigation Reserves, and Claim Handling Fees are transferred to HP&C. If there are any reinsurance recoveries owing to Sawgrass that are a component of the any of Sawgrass's loss reserves and such recoveries are not paid to HP&C, HP&C's liability shall be capped at the amount of Gross Loss Reserves, Additional Loss Reserves, and Litigation Reserves actually received by HP&C (the "Claims Liability Cap").

1.16 Effective Date of Transaction. The parties hereto agree that the effective date of this Agreement shall be September 1, 2017 (the "Effective Date").

1.17 Definitions. The meanings of capitalized terms in this Agreement are set forth in Appendix 1 to this Agreement.

Article II. Closing.

2.1 Closing. The consummation of the transaction(s) contemplated by this Agreement (the Closing) shall take place at Clearwater, Florida on the Effective Date.

2.2 Deliveries by Sawgrass. At the Closing, Sawgrass shall deliver the following:

(a) Approval of this Agreement by the OIR;

(b) A certificate executed by the secretary or an assistant secretary of Sawgrass certifying as to (i) the resolutions in which Sawgrass's Board of Directors approved this Agreement and the transactions contemplated hereby, and (ii) the incumbency of Sawgrass's officers who execute any documents on behalf of Sawgrass in connection with this Agreement; and

(c) Access to all book and records of Sawgrass relating to the Insurance.

2.3 Sales and Transfer Taxes. Any taxes and any transfer, recording or similar fees and charges arising out of or in connection with the transactions contemplated by this Agreement shall be borne by the Party incurring same.

2.4 Premium Tax. Sawgrass shall reimburse HP&C for all premium taxes related to the issuance of the HP&C Replacement Policies.

Article III. Representations and Warranties of Sawgrass

Sawgrass hereby represents and warrants to HP&C that the statements made in this Article III are true, correct and complete.

3.1 Sawgrass Organization; Good Standing. Sawgrass is a corporation duly organized, validly existing and in good standing as a corporation under the laws of Florida, as may be qualified by the Consent Order and the Amended Consent Order.

3.2 Power and Authority. Sawgrass has the requisite power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, including the execution, delivery and performance of all of the Transaction Documents to which Sawgrass is a party.

3.3 Authorization, Execution and Validity. Each of the Transaction Documents, when executed by Sawgrass and delivered to HP&C, will be duly authorized (where appropriate), executed and delivered, and will constitute a valid, legal and binding obligation of Sawgrass, enforceable against Sawgrass in accordance with the terms of such Transaction Document.

3.4 No Conflict; Consents. The execution, delivery and performance by Sawgrass of each Transaction Document will not (a) violate any Law, (b) violate any charter document of Sawgrass (if applicable), (c) violate any order to which Sawgrass is a party or by which Sawgrass or its assets are bound, (d) result in the creation of any encumbrance on any of the assets to be transferred to HP&C, or (e) require any Consent from any Person that will not be obtained and delivered on or before the Closing.

3.5 Sufficiency and Condition of and Title to Certain Assets.

(a) Sufficiency of the Assets. The assets of Sawgrass, as reflected on the books and records of Sawgrass, constitute all the assets, properties, licenses and other arrangements which are presently being used or are reasonably related to the in-force policies of Sawgrass.

(b) Title to the Assets. At the Closing, Sawgrass will transfer to HP&C good, valid and indefeasible title to, or a valid leasehold interest in, each of the assets to be transferred to Sawgrass under this Agreement, free and clear of all non-policy related encumbrances and obligations.

3.6 No Undisclosed Liabilities. Sawgrass is not aware of any claim of any kind against the assets to be transferred to HP&C under this Agreement of any nature, absolute or contingent, and is not aware of or put on notice of any event or circumstance that could give rise to any future Action that could have a material adverse effect on such assets. Sawgrass has no actual knowledge of any adverse findings or determinations by the OIR or other regulatory authority relating to the current and previous policy and claim administration by any of the employees of Sawgrass, except as set forth in Consent Order and the Amended Consent Order. Sawgrass furthermore has no actual knowledge of any improprieties by any Sawgrass employees relating to the policy and claim administration including but not limited to the handling of all premiums, commissions, expenses or other funds.

3.7 Books and Records. Sawgrass's books and records pertaining to the Insurance have been made available to HP&C prior to the Effective Date, are true, correct and complete and have

been maintained in accordance with sound business practices and in accordance with applicable statutory and/or generally accepted accounting principles, federal and state laws and regulations, including the maintenance of an adequate system of internal controls.

3.8. Full Disclosure. No representation or warranty of Sawgrass made in this Agreement, nor any written statement furnished to HP&C pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact which affects the business or financial condition of Sawgrass, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading.

3.9. Brokers. No Person is or will become entitled to receive any brokerage or finder's fee, advisory fee or other similar payment for the transactions contemplated by this Agreement by virtue of having been engaged by or acted on behalf of Sawgrass.

Article IV. Representations and Warranties of HP&C

HP&C hereby represents and warrants to Sawgrass that the statements set forth in this Article IV are correct and complete.

4.1 Organization; Good Standing; Delivery of Charter Documents. HP&C is a Florida domestic insurer duly organized, validly existing and in good standing under the Laws of the Florida.

4.2 Power and Authority. HP&C has all requisite corporate power and authority necessary to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby, including the execution, delivery and performance of all of the Transaction Documents to which HP&C is a Party.

4.3 Authorization; Execution and Validity. Each of the Transaction Documents, when executed and delivered by HP&C, will be duly authorized, executed and delivered, and will constitute a valid, legal and binding obligation of HP&C, enforceable against HP&C in accordance with the terms of such Transaction Document.

4.4 No Conflict; HP&C Consents. The execution, delivery and performance by HP&C of each Transaction Document to which it is a party will not (a) violate any law, (b) violate any charter document of HP&C, (c) violate any order to which HP&C is a party or by which HP&C or its assets is bound, or (d) require any consent from any Person.

4.5 Full Disclosure. No representation or warranty of HP&C made in this Agreement, nor any written statement furnished to Sawgrass pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact which affects the business or financial condition of HP&C, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not correct.

4.6 Brokers. No Person is or will become entitled to receive any brokerage or finder's fee, advisory fee or other similar payment for the transactions contemplated by this Agreement by virtue of having been engaged by or acted on behalf of HP&C.

Article V. Covenants of Sawgrass

5.1 Cooperation of Sawgrass. Sawgrass shall use all reasonable efforts (a) to take all actions and to do all things necessary and advisable to consummate the transactions contemplated by this Agreement, and (b) to cooperate with HP&C in connection with the foregoing, including using reasonable efforts to obtain all Consents.

5.2 Access to Information. From and after the Effective Date, Sawgrass shall afford to HP&C and its representatives access to the properties and the books and records relating to the Insurance.

5.3 Conduct of Business. From and after the Effective Date, Sawgrass shall use all reasonable efforts to (i) preserve substantially the relationships with its representatives, suppliers and customers, (ii) perform its obligations under all contracts, leases and permits in all material respects, (iii) comply with all Laws, (iv) confer with HP&C regarding operational matters of a material nature, (v) report periodically to HP&C regarding the status of its business and the results of its operations, and (vi) conduct its business in accordance with the Consent Order and the Amended Consent Order.

Article VI Covenants of HP&C

6.1 Cooperation by HP&C. HP&C shall use all reasonable efforts (a) to take all actions and to do all things necessary or advisable to consummate the transactions contemplated by this Agreement, and (b) to cooperate with Sawgrass in connection with the foregoing, including using reasonable efforts to obtain all necessary consents and regulatory approvals.

Article VII Mutual Covenants

7.1 Consents to Assignment of Leases and Contracts.

(a) Cooperation and Reasonable Efforts. Each Party hereby agrees to use reasonable efforts, to take reasonable actions and to cooperate with each other as may be necessary to obtain consents to (i) transfer or assign any asset of Sawgrass which is to be transferred pursuant to the terms of this Agreement or (ii) if necessary, assign any contracts, leases or licenses necessary for HP&C to administer the HP&C Replacement Policies utilizing the systems of Sawgrass.

7.2 Further Assurances. Subject to the other terms and conditions of this Agreement, at any time and from time to time, whether before or after Closing, each Party shall execute and deliver all instruments and documents and take all other action that the other Party may reasonably request to consummate or to evidence the consummation of the transactions contemplated by this Agreement.

7.3 Supplemental Agreements and Consents. At, prior to Closing or within a reasonable time after Closing, the applicable Party shall enter into the following agreements (the "Supplemental Agreements"):

(a) To the extent necessary, assignments to HP&C in form and substance reasonably satisfactory to HP&C of all applicable software licenses used by Sawgrass in the administration of the Insurance;

(b) To the extent necessary, any Transaction Document required by HP&C and deemed by HP&C to be material to the transactions contemplated by this Agreement.

7.4 Tax Matters. Each Party shall be responsible for their own tax consequences and obligations arising from the transactions contemplated by this Agreement, except premium taxes owed by Sawgrass for the HP&C Replacement Policies.

7.5 Employment with HP&C.

(a) Employment by HP&C. HP&C may employ some or all employees, inclusive of those on disability or leave as at the Effective Date upon their completed leave or approval to return to work, of Sawgrass connected with the Insurance (collectively "Sawgrass Employees" and individually, "Sawgrass Employee") on and after the Effective Date. Notwithstanding the foregoing, nothing herein shall be deemed to require HP&C to employ any such employee or to employ such employee for any specific period of time after the date of employment if employed by HP&C. Sawgrass shall provide to HP&C, at Closing or within a reasonable time following the Closing, the following information regarding each Sawgrass Employee: the name, job title, date of employment and current annual compensation (salary, bonus and participation in any non-qualified deferred or incentive compensation arrangement, a copy of which has been or will be provided to HP&C) for each Sawgrass Employee. HP&C may enter into such agreements as it deems necessary with a Sawgrass Employee so as to effectively manage and administer the HP&C Replacement Policies.

(b) Each Sawgrass Employee if and to the extent required by federal or state law to be licensed in order to perform his/her job duties is as of Closing so licensed and such license is in good standing.

(c) Termination of Transferred Employees by Sawgrass. Sawgrass shall administratively terminate any Sawgrass Employee effective as of the date of their employment by, or contracting with, HP&C, provided HP&C decides to employ or contract with any Sawgrass Employee. HP&C shall be under no obligation to hire or retain any Sawgrass Employee.

Article VIII Miscellaneous

8.1 Amendment. No amendment of this Agreement shall be effective unless in a writing signed by HP&C and Sawgrass and approved by the OIR.

8.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original agreement, but all of which shall constitute one and the same agreement. Any Party may execute and deliver this Agreement by an executed signature page transmitted electronically or by a facsimile machine. If a Party transmits its signature page electronically or by facsimile machine, such Party shall promptly thereafter deliver an originally

executed signature page to the other Party, provided that any failure to deliver such an originally executed signature page shall not affect the validity, legality, or enforceability of this Agreement.

8.3 Entire Agreement. This Agreement constitutes the entire agreement and understanding between the Parties and supersedes all prior agreements and understandings, both written and oral, with respect to the subject matter of the Agreement.

8.4 Expenses. Each Party shall bear its own expenses with respect to the negotiation and preparation of this Agreement and the Closing, including any fees and expenses of its representatives, provided that if a Party terminates this Agreement because of another Party's breach of this Agreement, the non-breaching Party shall be entitled to seek reimbursement of its expenses as part of its damages with respect to such breach. HP&C shall bear any tax imposed in connection with the transfer of any assets to IIP&C pursuant to this Agreement.

8.5 Governing Law. This Agreement shall be governed by the laws of Florida, regardless of the laws that might otherwise govern under the conflicts of laws principles of such state.

8.6 No Assignment. No Party may assign its benefits or delegate its duties under this Agreement without the prior consent of the other Party. Any attempted assignment or delegation without such prior consent shall be void. Notwithstanding this prohibition against assignment and delegation, HP&C may assign its rights and delegate its duties under this Agreement to a wholly owned authorized insurance company affiliate of HP&C without Sawgrass's consent.

8.7 No Third Party Beneficiaries. This Agreement is solely for the benefit of the Parties and no other Person shall have any right, interest, or claim under this Agreement.

8.8 Notices. All claims, consents, designations, notices, waivers, and other communications in connection with this Agreement shall be in writing. Such claims, consents, designations, notices, waivers, and other communications shall be considered received (i) on the day of actual transmittal when transmitted by facsimile with written confirmation of such transmittal, (ii) on the next business day following actual transmittal when transmitted by a nationally recognized overnight courier, or (iii) on the third business day following actual transmittal when transmitted by certified mail, postage prepaid, return receipt requested; in each case when transmitted to a Party at its address set forth below (or to such other address to which such Party has notified the other Party in accordance with this Section to send such claims, consents, designations, notices, waivers, and other communications):

HP&C:
Heritage Property & Casualty Insurance Company
2600 McCormick Drive, Suite 300
Clearwater, Florida 33759
Attention: Bruce Lucas, CEO and Chairman

Sawgrass:
Sawgrass Mutual Insurance Company
1000 Sawgrass Corporate Parkway

Suite 1000
Sunrise, Florida 33323

8.9 Public Announcements. The Parties shall agree on the terms of any press releases or other public announcements related to this Agreement, and shall consult with each other before issuing any press releases or other public announcements related to this Agreement; provided, however, that any Party may make a public disclosure if in the opinion of such Party's counsel it is required by Law or the rules of the Securities Exchange Commission, New York Stock Exchange, Nasdaq or other regulatory agency to make such disclosure. The parties agree, to the extent practicable, to consult with each other regarding any such public announcement in advance thereof.

8.10 Representation by Legal Counsel. Each Party is a sophisticated Person that was advised by experienced legal counsel and other advisors in the negotiation and preparation of this Agreement.

8.11 Schedules. All references in this Agreement to schedules shall mean the schedules identified in this Agreement, which are incorporated into this Agreement and shall be deemed a part of this Agreement for all purposes. Each Section of this Agreement that refers to a schedule shall have a separate schedule. In addition, any disclosure under a particular section's schedule shall be made under the heading of any relevant subsection of such section. A disclosure of an item in a schedule for a particular Section or under a heading in a schedule corresponding to a particular subsection shall not be a disclosure under any other section's schedule or any other subsection, unless so noted specifically on such schedule. Sawgrass have delivered to HP&C a correct and complete copy of any document described on a schedule to this Agreement and a correct and complete written description of any unwritten arrangement or other item described on such schedule.

8.12 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions of this Agreement or affect the validity or enforceability of such provision in any other jurisdiction. In addition, any such prohibited or unenforceable provision shall be given effect to the extent possible in the jurisdiction where such provision is prohibited or unenforceable.

8.13 Specific Performance. The Parties acknowledges that the benefits that each will derive from the transactions contemplated by this Agreement are unique and irreplaceable. Accordingly, if either Party improperly abandons or terminates this Agreement, the other Party would not have an adequate remedy at law. HP&C, therefore, shall be entitled to a court order requiring Sawgrass to perform this Agreement if this Agreement is approved by the OIR.

8.14 Successors. This Agreement shall be binding upon and shall inure to the benefit of each Party and its heirs, legal representatives, permitted assigns, and successors, provided that this Section shall not permit the assignment or other transfer of this Agreement, whether by operation of law or otherwise (other than a receiver appointed as a result of the liquidation of either Party), if such assignment or other transfer is not otherwise permitted under this Agreement.

8.15 Time of the Essence. Time is of the essence in the performance of this Agreement and all dates and periods specified in this Agreement.

8.16 Waiver. No provision of this Agreement shall be considered waived unless such waiver is in writing and signed by the Party that benefits from the enforcement of such provision. No waiver of any provision in this Agreement, however, shall be deemed a waiver of a subsequent breach of such provision or a waiver of a similar provision. In addition, a waiver of any breach or failure to enforce any term or condition of this Agreement shall not in any way affect, limit, or waive a Party's rights under this Agreement at any time to enforce strict compliance thereafter with every term and condition of this Agreement.

8.17 Survival. The representations and warranties set forth in Article III shall survive on and after the Effective Date until such time as all Transaction Documents are executed.

[The remaining part of this Agreement left intentionally blank]

IN WITNESS WHEREOF, each Party executed, or caused a duly authorized officer to execute this Agreement as of the Effective Date.

Heritage Property & Casualty Insurance
Company

By Bruce Lucas
Bruce Lucas, CEO and Chairman

Sawgrass Mutual Insurance Company


By: _____
_____, President

IN WITNESS WHEREOF, each Party executed, or caused a duly authorized officer to execute this Agreement as of the Effective Date.

Heritage Property & Casualty Insurance
Company

By _____
Bruce Lucas, CEO and Chairman

Sawgrass Mutual Insurance Company

By  _____
J. David Dwyer, President

Appendix 1. Definitions and Terms

Definitions. As used in this Agreement, the following terms have the meanings set forth or as referenced below:

"Action" means any action, suit, litigation, arbitration, claim, complaint, or proceeding, whether civil, criminal, judicial or investigative, commenced, brought, conducted or heard by or before any Governmental Authority.

"Agreement" has the meaning set forth in the Preamble.

"Amended Consent Order" has the meaning set forth in the Preliminary Statements.

"Closing" has the meaning set forth in Section 2.1.

"Consent Order" has the meaning set forth in the Preliminary Statements.

"Effective Date" has the meaning set forth in Section 1.16.

"Gross Loss Reserves" means all gross loss reserves as of the Effective Date, including incurred but not reported reserves, unallocated and allocated loss adjustment expense reserves, and all other loss adjustment expense reserves.

"HP&C" has the meaning set forth in the Preamble.

"HP&C Replacement Policies" has the meaning set forth in the Preliminary Statements.

"OIR" has the meaning set forth in the Preliminary Statements.

"Party" or "Parties" has the meaning set forth in the Preamble.

"Person" means an individual, a corporation, a partnership, an association, a limited liability company, a joint venture, a trust or other entity or organization, including a Governmental Authority.

"Sawgrass" has the meaning set forth in the Preamble.

"Sawgrass Employee" and Sawgrass Employees" have the meaning set forth in Section 7.5(a).

"Supplemental Agreements" has the meaning set forth in Section 7.3.

"Transaction Documents" means all documents required by HP&C to consummate the transaction contemplated by this Agreement.

13619201820100101

PROPERTY AND CASUALTY COMPANIES—ASSOCIATION EDITION

QUARTERLY STATEMENT

AS OF MARCH 31, 2018
OF THE CONDITION AND AFFAIRS OF THE

Sawgrass Mutual Insurance Company

NAIC Group Code	00000 <small>(Current Period)</small>	00000 <small>(Prior Period)</small>	NAIC Company Code	13619	Employer's ID Number	26-0280296
Organized under the Laws of	Florida		State of Domicile or Port of Entry	Florida		
Country of Domicile	United States					
Incorporated/Organized	05/25/2007		Commenced Business	04/07/2009		
Statutory Home Office	1000 Sawgrass Corporate Pkwy, Suite 100 <small>(Street and Number)</small>		Sunrise, FL, US 33323 <small>(City or Town, State, Country and Zip Code)</small>			
Main Administrative Office	1000 Sawgrass Corporate Pkwy, Suite 100 <small>(Street and Number)</small>		Sunrise, FL, US 33323 <small>(City or Town, State, Country and Zip Code)</small>		877-853-4336 <small>(Area Code) (Telephone Number)</small>	
Mail Address	1000 Sawgrass Corporate Pkwy, Suite 100 <small>(Street and Number or P.O. Box)</small>		Sunrise, FL, US 33323 <small>(City or Town, State, Country and Zip Code)</small>			
Primary Location of Books and Records	1000 Sawgrass Corporate Pkwy, Suite 100 <small>(Street and Number)</small>		Sunrise, FL, US 33323 <small>(City or Town, State, Country and Zip Code)</small>		877-853-4336 <small>(Area Code) (Telephone Number)</small>	
Internet Web Site Address	www.sawgrassmutual.com					
Statutory Statement Contact	Paul Simeone <small>(Name)</small>		854-376-3107 <small>(Area Code) (Telephone Number) (Extension)</small>		854-423-0701 <small>(Area Code) (Telephone Number) (Fax Number)</small>	
	psimeone@sawgrassmutual.com <small>(E-Mail Address)</small>					

OFFICERS

Name	Title	Name	Title
Dan O'Neal	President & CEO	Paul Simeone	Secretary, Treasurer & CFO

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Randy Dumm	Guy Marvin III	Dan O'Neal	Paul Simeone
------------	----------------	------------	--------------

State of _____

County of _____, ss

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.

Dan O'Neal
President & CEO

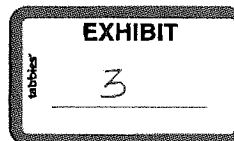
Paul Simeone
Secretary, Treasurer & CFO

Subscribed and sworn to before me this _____ day of _____

a. Is this an original filing? Yes [X] No []

b. If no:

1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____



STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

ASSETS

	Current Statement Date			December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds				0
2. Stocks:				0
2.1 Preferred stocks				0
2.2 Common stocks				0
3. Mortgage loans on real estate:				0
3.1 First liens				0
3.2 Other than first liens				0
4. Real estate:				0
4.1 Properties occupied by the company (less \$ encumbrances)				0
4.2 Properties held for the production of income (less \$ encumbrances)				0
4.3 Properties held for sale (less \$ encumbrances)				0
5. Cash (\$ 320,060), cash equivalents (\$) and short-term investments (\$)	320,060		320,060	(1,845,338)
6. Contract loans (including \$ premium notes)				0
7. Derivatives				0
8. Other invested assets				0
9. Receivables for securities				0
10. Securities lending reinvested collateral assets				0
11. Aggregate write-ins for invested assets				0
12. Subtotals, cash and invested assets (Lines 1 to 11)	320,060	0	320,060	(1,845,338)
13. Title plants less \$ charged off (for Title Insurers only)				0
14. Investment income due and accrued				0
15. Premiums and considerations:				104
15.1 Uncollected premiums and agents' balances in the course of collection				0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including earned but unbilled premiums)				0
15.3 Accrued retrospective premiums (\$) and contracts subject to redetermination (\$)				0
16. Reinsurance:				0
16.1 Amounts recoverable from reinsurers				0
16.2 Funds held by or deposited with reinsured companies				0
16.3 Other amounts receivable under reinsurance contracts				0
17. Amounts receivable relating to uninsured plans				0
18.1 Current federal and foreign income tax recoverable and interest thereon				0
18.2 Net deferred tax asset				0
19. Quarterly funds receivable or on deposit				0
20. Electronic data processing equipment and software				0
21. Furniture and equipment, including health care delivery assets (\$)				0
22. Net adjustment in assets and liabilities due to foreign exchange rates				0
23. Receivables from parent, subsidiaries and affiliates				0
24. Health care (\$) and other amounts receivable				0
25. Aggregate write-ins for other-than-invested assets	234,610	234,610		2,359,852
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	554,670	234,610	320,060	514,617
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				0
28. Total (Lines 26 and 27)	554,670	234,610	320,060	514,617
DETAILS OF WRITE-INS				
1101.				0
1102.				0
1103.				0
1198. Summary of remaining write-ins for Line 11 from overflow page				0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Lease Deposits	16,147	16,147		0
2502. Prepaid Expenses				0
2503. Other Receivables	218,463	218,463		2,359,852
2598. Summary of remaining write-ins for Line 25 from overflow page				0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	234,610	234,610		2,359,852

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$)		0
2. Reinsurance payable on paid losses and loss adjustment expenses		0
3. Loss adjustment expenses		0
4. Commissions payable, contingent commissions and other similar charges		0
5. Other expenses (excluding taxes, licenses and fees)		0
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	0	30,414
7.1 Current federal and foreign income taxes (including \$ on realized capital gains (losses))	(384,509)	(412,276)
7.2 Net deferred tax liability		0
8. Borrowed money \$ and interest thereon \$		0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ and including warranty reserves of \$ and accrued accident and health experience rating refunds including \$ for medical loss ratio rebate per the Public Health Service Act)		0
10. Advance premium		0
11. Dividends declared and unpaid		0
11.1 Stockholders		0
11.2 Policyholders		0
12. Ceded reinsurance premiums payable (net of ceding commissions)		0
13. Funds held by company under reinsurance treaties		0
14. Amounts withheld or retained by company for account of others	174,917	174,917
15. Remittances and items not allocated		0
16. Provision for reinsurance (including \$ certified)		0
17. Net adjustments in assets and liabilities due to foreign exchange rates		0
18. Drafts outstanding		0
19. Payable to parent, subsidiaries and affiliates	0	10,727
20. Derivatives	0	0
21. Payable for securities		0
22. Payable for securities lending		0
23. Liability for amounts held under uninsured plans		0
24. Capital notes \$ and interest thereon \$		0
25. Aggregate write-ins for liabilities	0	0
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	(209,682)	(196,218)
27. Protected cell liabilities		0
28. Total liabilities (Lines 26 and 27)	(209,682)	(196,218)
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock		0
31. Preferred capital stock		0
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes	30,000,000	30,000,000
34. Gross paid in and contributed surplus	25,236,071	25,236,071
35. Unassigned funds (surplus)	(54,706,329)	(54,525,236)
36. Less treasury stock, at cost:		
36.1 shares common (value included in Line 30 \$)		0
36.2 shares preferred (value included in Line 31 \$)		0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	529,742	710,835
38. Totals (Page 2, Line 28, Col. 3)	320,060	514,617
DETAILS OF WRITE-INS		
2501.		0
2502.		0
2503.		0
2598. Summary of remaining write-ins for Line 25 from overflow page		0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		0
2901.		0
2902.		0
2903.		0
2998. Summary of remaining write-ins for Line 26 from overflow page		0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 26 above)		0
3201.		0
3202.		0
3203.		0
3298. Summary of remaining write-ins for Line 32 from overflow page		0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)		0

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

STATEMENT OF INCOME

	1	2	3
	Current Year	Prior Year	Prior Year Ended
	to Date	to Date	December 31
UNDERWRITING INCOME			
1. Premiums earned:			
1.1 Direct (written \$ 0)	0	0	22,134,526
1.2 Assumed (written \$)	0	0	0
1.3 Ceded (written \$)	0	0	21,612,018
1.4 Net (written \$ 0)	0	0	222,908
DEDUCTIONS:			
2. Losses Incurred (current accident year \$):			
2.1 Direct	0	0	8,459,628
2.2 Assumed	0	0	0
2.3 Ceded	0	0	3,395,391
2.4 Net	0	0	5,064,437
3. Loss adjustment expenses incurred	0	0	1,314,786
4. Other underwriting expenses incurred	5,748,074	0	3,136,174
5. Aggregate write-ins for underwriting deductions	0	0	0
6. Total underwriting deductions (Lines 2 through 5)	5,748,074	0	9,517,357
7. Net income of protected cells	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(5,748,074)	0	(9,294,469)
INVESTMENT INCOME			
9. Net investment income earned	(1,846)	0	(39,598)
10. Net realized capital gains (losses) less capital gains tax of \$	0	0	(19,977)
11. Net investment gain (loss) (Lines 9 + 10)	(1,846)	0	(59,575)
OTHER INCOME			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$)	0	0	(110)
13. Finance and service charges not included in premiums	0	0	21,920
14. Aggregate write-ins for miscellaneous income	0	0	109,408
15. Total other income (Lines 12 through 14)	0	0	131,218
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(5,749,920)	0	(9,222,846)
17. Dividends to policyholders	0	0	0
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)	(5,749,920)	0	(9,222,846)
19. Federal and foreign income taxes incurred	0	0	(12,602)
20. Net income (Line 18 minus Line 19) (to Line 22)	(5,749,920)	0	(9,210,244)
CAPITAL AND SURPLUS ACCOUNT			
21. Surplus as regards policyholders, December 31 prior year	710,835	0	13,816,675
22. Net income (from Line 20)	(5,749,920)	0	(9,210,244)
23. Net transfers (to) from Protected Cell accounts	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	0	0	0
25. Change in net unrealized foreign exchange capital gain (loss)	0	0	0
26. Change in net deferred income tax	0	0	(5,194,830)
27. Change in nondeductible assets	5,598,827	0	(549,807)
28. Change in provision for reinsurance	0	0	0
29. Change in surplus notes	0	0	0
30. Surplus (contributed to) withdrawn from protected cells	0	0	0
31. Cumulative effect of changes in accounting principles	0	0	(23,386,830)
32. Capital changes:			
32.1 Paid in	0	0	0
32.2 Transferred from surplus (Stock Dividend)	0	0	0
32.3 Transferred to surplus	0	0	0
33. Surplus adjustments:			
33.1 Paid in	0	0	25,236,071
33.2 Transferred to capital (Stock Dividend)	0	0	0
33.3 Transferred from capital	0	0	0
34. Net remittances from or (to) Home Office	0	0	0
35. Dividends to stockholders	0	0	0
36. Change in treasury stock	0	0	0
37. Aggregate write-ins for gains and losses in surplus	0	0	0
38. Change in surplus as regards policyholders (Lines 22 through 37)	(181,093)	0	(13,105,840)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	529,742	0	710,835
DETAILS OF WRITE-INS			
0501.	0	0	0
0502.	0	0	0
0503.	0	0	0
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0
1401. Member Contributions to Surplus	0	0	0
1402. Miscellaneous income	0	0	109,408
1403.	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	109,408
3701.	0	0	0
3702.	0	0	0
3703.	0	0	0
3798. Summary of remaining write-ins for Line 37 from overflow page	0	0	0
3799. TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)	0	0	0

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

CASH FLOW

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
Cash from Operations			
1. Premiums collected net of reinsurance	0	0	(7,665,674)
2. Net investment income	0	0	102,324
3. Miscellaneous income	(1,742)	0	131,218
4. Total (Lines 1 to 3)	0	0	131,218
5. Benefit and loss related payments	(1,742)	0	(7,432,132)
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	8,850,308
7. Commissions, expenses paid and aggregate write-ins for deductions	0	0	0
8. Dividends paid to policyholders	5,750,811	0	7,160,570
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)	0	0	0
10. Total (Lines 5 through 9)	0	0	(12,802)
11. Net cash from operations (Line 4 minus Line 10)	5,750,811	0	15,988,276
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds	0	0	24,615,129
12.2 Stocks	0	0	0
12.3 Mortgage loans	0	0	0
12.4 Real estate	0	0	0
12.5 Other invested assets	0	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0	0
12.7 Miscellaneous proceeds	0	0	(138)
12.8 Total investment proceeds (Lines 12.1 to 12.7)	0	0	24,614,991
13. Cost of investments acquired (long-term only):			
13.1 Bonds	0	0	4,599,313
13.2 Stocks	0	0	0
13.3 Mortgage loans	0	0	0
13.4 Real estate	0	0	0
13.5 Other invested assets	0	0	0
13.6 Miscellaneous applications	0	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	0	0	4,599,313
14. Net increase (or decrease) in contract loans and premium notes	0	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	0	0	20,015,678
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes	0	0	0
16.2 Capital and paid in surplus, less treasury stock	0	0	25,236,071
16.3 Borrowed funds	0	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0	0
16.5 Dividends to stockholders	0	0	0
16.6 Other cash provided (applied)	7,917,952	0	(27,640,031)
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	7,917,952	0	(2,403,960)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	2,165,399	0	(5,818,690)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year	(1,845,339)	0	3,973,351
19.2 End of period (Line 18 plus Line 19.1)	320,080	0	(1,845,339)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying financial statements of Sawgrass Mutual Insurance Company (SMIC) are presented in accordance with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual subject to any deviations prescribed or permitted by the State of Florida's Office of Insurance Regulation (OIR).

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Florida follows:

	SSAP #	F/S Line #	F/S Line #	March 31, 2018	December 31 2017
NET INCOME					
1. Company state basis (Page 4, Line 20, Columns 1&2)					
2. State Prescribed Practices that increase/ (decrease) NAIC SAP:	XXX	XXX	XXX	\$ (5,749,920)	\$ (9,210,244)
3. State Permitted Practices that increase/ (decrease) NAIC SAP				0	0
4. NAIC SAP (1-2-3=4)	XXX	XXX	XXX	<u>0</u>	<u>0</u>
				\$ (5,749,920)	\$ (9,210,244)
SURPLUS					
5. Company state basis (Page 3, Line 37, Columns 1&2)					
6. State Prescribed Practices that increase/ (decrease) NAIC SAP	XXX	XXX	XXX	\$ 529,742	\$ 710,835
7. State Permitted Practices that increase/ (decrease) NAIC SAP				0	0
8. NAIC SAP (5-6-7=8)	XXX	XXX	XXX	<u>0</u>	<u>0</u>
				\$ 529,742	\$ 710,835

SMIC received its Certificate of Authority from the State of Florida and commenced insurance operations in Florida on April 7th, 2009. The Company wrote its first policy on May 20, 2009.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of statutory financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory basis financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and described in the financial statements.

C. Accounting Policy

Premiums are earned over the terms of the related insurance policy and the related reinsurance contracts. Unearned premium reserves are established to cover the unexpired portion of premium written. Such reserves are computed by pro-rata methods for direct and ceded business.

Expenses incurred in the acquisition of business, including commissions and policy processing costs, are charged to operations as incurred. Should SMIC enter into reinsurance contracts that include ceding allowances, expenses incurred will be reduced as these allowances are recognized.

In addition, the Company uses or will use the following accounting practices as applicable:

1. Short term investments are stated at amortized costs.
2. Bonds not backed by other loans are stated at either amortized costs, using the interest method or the lower of amortized cost or fair market value depending on their NAIC designation.
3. Unaffiliated common stocks are stated at market value.
4. Preferred stock is stated at cost.
5. Mortgage loans on real estate are stated at aggregate carrying value less accrued interest.
6. Loan backed securities are stated at either amortized costs or the lower of amortized cost or fair market value depending on NAIC designation.
7. Investments in subsidiaries, controlled and affiliated entities are stated at their current equity value.
8. SMIC has no investments in joint ventures, limited liability companies or partnerships.
9. All derivatives are stated at fair value.

NOTES TO FINANCIAL STATEMENTS

10. SMIC anticipates investment income as a factor in the premium deficiency calculation in accordance with Statement of Statutory Accounting Principles No. 53.
11. Loss and loss adjustment expense (LAE) reserves represent the estimated ultimate net costs of all unpaid reported and unreported losses and LAE. The reserves for unpaid losses and LAE are estimated using individual case-basis estimates for reported losses and actuarial estimates for losses incurred but not reported (IBNR). Those estimates are subject to the effects in trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes that the reserves for losses and LAE are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations. The ultimate settlement of losses and loss adjustment expenses may vary significantly from the estimated amounts included in the financial statements. Estimated reserves are reviewed for adequacy by independent actuaries annually as of December 31st, or periodically, if needed.
12. SMIC has established a capitalization policy.
- 2. Accounting Changes and Corrections of Errors**
- During the last financial examination performed by the Florida Office of Insurance Regulation, it was determined that the Company should change its accounting method for the treatment of its Member Contributions to Surplus that is being collected on each Sawgrass policy written. Since the Company's inception the member contributions were being reported in the Statement of Income as Other Income and the OIR has now taken the position that these contributions be reported directly to Company's Capital and Surplus as Gross Paid In and Contributed Surplus. The impact of this change would have overstated net income for the nine months ended September 30, 2017 by \$1,849,141 and the prior 2016 year by \$3,219,107. The cumulative effect of this change from inception on SMIC's current balance sheet reflects a reclassification of \$25,236,071 from Unassigned Surplus to Gross Paid In and Contributed Surplus but no change to the total amount of Surplus for the Company.
- 3. Business Combinations and Goodwill**
- NONE
- 4. Discontinued Operations**
- NONE
- 5. Investments**
- A. Mortgage Loans, Including Mezzanine Real Estate Loan - NONE
B. Debt Restructuring - NONE
C. Reverse Mortgages - NONE
D. Loan-Backed Securities
- As of September 30, 2017, Sawgrass had no Loan-Backed Securities to report as its entire long-term bond portfolio was transferred to Heritage Property & Casualty Insurance Company on September 1, 2017.
- E. Repurchase Agreements and/or Securities Lending Transactions - NONE
F. Real Estate - NONE
G. Investments in low-income housing tax credits (LIHTC) - NONE
H. Restricted Assets - NONE
I. Working Capital Finance Investments - NONE
J. Offsetting and Netting of Assets and Liabilities - NONE
K. Structured Notes - NONE
L. 5* Securities - NONE
- 6. Joint Ventures, Partnerships and Limited Liability Companies**
- A. Detail For Those Greater Than 10% of Admitted Assets - NONE
B. Write-Downs For Impairments - NONE
- 7. Investment Income**

NOTES TO FINANCIAL STATEMENTS

- A. Accrued Investment Income - The Company did not exclude any investment income due and accrued from surplus.
 B. Amounts Non Admitted – NONE

8. Derivative Instruments

NONE

9. Income Taxes

- A. The components of the net deferred tax asset at September 30, 2017 and December 31, 2016 are as follows:

	3/31/2018			12/31/2017			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	(Col 1+2)	Ordinary	Capital	(Col 4+5)	Ordinary	Capital	(Col 7+8)
1.									
(a) Gross Deferred Assets	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(b) Statutory Valuation Allowance Adjustment	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(c) Adjusted Gross Deferred Tax Assets (1a - 1b)	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(d) Deferred Tax Assets Nonadmitted	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(e) Subtotal Net Admitted Deferred Tax Asset (1c - 1d)	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(f) Deferred Tax Liabilities	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(g) Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) (1e - 1f)	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
2.									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary	Capital	(Col 1+2)	Ordinary	Capital	(Col 4+5)	Ordinary	Capital	(Col 7+8)
Admission Calculation Components SSAP No. 101									
(a) Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(b) Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount of Deferred Tax Assets From 2(a) Above) After Application of the Threshold Limitation. (The Lesser of 2(b)1 and 2(b)2 Below	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
1. Adjusted Gross Deferred Tax Assets Expected to be realized Following the Balance Sheet Date.	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
2. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	XXX	XXX	\$ 0	XXX	XXX	\$ 0	XXX	XXX	\$ 0
(c) Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From 2(a) and 2(b) above) Offset by Gross Deferred Tax Liabilities.	\$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$
(d) Deferred Tax Assets Admitted as the result of Application of SSAP No. 101.									
Total 2(a) + 2(b) + 2(c)	\$	0 \$	0 \$	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

NOTES TO FINANCIAL STATEMENTS

	March 31, 2018	December 31, 2017
(a) Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	15,000	15,000
(b) Amount of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation In 2(b)2 Above	\$ 636,316	\$ 13,587,403

	3/31/2018		12/31/2017		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) (Col 1-3) Ordinary	(6) (Col 2-4) Capital
Impact of Tax-Planning Strategies						
(a) Determination of Adjusted Gross Deferred Tax Assets And Net Admitted Deferred Tax Assets, By Tax Character As A Percentage:						
1. Adjusted Gross DTAs Amount From Note 9A1(c)	\$	0 \$	0 \$	0 \$	0 \$	0 \$
2. Percentage of Adjusted Gross DTAs By Tax Character Attributable To The Impact Of Tax Planning Strategies	0.0	0.0	0.0	0.0	0.0	0.0
3. Net Admitted Adjusted Gross DTAs Amount From Note 9A1(e)	\$	0 \$	0 \$	0 \$	0 \$	0 \$
4. Percentage of Net Admitted Adjusted Gross DTAs By Tax Character Admitted Because Of The Impact Of Tax Planning Strategies	0.0	0.0	0.0	0.0	0.0	0.0

(b) Does The Company's tax-planning strategies include the use of reinsurance? Yes ___ No X

B. Unrecognized Deferred Tax Liabilities - NONE

C. Current income taxes incurred consist of the following major components:

	(1) 3/31/2018	(2) 12/31/2017	(3) (Col 1-2) Change
1. Current Income Tax			
(a) Federal	\$ 0	\$ 0	\$ 0
(b) Foreign	\$ 0	\$ 0	\$ 0
(c) Subtotal	\$ 0	\$ 0	\$ 0
(d) Federal Income Tax on Net Capital Gains	\$ 0	\$ 0	\$ 0
(e) Utilization of Capital Loss Carry-forwards	\$ 0	\$ 0	\$ 0
(f) Other	\$ 0	\$ 0	\$ 0
(g) Federal and Foreign Income Tax Incurred	\$ 0	\$ 0	\$ 0
2. Deferred Tax Assets:			
(a) Ordinary			
(1) Discounting of Unpaid Losses	\$ 0	\$ 0	\$ 0
(2) Unearned Premium Reserve	\$ 0	\$ 0	\$ 0
(3) Policyholder Reserves	\$ 0	\$ 0	\$ 0
(4) Investments	\$ 0	\$ 0	\$ 0
(5) Deferred Acquisition Costs	\$ 0	\$ 0	\$ 0
(6) Policyholder Dividends Accrual	\$ 0	\$ 0	\$ 0
(7) Fixed Assets	\$ 0	\$ 0	\$ 0
(8) Compensation and Benefits Accrual	\$ 0	\$ 0	\$ 0
(9) Pension Accrual	\$ 0	\$ 0	\$ 0
(10) Receivables-Nonadmitted	\$ 0	\$ 0	\$ 0
(11) Net Operating Loss Carry-forward	\$ 0	\$ 0	\$ 0
(12) Tax Credit Carry-forward	\$ 0	\$ 0	\$ 0
(13) Other (including items <5% of Total Ordinary Tax Assets)	\$ 0	\$ 0	\$ 0

NOTES TO FINANCIAL STATEMENTS

(99) Subtotal	\$	0	\$	0	\$	0
(b) Statutory Valuation Allowance Adjustment	\$	0	\$	0	\$	0
(c) Nonadmitted	\$	0	\$	0	\$	0
(d) Admitted Ordinary Deferred Tax Assets (2a99 - 2b - 2c)	\$	0	\$	0	\$	0
(e) Capital:						
(1) Investments	\$	0	\$	0	\$	0
(2) Net Capital Loss Carry-forwards	\$	0	\$	0	\$	0
(3) Real Estate	\$	0	\$	0	\$	0
(4) Other (including items <5% of total capital tax assets)	\$	0	\$	0	\$	0
(99) Subtotal	\$	0	\$	0	\$	0
(f) Statutory Valuation Allowance Adjustment	\$	0	\$	0	\$	0
(g) Nonadmitted	\$	0	\$	0	\$	0
(h) Admitted Capital Deferred Tax Assets 2e99 -2f - 2g)	\$	0	\$	0	\$	0
(i) Admitted Deferred Tax Assets (2d + 2h)	\$	0	\$	0	\$	0
3. Deferred Tax Liabilities:						
(a) Ordinary						
(1) Investments	\$	0	\$	0	\$	0
(2) Fixed Assets	\$	0	\$	0	\$	0
(3) Deferred and Uncollected Premium	\$	0	\$	0	\$	0
(4) Policyholder Reserves	\$	0	\$	0	\$	0
(5) Other (including items <5% of total capital tax liabilities)	\$	0	\$	0	\$	0
(99) Subtotal	\$	0	\$	0	\$	0
(b) Capital:						
(1) Investments	\$	0	\$	0	\$	0
(2) Real Estate	\$	0	\$	0	\$	0
(3) Other (including items <5% of total capital tax liabilities)	\$	0	\$	0	\$	0
(99) Subtotal	\$	0	\$	0	\$	0
(c) Deferred Tax Liabilities	\$	0	\$	0	\$	0
4. Net Deferred Tax Assets/Liabilities (2i - 3c)	\$	0	\$	0	\$	0

D. Among the more significant book to tax adjustments were the following - None

E. Operating Loss and Tax Credit Carry-forwards - NONE

F. Consolidated Federal Income Tax Return - N/A

G. Federal Income Tax Loss Contingencies - NONE

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships

Sawgrass Mutual Insurance Company (SMIC) is a mutual insurance company domiciled in the State of Florida. It has no policyholders or policyholder liabilities and has discontinued the writing of all kinds of insurance. SMIC has surrendered its certificate of authority to the Office of Insurance Regulation as required by section 624.430(4), Florida Statutes, and intends to dissolve the corporation

Not a true statement

NOTES TO FINANCIAL STATEMENTS

as permitted by section 624.430(3), Florida Statutes. SMIC owns 5 companies none of which own any assets and none of which currently engage in any business activities. These companies are:

Effective August 6, 2015, Sawgrass Management Advisors Inc. (SMA) became licensed by the Florida Department of Financial Services to act as the Company's Managing General Agency (MGA).

On March 11, 2016, American Insurance Exchange, Inc., an insurance agency, became licensed by the Florida Department of Financial Services.

On March 11, 2016, Insurance Operations Network, Inc. (ION) became duly incorporated under the laws of the State of Florida and authorized to do business in this state. ION issued 1,000 shares (all of the issued and outstanding shares) of ION to Sawgrass Mutual.

On March 16, 2016, Intuitive Software Development, Inc. (ISDI) and Virtual Video Solutions, Inc. (VVSI) were duly incorporated under to laws of the State of Florida and authorized to do business in this state. The companies provided IT software development services and IT Video software services.

After incorporation, ISDI issued 1,000 shares of stock to the Company, which represented all of the issued and outstanding shares of stock.

On August 30, 2016, Sawgrass filed a "Form D" notice with the Office, giving notice it intended to enter into a Policy Services Agreement with ISDI. A copy of the Agreement was filed as well. On December 1, 2016, the Office advised Sawgrass by letter that it had no objection to the Agreement. The agreement was executed with a start date of January 1, 2017.

After incorporation, VVSI issued 1000 shares of stock to Sawgrass.

On September 1, 2017, Sawgrass entered into an agreement with Heritage Property & Casualty Insurance Company to transfer its inforce book of business and its insurance assets and liabilities to Heritage. The assets and liabilities that were transferred to Heritage are as follows:

Net Loss and LAE Reserves	\$ 9,574,768
Unearned Premium Reserves	16,455,936
Premium Tax Payable	<u>287,979</u>
Total Liabilities	\$26,318,683
Paid Loss & LAE Recoverable	\$ 2,495,452
Premium Receivable	2,517,500
Agent Commission on Unearned Premium	1,810,153
Long-Term Bonds	15,598,662
Cash	<u>3,896,916</u>
Total Assets	\$26,318,683

B. Detail of Transactions Greater than 0.5% of Admitted Assets - NONE

C. Change in Terms of Inter-company Arrangements - NONE

D. Amounts Due to or From Related Parties

As of March 31, 2018 there are no amounts due to or from any affiliates

E. Guarantees or Undertakings with Affiliates - NONE

F. Management, Service Contracts, Cost Sharing Arrangements

There are no management, service contracts or cost sharing arrangements in effect with any affiliates.

G. Nature of Relationships that Could Affect Operations - NONE

H. Amount Deducted for Investment in Upstream Company - NONE

NOTES TO FINANCIAL STATEMENTS

- I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets - NONE
- J. Write-down for Impairments of Investments in Subsidiary, Controlled or Affiliated Companies - NONE
- K. Investments in Foreign Insurance Subsidiaries - NONE
- L. Investments in Downstream Non-Insurance Holding Companies -- NONE
- M. SCA Investments -- NONE
- N. Investment in Insurance SCAs - NONE

11. Debt

NONE

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

A-D Defined Benefit Plans - NONE

E. Defined Contributions Plans

The Company terminated its 401-K plan effective December 31, 2017.

F. Multi-employer Plans -- NONE

G. Consolidated Holding Company Plans -- NONE

H. Post Employment Benefits and Compensated Absences -- NONE

I. Impact of Medicare Modernization Act on Post Retirement Benefits - NONE

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- 1. Outstanding Shares - NONE
- 2. Preferred Stock - NONE
- 3. Dividends - NONE
- 4. Dividends Paid - NONE
- 5. Dividend Restrictions - NONE
- 6. Surplus Restrictions - NONE
- 7. Surplus Advances - NONE
- 8. Company Stock Held for Special Purposes - NONE
- 9. Changes in Special Surplus Funds - NONE
- 10. Unassigned Funds (Surplus) - NONE
- 11. Surplus Notes

The Company issued the following surplus note, the rights to which is currently owned by Sompo International through its wholly owned subsidiary, Cladium Inc.:

Par Value	Interest And/Or	Total Interest	Unapproved
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NOTES TO FINANCIAL STATEMENTS

Date Issued	Interest Rate	(Face Amount of Notes)	Carrying Value of Note	Principal Paid Current Year	And/Or Principal Paid	Interest And/Or Principal	Date of Maturity
5/19/2014	6.57%	\$30,000,000	\$30,000,000	\$0	\$569,865	\$5,503,405	12/31/2018
		Total	\$30,000,000	\$0	\$569,865	\$5,503,405	XXX

12. Quasi Reorganizations - NONE

13. Effective Dates of Quasi Reorganizations - NONE

14. Liabilities, Contingencies and Assessments

NONE

15. Leases

A. Lessee Leasing Arrangements

- a. In 2013, Sawgrass Mutual Insurance Company entered into a five year home office lease with Duke Realty Limited Partnership in Sunrise, Florida which commenced on December 1, 2013. Vanderbilt Office Properties assumed the lease from Duke Realty, which sold the building to Vanderbilt in May, 2015. The terms of the lease did not change as a result of the sale.

The minimum annual rental commitments for the office leases are as follows:

Year Ended	Amount
December 31	
1. 2018	\$ 100,010
2. 2019	\$ 11,389
Total	\$ 111,399

- b. The Company has not entered into any sales or leaseback arrangements.

B. Lessor Leasing Arrangements - NONE

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

NONE

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

NONE

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

NONE

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

Name and Address of Managing General Agent or Third Party Administration	FEIN Number	Exclusive Contract	Types of Business Written	Types of Authority Granted	Total Direct Premium Written/Produced By
Sawgrass Management Advisors, Inc., 1000 Sawgrass Corporate Pkwy., Suite 100, Sunrise, FL 33323	47-4627054	YES	Homeowners	U	\$0

20. Fair Value Measurement

A. NONE

NOTES TO FINANCIAL STATEMENTS

B. NONE

C. NONE

D. NONE

21. Other Items

A. Unusual or Infrequent Items - NONE

B. Troubled Debt Restructuring for Debtors - NONE

C. Other Disclosures

a. Agents' Balances Certification:

1. The amount of Agents' Balances or Uncollected Premiums as reported on Page 2 Line 15.1 was \$0.
2. The amount of Agents' Balances or Uncollected Premiums as reported on Page 2 Line 15.2 that was due from "controlled" or "controlling" persons was \$0.
3. The Company hereby certifies that there were no balances receivable from a "Controlled" or "Controlling Person" as defined in section 625.012(5)(b), Florida Statutes for the period ended March 31, 2018.

b. Special Disability Trust Fund Disclosure: The Company hereby certifies that no credits were taken, no payments were received, and no amounts were assessed from the Special Disability Trust Fund for the current or prior year. This statement is submitted for compliance with Chapter 625.091, Florida Statutes.

D. Business Interruption Insurance Recoveries - NONE

E. State Transferable and Non-transferable Tax Credits - NONE

F. Subprime-Mortgage-Related Risk Exposure - NONE

G. Insurance Linked Securities (ILS) Contracts - NONE

22. Events Subsequent

During the period subsequent to March 31, 2018, and prior to filing of this statement the Company remains in compliance with all statutory financial requirements.

Additionally, there is ongoing litigation between the Company and Sompo International regarding Cladium, Inc., which as of the afternoon of May 15, 2018 has reached a tentative settlement.

23. Reinsurance

A. Unsecured Reinsurance Recoverables

As of March 31, 2018, Sawgrass has no reinsurance recoverables.

B. Reinsurance Recoverables in Dispute - NONE

C. Reinsurance Assumed and Ceded - NONE

D. Uncollectible Reinsurance - NONE

E. Commutation of Ceded Reinsurance - NONE

F. Retroactive Reinsurance - NONE

NOTES TO FINANCIAL STATEMENTS

- G. Reinsurance Accounted for as a Deposit - NONE
- H. Disclosure for the Transfer of P&C Run-off Agreements - NONE
- I. Certified Reinsurer Downgraded or Status Subject to Revocation - NONE
- J. Reinsurance Agreements Qualifying for Reinsurer Aggregation - NONE
- 24. Retrospectively Rated Contracts & Contracts Subject to Redetermination**
NONE
- 25. Change in Incurred Losses and Loss Adjustment Expenses - NONE**
- 26. Intercompany Pooling Arrangements**
NONE
- 27. Structured Settlements**
NONE
- 28. Health Care Receivables**
NONE
- 29. Participating Policies**
NONE
- 30. Premium Deficiency Reserves**
NONE
- 31. High Deductibles**
NONE
- 32. Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**
NONE
- 33. Asbestos/Environmental Reserves**
NONE
- 34. Subscriber Savings Accounts**
NONE
- 35. Multiple Peril Crop Insurance**
NONE
- 36. Financial Guaranty Insurance**
NONE

GENERAL INTERROGATORIES

**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:
- 3.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes No
If yes, complete Schedule Y, Parts 1 and 1A.
- 3.2 Have there been any substantial changes in the organizational chart since the prior quarter end? Yes No
- 3.3 If the response to 3.2 is yes, provide a brief description of those changes.
- 3.4 Is the reporting entity publicly traded or a member of a publicly traded group? Yes No
- 3.5 If the response to 3.4 is yes, provide the CIK (Central Index Key) code issued by the SEC for the entity/group.
- 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 the 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 NA
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.12/31/2016
- 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.12/31/2011
- 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).05/08/2013
- 6.4 By what department or departments?
Florida Office of Insurance Regulation
- 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 NA
- 6.6 Have all of the recommendations within the latest financial examination report been complied with? Yes No NA
- 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 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 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 FDIC	6 SEC

GENERAL INTERROGATORIES

- 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? Yes No
- (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.

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

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

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

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

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

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes No

If no, attach a description with this statement.

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

GENERAL INTERROGATORIES

- 16 For the reporting entity's security lending program, state the amount of the following as of the current statement date.
- 16.1 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
- 16.2 Total book, adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
- 16.3 Total payable for securities lending reported on the liability page \$.....0

17. 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 1, III -- General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [] No [X]

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

1	2
Name of Custodian(s)	Custodian Address

- 17.2 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	2	3
Name(s)	Location(s)	Complete Explanation(s)

- 17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes [] No [X]

- 17.4 If yes, give full and complete information relating thereto:

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

- 17.5 Investment management -- Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. [... that have access to the investment accounts; "... handle securities"]

1	2
Name of Firm or Individual	Affiliation

- 17.5097 For those firms/individuals listed in the table for Question 17.5, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [] No [X]

- 17.5098 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 17.5, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [] No [X]

- 17.6 For those firms or individuals listed in the table for 17.5 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1	2	3	4	5
Central Registration Depository Number	Name of Firm or Individual	Legal Entity Identifier (LEI)	Registered With	Investment Management Agreement (IMA) Filed

- 18.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysts Office* been followed? Yes [X] No []

- 18.2 If no, list exceptions:

19. By self-designating S*GI securities, the reporting entity is certifying the following elements for each self-designated S*GI security:
- a. Documentation necessary to permit a full credit analysis of the security does not exist.
 - b. Issuer or obligor is current on all contracted interest and principal payments.
 - c. The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

- Has the reporting entity self-designated S*GI securities? Yes [] No [X]

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

SCHEDULE F - CEDED REINSURANCE

Showing All New Reinsurers - Current Year to Date

1	2	3	4	5	6	7
NAIC Company Code	ID Number	Name of Reinsurer	Domestic Jurisdiction	Type of Reinsurer	Certified Reinsurer Rating (1-10)(A-F)	Effective Date of Certified Reinsurer Rating
NONE						

6

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

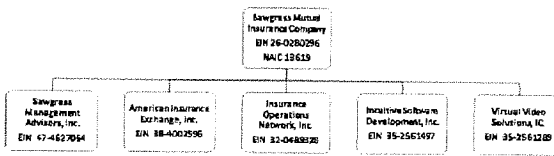
		Current Year to Date - Allocated by States and Territories					
		Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2	3	4	5	6	7
States, etc.	1 Active Status (a)	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date	Current Year To Date	Prior Year To Date
1. Alabama	AL N	0	0	0	0	0	0
2. Alaska	AK N	0	0	0	0	0	0
3. Arizona	AZ N	0	0	0	0	0	0
4. Arkansas	AR N	0	0	0	0	0	0
5. California	CA N	0	0	0	0	0	0
6. Colorado	CO N	0	0	0	0	0	0
7. Connecticut	CT N	0	0	0	0	0	0
8. Delaware	DE N	0	0	0	0	0	0
9. Dist. Columbia	DC N	0	0	0	0	0	0
10. Florida	FL L	0	0	0	0	0	0
11. Georgia	GA N	0	0	0	0	0	0
12. Hawaii	HI N	0	0	0	0	0	0
13. Idaho	ID N	0	0	0	0	0	0
14. Illinois	IL N	0	0	0	0	0	0
15. Indiana	IN N	0	0	0	0	0	0
16. Iowa	IA N	0	0	0	0	0	0
17. Kansas	KS N	0	0	0	0	0	0
18. Kentucky	KY N	0	0	0	0	0	0
19. Louisiana	LA N	0	0	0	0	0	0
20. Maine	ME N	0	0	0	0	0	0
21. Maryland	MD N	0	0	0	0	0	0
22. Massachusetts	MA N	0	0	0	0	0	0
23. Michigan	MI N	0	0	0	0	0	0
24. Minnesota	MN N	0	0	0	0	0	0
25. Mississippi	MS N	0	0	0	0	0	0
26. Missouri	MO N	0	0	0	0	0	0
27. Montana	MT N	0	0	0	0	0	0
28. Nebraska	NE N	0	0	0	0	0	0
29. Nevada	NV N	0	0	0	0	0	0
30. New Hampshire	NH N	0	0	0	0	0	0
31. New Jersey	NJ N	0	0	0	0	0	0
32. New Mexico	NM N	0	0	0	0	0	0
33. New York	NY N	0	0	0	0	0	0
34. No. Carolina	NC N	0	0	0	0	0	0
35. No. Dakota	ND N	0	0	0	0	0	0
36. Ohio	OH N	0	0	0	0	0	0
37. Oklahoma	OK N	0	0	0	0	0	0
38. Oregon	OR N	0	0	0	0	0	0
39. Pennsylvania	PA N	0	0	0	0	0	0
40. Rhode Island	RI N	0	0	0	0	0	0
41. So. Carolina	SC N	0	0	0	0	0	0
42. So. Dakota	SD N	0	0	0	0	0	0
43. Tennessee	TN N	0	0	0	0	0	0
44. Texas	TX N	0	0	0	0	0	0
45. Utah	UT N	0	0	0	0	0	0
46. Vermont	VT N	0	0	0	0	0	0
47. Virginia	VA N	0	0	0	0	0	0
48. Washington	WA N	0	0	0	0	0	0
49. West Virginia	WV N	0	0	0	0	0	0
50. Wisconsin	WI N	0	0	0	0	0	0
51. Wyoming	WY N	0	0	0	0	0	0
52. American Samoa	AS N	0	0	0	0	0	0
53. Guam	GU N	0	0	0	0	0	0
54. Puerto Rico	PR N	0	0	0	0	0	0
55. U.S. Virgin Islands	VI N	0	0	0	0	0	0
56. Northern Mariana Islands	MP N	0	0	0	0	0	0
57. Canada	CAN N	0	0	0	0	0	0
58. Aggregate Other Alien	OT XXX	0	0	0	0	0	0
59. Totals	XXX	0	0	0	0	0	0
DETAILS OF WRITE-INS							
58001	XXX						
58002	XXX						
58003	XXX						
58998							
Summary of remaining write-ins for Line 58 from overflow page							
58998	XXX	0	0	0	0	0	0
TOTALS (Lines 58001 through 59003 plus 58998) (Line 58 above)							
	XXX	0	0	0	0	0	0

(a) Active Status Counts

L - Licensed or Chartered - Licensed insurance carrier or domiciled RRG 1 R - Registered - Non-domiciled RRGs 0
 E - Eligible - Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile - See DBL) 0 Q - Qualified - Qualified or accredited reinsurer 0
 D - Domestic Surplus Lines Insurer (DSL) - Reporting entities authorized to write surplus lines in the state of domicile 0 N - None of the above - Not allowed to write business in the state 56

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

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



STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

SCHEDULE Y
PART 1A – DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Group Code	Group Name	NAIC Company Code	ID Number	Federal RSSD	CIK	Name of Securities Exchange if Publicly Traded (U.S. or International)	Names of Parent, Subsidiaries or Affiliates	Domestic/Foreign	Relationship to Reporting Entity	Directly Controlled by (Name of Entity/Person)	Type of Control (Ownership, Direct, Management, Attorney-in-Fact, Influence, Other)	If Control Provides Percentage	Ultimate Controlling Interest (Name of Holder)	Is an SBA Filing Requirement?	
		13619	26-0382766				Sawgrass Mutual Insurance Company	FL	RE	Policyholder	Board	D.O			
		00000	47-8527554				Sawgrass Management Advisors, Inc.	FL	NIA	Sawgrass Mutual Insurance Company	Management	D.O	Management		1
		00000	38-4002566				American Insurance Exchange, Inc.	FL	NIA	Sawgrass Mutual Insurance Company	Management	D.O	Management		1
		00000	32-0493028				Insurance Operations Network, Inc.	FL	NIA	Sawgrass Mutual Insurance Company	Management	D.O	Management		1
		00000	35-261497				Intuitive Software Development, Inc.	FL	NIA	Sawgrass Mutual Insurance Company	Management	D.O	Management		1
		00000	35-2561290				Virtual Video Solutions, Inc.	FL	NIA	Sawgrass Mutual Insurance Company	Management	D.O	Management		1

12

Notes:
1 Sawgrass Mutual was organized as a mutual insurer under the laws of the State of Florida and does not have a parent organization. The Company is affiliated with a Nonwriting General Agency (NWA), Sawgrass Management Advisors, Inc. that provides traditional insurance risk services to Sawgrass Mutual. In March 2016, four new companies were created and licensed that currently share common management: American Insurance Exchange, Inc., an insurance agency wholly owned by the insurance company; Insurance Operations Network, Inc., a claim FPA; Intuitive Software Development, Inc., an IT software development company; and Virtual Video Solutions, Inc., an IT video software company.

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

PART 1 - LOSS EXPERIENCE

Line 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	0.0
2. Allied lines			0.0	0.0
3. Farmowners multiple peril			0.0	0.0
4. Homeowners multiple peril			0.0	0.0
5. Commercial multiple peril			0.0	0.0
6. Mortgage guaranty			0.0	0.0
8. Ocean marine			0.0	0.0
9. Inland marine			0.0	0.0
10. Financial guaranty			0.0	0.0
11.1 Medical professional liability-occurrence			0.0	0.0
11.2 Medical professional liability-claims made			0.0	0.0
12. Earthquake			0.0	0.0
13. Group accident and health			0.0	0.0
14. Credit accident and health			0.0	0.0
15. Other accident and health			0.0	0.0
16. Workers' compensation			0.0	0.0
17.1 Other liability-occurrence			0.0	0.0
17.2 Other liability-claims made			0.0	0.0
17.3 Excess Workers' Compensation			0.0	0.0
18.1 Products liability-occurrence			0.0	0.0
18.2 Products liability-claims made			0.0	0.0
19.1, 19.2 Private passenger auto liability			0.0	0.0
19.3, 19.4 Commercial auto liability			0.0	0.0
21. Auto physical damage			0.0	0.0
22. Aircraft (all perils)			0.0	0.0
23. Fidelity			0.0	0.0
24. Surety			0.0	0.0
25. Burglary and theft			0.0	0.0
27. Boiler and machinery			0.0	0.0
28. Credit			0.0	0.0
29. International			0.0	0.0
30. Warranty			0.0	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	0.0
35. TOTALS	0	0	0.0	0.0
DETAILS OF WRITE-INS				
3401			0.0	0.0
3402			0.0	0.0
3403			0.0	0.0
3498. Sum of remaining write-ins for Line 34 from overflow page	0	0	0.0	0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

NONE

PART 2 - DIRECT PREMIUMS WRITTEN

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

NONE

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

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)	2018 Loss and LAE Payments on Claims Reported as of Prior Year-End	2018 Loss and LAE Payments on Claims Unreported as of Prior Year-End	Total 2018 Loss and LAE Payments (Cols. 4 + 5)	G.S. Date Known Case Loss and LAE Reserves on Claims Reported and Open as of Prior Year-End	G.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened Subsequent to Prior Year-End	G.S. Date IBNR Loss and LAE Reserves	Total G.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. 2015 + Prior	0	0	0	0	0	0	0	0	0	0	0	0	0
2. 2016	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Subtotal 2016 + prior	0	0	0	0	0	0	0	0	0	0	0	0	0
4. 2017	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Subtotal 2017 + prior	0	0	0	0	0	0	0	0	0	0	0	0	0
6. 2018	XXX	XXX	XXX	XXX	0	0	XXX	0	0	0	XXX	XXX	XXX
7. Total Prior Year-End Surplus As Reported Policyholders	715												
											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. 0.0	2. 0.0	3. 0.0
											Col. 13, Line 7 Line 8		4. 0.0

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.

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

Explanation:

1. Business not written
2. Business not written
3. Business not written
4. Business not written

Bar Code:

1. *13619201849000001*
2. *13619201845500001*
3. *13619201836500001*
4. *13619201850500001*

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A – VERIFICATION

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

SCHEDULE B – VERIFICATION

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

SCHEDULE BA – VERIFICATION

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

SCHEDULE D – VERIFICATION

Bonds and Stocks		1	2
		Year To Date	Prior Year Ended December 31
1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year		0	20,080,817
2. Cost of bonds and stocks acquired			4,589,313
3. Accrual of discount			343,937
4. Unrealized valuation increase (decrease)			0
5. Total gain (loss) on disposals			(19,839)
6. Deduct consideration for bonds and stocks disposed of			24,615,126
7. Deduct amortization of premium			308,899
8. Total foreign exchange change in book/adjusted carrying value			0
9. Deduct current year's other-than-temporary impairment recognized			0
10. Total investment income recognized as a result of prepayment penalties and/or acceleration fees			0
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		0	0
13. Statement value at end of current period (Line 11 minus Line 12)		0	0

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

NAIC Designation	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. NAIC 1 (a)	0				0	0	0	0
2. NAIC 2 (a)	0				0	0	0	0
3. NAIC 3 (a)	0				0	0	0	0
4. NAIC 4 (a)	0				0	0	0	0
5. NAIC 5 (a)	0				0	0	0	0
6. NAIC 6 (a)	0				0	0	0	0
7. Total Bonds	0				0	0	0	0
PREFERRED STOCK								
8. NAIC 1	0				0	0	0	0
9. NAIC 2	0				0	0	0	0
10. NAIC 3	0				0	0	0	0
11. NAIC 4	0				0	0	0	0
12. NAIC 5	0				0	0	0	0
13. NAIC 6	0				0	0	0	0
14. Total Preferred Stock	0	0	0	0	0	0	0	0
15. Total Bonds & Preferred Stock	0	0	0	0	0	0	0	0

NONE

S102

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

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

SCHEDULE DA - PART 1

Short-Term Investments

	1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Interest Collected Year To Date	5 Paid for Accrued Interest Year To Date
9199999	NONE				
		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	0	379,591
2. Cost of short-term investments acquired		366,009
3. Accrual of discount		61
4. Unrealized valuation increase (decrease)		0
5. Total gain (loss) on disposals		(139)
6. Deduct consideration received on disposals		774,627
7. Deduct amortization of premium		896
8. Total foreign exchange change in book/adjusted carrying value		0
9. Deduct current year's other-than-temporary impairment recognized		0
10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)	0	0
11. Deduct total nonadmitted amounts		0
12. Statement value at end of current period (Line 10 minus Line 11)	0	0

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B - Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E - Part 2 - Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE

Schedule BA - Part 3

NONE

Schedule D - Part 3

NONE

Schedule D - Part 4

NONE

Schedule DB - Part A - Section 1

NONE

Schedule DB - Part B - Section 1

NONE

Schedule DB - Part D - Section 1

NONE

Schedule DB - Part D - Section 2

NONE

Schedule DL - Part 1

NONE

Schedule DL - Part 2

NONE

E03, E04, E05, E06, E07, E08, E09, E10, E11

STATEMENT AS OF MARCH 31, 2018 OF THE Sawgrass Mutual Insurance Company

SCHEDULE E - PART 1 - CASH

1		Month End Depository Balances				Book Balance at End of Each Month During Current Quarter			9
		2	3	4	5	6	7	8	
Depository	Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	First Month	Second Month	Third Month	*	
Open Depositories									
Deposits - State of Florida	Tallahassee, FL	5%	0.001	76	0	300,000	300,000	300,000	XXX
The Northern Trust Company	Fort Lauderdale, FL		0.003		0	1,276,196	36,690	20,083	XXX
Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions - Open Depositories)									
0199999	XXX	XXX							XXX
0199999	XXX	XXX	76	0	1,576,196	336,690	320,083	XXX	
0199999 Total Open Depositories									
0199999 Total Cash on Hand									
0199999 Total Cash in Company's Office									
0299999 Total									

STATEMENT AS OF MARCH 31, 2010 OF THE Sawgrass Mutual Insurance Company
SCHEDULE E - PART 2 - CASH EQUIVALENTS

1 CUSIP	2 Description	3 Show Investments Owned End of Current Quarter				7 Book/Adjusted Carrying Value	8 Amount of Interest Due & Accrued	9 Amount Received During Year
		4 Code	5 Date Acquired	6 Rate of Interest	8 Maturity Date			
NONE								
Balance Total Cash Equivalents						0	0	0

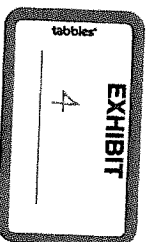
11 13

**Sawgrass Mutual Insurance Company
Revenue for 2017 Placement**

Risk Ref	Program	100% Deposit		Deposit Premium		NA Brokerage	
		Premium	Placement	Due			
USN170000925	Cat 1st XOL	1,140,000.00	100.00%	1,140,000.00	114,000.00	6/1, 9/30	
USN170000927	Cat 2nd XOL	4,200,000.00	100.00%	4,200,000.00	420,000.00	6/1, 9/30	
USN170000930	Cat 3rd XOL	1,750,000.00	100.00%	1,750,000.00	175,000.00	6/1, 9/30	
USN170000935	Top or Drop	1,050,000.00	36.25%	380,625.00	38,062.50	6/1, 9/30	
USN170000936	Top or Drop Prvt Placement	1,350,000.00	63.75%	860,625.00	86,062.50	6/1 - 75%, 9/30-25%	
USN170000937	RPP 1st XOL	476,520.00	100.00%	476,520.00	47,652.00	6/1, 9/30	
USN170000940	RPP 2nd XOL	970,200.00	100.00%	970,200.00	97,020.00	6/1, 9/30	
USN170000941	RPP 3rd XOL	134,750.00	100.00%	134,750.00	13,475.00	6/1, 9/30	
				9,912,720.00	991,272.00		

Broken down by installment

			6/1 Installment	NA Brokerage
USN170000925	Cat 1st XOL	1,140,000.00	570,000.00	57,000.00
USN170000927	Cat 2nd XOL	4,200,000.00	2,100,000.00	210,000.00
USN170000930	Cat 3rd XOL	1,750,000.00	875,000.00	87,500.00
USN170000935	Top or Drop	1,050,000.00	190,312.50	19,031.25
USN170000936	Top or Drop Prvt Placement	1,350,000.00	645,468.75	64,546.88
USN170000937	RPP 1st XOL	476,520.00	238,260.00	23,826.00
USN170000940	RPP 2nd XOL	970,200.00	485,100.00	48,510.00
USN170000941	RPP 3rd XOL	134,750.00	67,375.00	6,737.50
			5,171,516.25	517,151.63



USN170000925
 USN170000927
 USN170000930
 USN170000935
 USN170000936
 USN170000937
 USN170000940
 USN170000941

Cat 1st XOL
 Cat 2nd XOL
 Cat 3rd XOL
 Top or Drop
 Top or Drop Prvt Placement
 RPP 1st XOL
 RPP 2nd XOL
 RPP 3rd XOL

1,140,000.00
 4,200,000.00
 1,750,000.00
 1,050,000.00
 1,350,000.00
 476,520.00
 970,200.00
 134,750.00

100.00%
 100.00%
 100.00%
 36.25%
 63.75%
 100.00%
 100.00%
 100.00%

9/30 Installment		NA Brokerage
570,000.00	57,000.00	
2,100,000.00	210,000.00	
875,000.00	87,500.00	
190,312.50	19,031.25	
215,156.25	21,515.63	
238,260.00	23,826.00	
485,100.00	48,510.00	
67,375.00	6,737.50	
4,741,203.75	474,120.38	

London Placement	London Brokerage	Total
45.50%	25,935.00	139,935.00
46.00%	96,600.00	516,600.00
58.50%	51,187.50	226,187.50
16.25%	8,531.25	46,593.75
		86,062.50
2.50%	595.65	48,247.65
2.50%	1,212.75	98,232.75
5.00%	336.88	13,811.88
	184,399.03	1,175,671.03

London Placement	London Brokerage	Total
45.50%	12,967.50	69,967.50
46.00%	48,300.00	258,300.00
58.50%	25,593.75	113,093.75
16.25%	4,265.63	23,296.88
		64,546.88
2.50%	297.83	24,123.83
2.50%	606.38	49,116.38
5.00%	168.44	6,905.94
	92,199.51	609,351.14

Placement	London Brokerage	London Total
45.50%	12,967.50	69,967.50
46.00%	48,300.00	258,300.00
58.50%	25,593.75	113,093.75
16.25%	4,265.63	23,296.88
2.50%	297.83	21,515.63
2.50%	606.38	24,123.83
5.00%	168.44	49,116.38
		6,905.94
	92,199.51	566,319.89



Brian O'Neill
Executive Vice President
2701 N. Rocky Point Dr.
Tampa, FL 33607

T 813 327 8295
M 347 603 4083
brian.oneill@jltre.com

July 19, 2018

Susanne Murphy
Deputy Commissioner
Property and Casualty
Florida Office of Insurance Regulation
200 E Gaines St.
Tallahassee, FL 32399

Susanne,

In follow up to our conversation yesterday, please find below the details of the Sawgrass brokerage transaction.

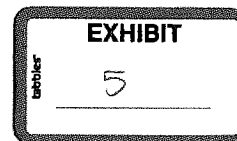
Consistent with industry custom and practice, the law recognizes generally that reinsurance brokerage is fully earned at the inception of the reinsurance contract placed by the reinsurance intermediary broker. Although the reinsurance intermediary broker's legal right to brokerage in full is established at the inception of the reinsurance contract, as a practical matter, reinsurance brokers such as JLT Re collect brokerage due via deduction from the reinsurance premium payment schedule as established by the reinsurance contract that was placed, as installments for the convenience of the ceding company.

Exhibit 1 (see attached) to JLT Re's standard broker services agreement provided to all of JLT Re's reinsurance intermediary clients clearly and explicitly states these policies and terms of business under which JLT Re (and reinsurance intermediary brokers generally) performs its services. "Commissions and fees for bringing about or arranging (re)insurance are considered fully earned when the (re)insurance incepts, irrespective of when the premium for the (re)insurance is payable to the (re)insurer(s) and are not refundable in the event of cancellation or early termination of either the (re)insurance(s) or our appointment as (re)insurance intermediary."

Please let me know if you have any questions.

Best regards,

Brian O'Neill - Executive Vice President



JLT Re (North America)
2701 North Rocky Point Drive
Tampa, FL 33607



**EXHIBIT I
BROKERAGE BUSINESS OF JLT RE
COMPENSATION AND DISCLOSURE**

The principal sources of revenue for the Reinsurance Business of JLT Re (North America) Inc. ("JLT Re") are derived from:

- Reinsurance Brokerage - payment allowed or paid by reinsurers for reinsurance placement services JLT Re provides as a reinsurance intermediary to (re)insurance company clients (cedents); and
- Insurance Brokerage - payment by insurers are specifically negotiated with the insurer or reinsurer providing the insurance or reinsurance.
- Occasionally, a fee payable by the insured or cedent is negotiated and paid. The combination of a fee paid by the insured/cedent and brokerage paid by the insurer/reinsurer is acceptable only if disclosed to all parties and substantiated by signed documentation between all parties involved in the specific transaction.

Commissions and fees for bringing about or arranging (re)insurance are considered fully earned when the (re)insurance incepts, irrespective of when the premium for the (re)insurance is payable to the (re)insurer(s) and are not refundable in the event of cancellation or early termination of either the (re)insurance(s) or our appointment as (re)insurance intermediary.

Brokerage – Treaty Reinsurance

JLT Re's longstanding practice is to negotiate with reinsurers and accept commission rates of reinsurance brokerage that are consistent with long-standing industry practice (with occasional acceptance of other rates) and generally to support consistency of those rates within a specific reinsurance placement. Guidelines for rates of reinsurance brokerage that apply to the majority of business are set forth below.

- Brokerage on pro rata reinsurance placements is usually between 1.0% and 2.50% of gross ceded premium. Few placements involve brokerage greater than 2.50%.
- Brokerage on excess of loss reinsurance placements is usually between 5.0% and 10.0% of ceded premium.

When excess of loss reinsurance placements are made into the London market, an additional 5.0% brokerage is often charged and retained by the London correspondent broker, particularly for catastrophe business. JLT Re Limited or JLT Reinsurance Brokers Limited, are often used on these placements.

In some placements (mainly U.S. and Bermuda) when an additional premium applies to reinstate limits exhausted by paid reinsurance claims, JLT Re charges reinsurance brokerage of up to 5.0% on those reinstatement premiums.

- On some specific placements, a stated margin is paid to the reinsurer. In those cases, brokerage is usually in the vicinity of 20.0% of the reinsurer's margin.



- Should JLT Re earn more or less than the above rates on a particular placement, we will report it to our client.
- Should a client request specific information on our compensation on a particular placement, we will provide it.

Brokerage - Facultative Reinsurance

Unlike treaty reinsurance placements, due to the nature of facultative placements and the limited lead-time clients typically have to make the purchase decision, brokerage rates for a given facultative transaction may not be determined until after the placement is complete. The rates of brokerage that apply for the majority of facultative business are:

- In all geographic regions of the world, and for all lines of business except United States Casualty Facultative business, the standard rate that JLT Re will earn is 15.0% of ceded reinsurance premium.
- For United States Casualty Facultative business, the standard rate JLT Re will earn is 10.0% of ceded reinsurance premium.
- Should JLT Re earn more or less than the above rates on a particular placement, we will report it to clients.
- On some facultative placements, a local or wholesale broker may be used to access a particular market. An additional 5.0% to 10.0% brokerage rate ordinarily applies and is earned and paid to the local or wholesale broker on such transactions. A JLT Re affiliated broker may be used on these placements. Should a particular placement entitle JLT Re, as a whole, to earn more than 20.0% in total compensation, JLT Re will disclose this to the client.
- In every instance, should a client request specific information on our compensation on a particular placement, JLT Re will provide it.

Brokerage – Insurance

- Brokerage rates for insurance generally are established by the insurer and run between 5.0% and 20.0% of premium depending on line of business and size of account.
- Should JLT Re earn more or less than the above rates on a particular placement, we will report it to clients.
- Should a particular placement entitle JLT Re, as a whole, to earn more than 20.0% percent of premium in total compensation, JLT Re will disclose this to the client.
- In every instance, should a client request specific information on our compensation on a particular placement, JLT Re will provide it.



Service Fees

JLT Re also provides other insurance and reinsurance related services for which, on occasion, it receives fee income. Instances where these service fees are charged are relatively small in number and any fees paid may be in addition to the brokerage earned for traditional reinsurance intermediary services. Revenue from these activities represents a small portion of JLT Re's (re)insurance total income and JLT Re provides details of the fees and related services to clients.

Contingent Commissions

JLT Re does not accept or enter into contingent commission agreements based on the volume of business placed, profitability of business placed or for any other reason.

Regulatory Required Actions

In certain jurisdictions and countries, legal and/or regulatory requirements may stipulate additional documentation or disclosure, such as:

- A client's written acceptance of brokerage rates;
- A client's agreement to the use of a wholesale broker;
- Disclosure of all quotes;
- An annual broker compensation report;
- Disclosure of reinsurance markets with which we have contractual arrangements; and
- Disclosure of the ownership position of JLT Re in any insurer or reinsurer.

JLT Re will provide this additional information as required, or as requested by our client.

Client Disclosure

- When a client appoints JLT Re as broker of record, we will disclose to our client the estimated brokerage percentage rate or service fee we anticipate receiving for the services to be provided on the client's behalf on that program.
- JLT Re strives for and generally achieves consistency in rates of brokerage to be earned by JLT Re within a layer of reinsurance and will disclose any variation in reinsurance commission rates to all parties participating within that layer.

Interest Income

In accordance with common practice and general custom and usage within the reinsurance business, JLT Re's Broker Services Agreements authorize JLT Re to retain income earned on fiduciary funds passing through our accounts.

AFFIDAVIT OF BRIAN O'NEILL

STATE OF FLORIDA
COUNTY OF HILLSBOROUGH

BEFORE ME, this day personally appeared Brian O'Neill, who being duly sworn deposes and says that the following information is true and correct, and within his personal knowledge:

1. I, Brian O'Neill, am over the age of 18, sui juris, and I am competent to testify to and have personal knowledge of the facts contained herein.

2. Beginning November 6, 2013 and continuing through present, I have been employed by JLT Re (North America) Inc. (herein after referred to as "JLT Re") as Executive Vice President, National Catastrophe Practice.

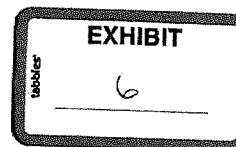
3. JLT Re is the fourth largest reinsurance broker in the world. It is a global provider of reinsurance brokering and consultancy.

4. On April 28, 2016, Sawgrass Mutual Insurance Company (hereinafter referred to as "Sawgrass") and JLT Re entered into a contract for reinsurance intermediary services for JLT Re to act as Sawgrass's reinsurance broker of record ("Contract"). A true and correct copy of the Contract is attached to this affidavit as Exhibit A.

5. Under Exhibit I, Brokerage Business of JLT Re, Compensation and Disclosure, of the Contract it states:

Commissions and fees for bringing about or arranging (re)insurance are considered fully earned when the (re)insurance incepts, irrespective of when the premium for the (re)insurance is payable to the (re)insurer(s) and are not refundable in the event of cancellation or early termination of either the (re)insurance(s) or our appointment as (re)insurance intermediary.


6. On June 1, 2017, Sawgrass entered into a Property Catastrophe Excess of Loss Reinsurance Contract placed by JLT Re as reinsurance intermediary broker of record with an



effective date of June 1, 2017, wherein Sawgrass agreed to pay a deposit reinsurance premium via JLT Re as reinsurance intermediary broker of record in two installments: \$5,171,516.25, due on June 1, 2017; and \$4,741,203.75, due on September 30, 2017.

7. Sawgrass remitted \$5,171,516.25 on or about June 1, 2017.
8. Sawgrass did not remit \$4,741,203.75, by September 30, 2017.
9. Sawgrass and the reinsurers mutually agreed to terminate the Property Catastrophe Excess of Loss Reinsurance Contract with an effective date of September 1, 2017.
10. Under the terms of the Contract, the Commission owed to JLT Re in connection with the September 30, 2017 reinsurance premium installment is \$566,319.89. As of the date of this Affidavit, this amount is due and owing.
11. On or about July 26, 2018, a representative of Sawgrass contacted JLT Re and inquired whether JLT Re would consider accepting an amount less than the full amount of the Commission due and owing JLT Re; in response thereto JLT Re indicated it would accept \$300,000.00 as full payment of the Commission.

FURTHER AFFIANT SAYETH NAUGHT.



Brian O'Neill

STATE OF NEW YORK
COUNTY OF New York

Sworn to and subscribed before me this 2nd day of August, 2018.

he/she is personally known to me, OR
 has produced Florida Drivers License 0540-072-70-309-0 as identification.



NOARY PUBLIC

(NOTARY STAMP)

Printed Name: Andrew C. Pelzer

ANDREW CHARLES PELZER
Notary Public, State of New York
Reg. No. 02PE6339850
Qualified in Westchester County
Commission Expires 04/04/2020



April 28, 2016

Daniel O'Neal, President & CEO
Sawgrass Mutual Insurance Company
PO Box 550310
Davie, FL 33355-0310

RE: RETENTION OF JLT RE FOR REINSURANCE INTERMEDIARY SERVICES

Dear Dan:

We are very pleased that Sawgrass Mutual Insurance Company and its affiliates and subsidiaries (hereinafter referred to as "Sawgrass Mutual", "**you**" or "**Client**") continues its relationship with JLT Re (North America) Inc. (hereinafter referred to as "**JLT Re**" "**we**" or "**us**") as its reinsurance broker as of April 28, 2016 (the "Effective Date") to secure ceded reinsurance coverage as more expressly set forth in writing by you to us from time to time (the "Reinsurance"). The purpose of this Agreement (hereinafter referred to as the "**Agreement**") is to confirm our appointment as your reinsurance broker of record, outline the responsibilities we will undertake in servicing your account, to confirm the compensation arrangements, and to address areas of confidentiality and intellectual property.

Your signature at the end of this Agreement formally confirms your authorization to us (a) to solicit, negotiate and procure the requested Reinsurance on your behalf, subject at all times to your approval; (b) to prepare the drafts of the related reinsurance contracts and upon review and approval by you, obtain execution by all parties; (c) to transmit related reinsurance premiums; (d) to transmit related claims and claims payments; and (e) to take other steps as more specifically set forth in each reinsurance agreement or cover note provided by us for your review and signed or countersigned by you. It is expressly understood however that:

- We shall have no authority to accept, bind, or manage reinsurance on your behalf;
- We will comply with any written standards established by you and agreed to for the cession or retrocession of all risks ceded under the Reinsurance.

Reinsurance Brokerage and Analytical Services

As an integral part of the basic services of soliciting, negotiating and procuring the Reinsurance, we will perform for you the following placing services ("Reinsurance Brokerage and Analytical Services") as requested on a program by program basis which include, all subject to the Projections and Modeling provision below:

- Analyzing your ceded reinsurance program and making recommendations from time to time as to the structure and purchase of ceded reinsurance;
- Providing actuarial, catastrophe modeling, and financial modeling support as appropriate to the reinsurance placement to assist your risk management decision making;
- Soliciting, negotiating and procuring the Reinsurance requested;



- Reinsurance invoicing and account rendering;
- Preparing and obtaining execution of contract documentation of the Reinsurance;
- Claims processing and settlement services required to obtain collection of the recoverables that may arise from the Reinsurance, including catastrophe loss recovery procedures;
- Preparing for your review and advancing on your behalf Federal Excise Tax Returns and remittances;
- Evaluating the financial stability of (re)insurance markets derived from public data and rating agency releases and providing you guidance and analysis about the markets on your reinsurance program, including information, upon reasonable inquiry into the financial condition of all reinsurers including those not authorized, accredited, or trustee in the appropriate state or jurisdiction;
- Providing guidance with respect to credit for reinsurance issues applicable to the Reinsurance and to NAIC and other reinsurance related regulatory requirements; and
- Providing assistance with respect to the issue of transfer of risk and related accounting applications.

Reinsurance Invoicing and Account Rendering Services

In addition, with respect to invoicing and rendering of accounts that are part of our Reinsurance Brokerage and Analytical Services, we will also:

- Render accounts to you that accurately detail all transactions material to the Reinsurance including all information necessary to support all monies received and due us;
- Remit all monies due to you promptly but no later than thirty (30) days of receipt unless otherwise requested by you;
- Deposit all monies collected by us in connection with the Reinsurance for your account where those monies will be held in a fiduciary capacity by us in a bank that is a "qualified United States financial institution" as defined in applicable law or as otherwise acceptable to applicable regulatory authority(ies);
- Hold all premiums and contributions received from more than one insurer in a fiduciary account and maintain records to identify the ownership interest of each insurer of those funds held in a fiduciary capacity; and
- Furnish upon request copies of the records relating to deposits and withdrawals on behalf of or for you.

Record Keeping - Access to Records

We will maintain records applicable to each transaction we perform pertaining to the Reinsurance. Those records shall be maintained for at least ten (10) years after expiration of each reinsurance contract where we acted for you or as may be required by applicable law and shall include the:



- Type of contracts, limits, underwriting restrictions, classes of risks and territory;
- Period of coverage, including effective and expiration dates, termination provisions and notice required to terminate;
- Requirements for reporting and settling balances;
- Rate (or other method) used to compute the reinsurance premium;
- Names and addresses of assuming reinsurers;
- Rates of all reinsurance commission, including the commissions on any (specific) retrocessions handled by us which relate to the original reinsurance transaction;
- Related correspondence and memoranda;
- Proof of placement;
- Details regarding any retrocessions handled by us which relate to the original reinsurance transaction, including the identity of (specific) retrocessionaires and percentage of each contract assumed or ceded;
- Financial records, including but not limited to, premium and loss accounts; and
- Written evidence that each assuming reinsurer has agreed to assume the risk or, if placed through a representative of the assuming reinsurer, written evidence that the reinsurer has delegated binding authority to that representative.

Upon request from you, we will provide you access to and the right to copy all accounts and records related to the Reinsurance that are maintained by us in a form usable by you. In addition, we will use reasonable efforts to notify you at least sixty (60) days prior to our destruction of any Reinsurance record and you will have the right to access and copy any such records, in a form usable by you.

Disclosures

We will:

- Disclose to you any ownership relationship we have with a reinsurer to which business will be ceded or retroceded under the Reinsurance;
- Provide to you annually an audited financial statement of our financial condition, prepared by a certified public accountant, upon request; and
- In most cases, use the facilities of JLT Re Limited or JLT Reinsurance Brokers Limited (Lloyd's brokers), to make placements with the London market on your behalf, unless otherwise agreed and directed by you to use another Lloyd's broker.



Selection And Solvency Of (Re)Insurers

Our recommendation of (re)insurer(s) is generally based on our knowledge and experience of the relevant market sector, its products, and/or our preference to deal with a limited number of (re)insurer(s) in each market sector with whom we can develop trading relationships to the advantage of our clients, and the financial standing of the (re)insurer(s). You should note that a different legal and regulatory regime may apply to (re)insurer(s) domiciled outside of the United States and as such, your ability to enforce your legal rights or seek compensation may vary. Using publicly available information, we use reasonable endeavors to monitor the financial standing of (re)insurer(s) and to use only (re)insurer(s) who have a satisfactory financial status. The financial standing or responsibility of any (re)insurer(s) can, of course, change after the reinsurance has incepted. We accept no responsibility for the financial performance of any (re)insurer(s) and will not be responsible in any circumstances in the event that any (re)insurer is unable, for whatever reason, to meet its obligations to you. The final decision on the suitability of a (re)insurer will rest with you. If you have any concerns about the (re)insurer(s) participating in your Reinsurance, please contact us immediately.

Remittance of Funds to Us

You agree to remit funds to us in a timely manner for payment of balances due to reinsurers participating on the Reinsurance in accordance with the terms of the applicable contract(s). Should, however, you remit funds to us on a "net account" basis, we may at our discretion contribute our own corporate funds in addition to the amount of funds remitted by you, for payment of any of your obligations to reinsurers to the extent necessary to pay in full the balances due reinsurers subject to your net account remittance. If we elect to contribute our own corporate funds for payment of your obligations to reinsurers as described above, you will promptly reimburse us for the amount of those contribution(s). Should we be reimbursed by another party for those contribution(s), you will be relieved of this reimbursement obligation. For the purposes of this paragraph, remittance by you of funds to us on a "net account" basis shall refer to remittance of funds by you to us in an amount calculated by netting amounts due or owing between you and more than one reinsurer when such reinsurers participate on different contracts or different years of the same contract.

Our Compensation

You understand and agree that our compensation for providing reinsurance intermediary services to you is based upon commission that we individually negotiate with and obtain from reinsurers on the premiums you pay to reinsurers and that this compensation is usually drawn by us from the reinsurance premium we send to reinsurers on your behalf. Interest on all monies held in the fiduciary account shall be credited to us. You expressly agree to us obtaining our compensation in this manner. A more detailed disclosure of our compensation applicable to reinsurance intermediary services is attached to this Agreement as Exhibit I.

Limited Warranties

As to this Agreement, neither party makes any warranty to the other, except that each warrants to the other that: (a) the warranting party is duly authorized to execute this Agreement, is duly licensed and maintains valid and in-force licenses or certificates of authority to perform the duties, responsibilities and obligations that are the subject of this Agreement and will notify the other party of any lapse, surrender, suspension or revocation of such licenses or certificates of



authority; and (b) this Agreement constitutes a valid and binding agreement upon the warranting party enforceable in accordance with its terms.

Taxes, Duties & Other Charges

In the event any tax, duty, withholding, report or other charge is required or payable in addition to the premium and which needs to be remitted to the appropriate authority by the (re)insurer(s), or which is allowed by the (re)insurer(s) to be deducted from the premium payable, it will be indicated on the premium invoice. If a tax, duty or other charge is allowed to be deducted by you from the premium or is not paid by (re)insurer(s), it will become your responsibility to ensure that it is remitted to the appropriate authority. As a reinsurance intermediary, we cannot advise on the validity of any tax payment or obligation.

Client Information

So that we can perform Reinsurance Brokerage and Analytical Services in a timely manner, you will need to provide us with instructions, materials, information and access to your personnel as we reasonably request it. If the information is inaccurate or incomplete or incorrectly formatted, or contains unnecessary, individually identifiable personal information ("Personal Data") and we need to expend additional time in performing our services or redacting unnecessary Personal Data, we will treat this additional effort as beyond the agreed services and will advise you of any additional charges. Please note that we do not take responsibility for verifying the accuracy or completeness of information supplied to us by you or your representatives or for detecting any fraud. It is in the interests of all parties that you limit the Personal Data that you provide to that which is reasonably necessary to enable us to perform the services properly. If necessary, you will set out the types of Personal Data that everyone agrees is needed and, at your request, we will coordinate with you the means of transmitting Personal Data between us.

Data Protection

All parties shall comply with the provisions and obligations imposed by applicable data privacy legislation. In circumstances where you pass Personal Data to JLT Re in relation to this Agreement, we will be acting as the data processor and you will be acting as the data controller or primary custodian. As primary custodian, you confirm that you have obtained all necessary consents, to the extent required by applicable law, for lawful processing, prior to passing the Personal Data to us. We shall use reasonable efforts to assist you to comply with your obligation, as data controller or primary custodian, to respond to requests for access to records made by individuals to whom the Personal Data relates, subject to the payment by you of our reasonable professional charges for the time engaged by our staff in so doing.

We are global businesses and in performing the services we may each pass Personal Data within our global network of offices and affiliates and to providers of IT outsourcing who will be subject to appropriate data protection standards. Irrespective of where either JLT Re receives or holds Personal Data on your behalf, we confirm that, acting as data processor we will take appropriate technical, physical and organizational/administrative measures to protect that Personal Data against accidental or unlawful destruction or accidental loss or unauthorized alteration, disclosure or access. We will only use that Personal Data for the purposes of providing services to you or for other reasonable purposes which are related to the services we provide, unless you instruct us otherwise. Both of us shall comply with the provisions and obligations imposed respectively upon each of us by applicable data privacy legislation and regulations.



Client Data and Our Work Product

In order that we can perform the services related to the Reinsurance in a timely manner, you agree to provide to us all data and information (“Data”) relative to the applicable risks for the Reinsurance in order that we (i) can prepare descriptions for you about your firm and your firm’s business; (ii) generally provide qualified guidance and assistance to you, and (iii) prepare and, upon your approval, distribute submissions to the reinsurance markets (“Work Product”) on your behalf. Upon request, we will be pleased to assist you from time to time with compiling, summarizing and interpreting this Data.

The result of your providing us with Data to allow us to understand your results and to combine that Data with our proprietary presentation modes for submissions to reinsurance markets means that we and you have combined your data with our Work Product into a single set of presentation reports and media (“Reports”) in which we and you each have an interest. You will retain ownership of any information specific to your business operations contained in our Work Product. We will retain all intellectual property rights (including patents, trade secrets and copyrights) in our Work Product, including derivative works of it. Thus, the Data provided by you for those Reports remains your property, and the mathematical and actuarial work we may perform with your Data and the overall report format and presentation of the Reports, together with information in the report is to be considered our information except to the extent that it is your Data as described above. You will own the copies of the Work Product delivered to you and have the right to use, reproduce and adapt it for internal purposes within your organization. Except for internal usage use by you, with rating agencies and the submission of the Reports to the reinsurance markets, our comments, observations and property shall not be referred or distributed to any other party, other than to your ultimate parent organization (if any), without our prior written consent.

You will not refer to us nor include any of our work product in any proxy statement or other policyholder or shareholder communication or in any registration statement or offering material (or in any fairness opinion prepared by your professional advisors) prepared in connection with the public offering or private placement of any security.

One of the benefits of doing business with us is our ability to provide you advice that is based on aggregate industry Data we receive from our clients. In order for us to provide this perspective, we must have our client’s consent. This provision in this Agreement sets forth our request and your consent to us to use your Data in this aggregated or collected mode. We sincerely appreciate your granting us permission to store and use Data you have provided to us for industry analyses and other purposes (including, without limitation, incorporating it into one or more databases we use to service multiple clients) so long as any such Data disclosed to third parties is on an aggregated basis only and does not specifically identify you as the source of the Data or contain any Personal Data. We thus shall have the right to aggregate and consolidate your Data with the data of others for the purposes of providing reports of aggregate data to you and others by way of publication in any media; any such aggregated or consolidated data shall be our property.

Software Use

From time to time we will send to you or on your behalf spreadsheets, databases or other third party proprietary software generally available in the marketplace (together with its documentation, the “Software”), and warrant that we have the right and/or license to do so. We



will incorporate various data and formulas that we have prepared while performing services for you into the Software (the "Enhanced Software"). You shall use the Enhanced Software solely for your internal business purposes. You may make one (1) copy of the Enhanced Software for non-productive, testing and backup purposes. You may not use, copy or transfer the Enhanced Software, or any copy or portion of it, for any other purpose. You agree not to disclose or otherwise make the Enhanced Software available to your employees or any third party, except to those of your independent contractors and employees who need access to the Enhanced Software to enable you to use it as permitted in this Agreement, provided that all such persons shall have an obligation to maintain the confidentiality of the Enhanced Software. You may not sublicense, assign or transfer the Enhanced Software without our prior written consent. This license will terminate automatically if you transfer possession of any copy or portion of the Enhanced Software to a third party, or otherwise breach the terms contained in this Agreement. Upon termination, you agree to destroy the Enhanced Software, including all copies and portions of it in your possession or control, except you may maintain a copy to the extent required to meet your audit, legal or file retention requirements provided confidentiality of the Enhanced Software is maintained.

We will use professional diligence and skill in entering the data in the enhanced software, and we will review the data for accuracy consistent with the most recent reports transmitted by you and received by us from you and your reinsurers. Since we are not the developers of the software, any software we transmit to you for use under this agreement has not been developed through the centralized research and development process we employ for core client products. We provide the software to you on an "as is" basis, without any warranty of any kind, either express or implied. We specifically disclaim any implied warranties of merchantability and fitness for a particular purpose and any warranties arising from course of dealing or trade usage. Also, we cannot accept responsibility for any direct, indirect, special, incidental or consequential damages arising from the software, whether such damages arise under contract or negligence theories.

Confidential Treatment of Information

Subject to the other terms of this Agreement, we and you will keep all information provided by the other in connection with this Agreement as confidential ("Confidential Information") and that Confidential Information shall be used by the receiving party in connection with (a) analysis of and discussions concerning the possible purchase of the Reinsurance; (b) the solicitation, negotiation, purchase, and administration of the Reinsurance with reinsurance markets; or (c) as otherwise directed or permitted in writing by the disclosing party. Except as otherwise provided for in this Agreement, the receiving party must not use Confidential Information at any time, in any fashion, form or manner, for any other purpose. Further, the receiving party shall not provide access or disclose the Confidential Information of the disclosing party to any person or entity other than officers, directors, employees, and auditors of the receiving party and those of its affiliated companies who may be engaged in the analysis of, discussions, and efforts concerning the Reinsurance who have a need to know and who are obligated to maintain the confidentiality of the Confidential Information ("Disclosees"). The receiving party will be responsible for advising its Disclosees of the confidential nature of the Confidential Information and for ensuring compliance by the receiving party's disclosees with the obligations of the receiving party under this Agreement. The receiving party may also disclose the Confidential Information to potential reinsurers or retrocessionaires in seeking to place reinsurance for you with the disclosing party's prior written consent.



Either you or us as the receiving party will take reasonable precautions to protect the Confidential Information consistent with those used to protect proprietary and confidential information and materials of like kind, but in no event less than those taken by the party to protect its own confidential information. The receiving party must also take reasonable steps to avoid inadvertent disclosure of materials that are Confidential Information in the receiving party's possession.

In the event that any person seeks to compel or otherwise require disclosure of any Confidential Information from you or us or any of the affiliated companies within the same organization or from any directors, officers, employees, agents, representatives or advisors through legal or regulatory process, then the receiving party that is compelled or required to disclose any Confidential Information shall to the extent permitted by law promptly notify and deliver to the disclosing party such request and shall cooperate with the disclosing party in raising objections to the extent permitted by law, and in the disclosing party's efforts to seek an appropriate protective order for such Confidential Information, all such actions of the receiving party at the cost and expense of the disclosing party.

The obligation of confidentiality shall not apply to information:

- Known to receiving party prior to disclosure by the disclosing party;
- That is independently developed by the receiving party, without reference to the Confidential Information;
- That is in the public domain or becomes publicly available through no breach of this Agreement by the receiving party; or
- That is disclosed to receiving party in good faith by a third party who the receiving party believes is legally entitled to disclose the information.

Projections and Modeling

You understand that our Reinsurance Brokerage and Analytical Services involving the evaluation of (a) the financial strength of markets, (b) the desirability of keeping various retentions and (c) purchasing various types, kinds and levels of reinsurance are based upon the application of financial and actuarial skills, insights and projections by skilled and seasoned professionals to historical and current insurance premium and loss data collected, prepared and presented by others. This data has not been audited nor independently verified though it has been reviewed for reasonableness and consistency with our knowledge of that kind of information.

The future financial strength of any other party or future accuracy of the predicted results or strength cannot be guaranteed as those evaluations and predictions are premised upon the combination of the actual accuracy of the current data (and the consistency of actions underlying that data) and upon future development of that data which is predicated on the unpredictability of future social, economic, legislative and judicial trends and developments. You thus should be aware that our evaluations and predictions involve educated assessments of both known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results,



performance or achievements expressed or implied by our analysis. Accordingly, there can be no guaranty or assurance that our evaluation or indicated or predicted results will be realized.

If we perform any catastrophe modeling for you, you understand that potential losses arising from catastrophes are subject to considerable uncertainty. Catastrophe losses by definition are relatively infrequent and are subject to a great deal of variability in size, strength, location and timing. The infrequent, volatile and variable nature of these events coupled with the change in insured properties, lives, and/or workers causes historical catastrophe loss experience to be of limited value as a predictor of future experience. Accordingly, there can be no guaranty or assurance that our predictions as to catastrophes or evaluation, indicated or predicted, results will be realized.

Terminating Our Appointment

You of course may terminate our authority to obtain reinsurance for you in writing at any time upon written notice of termination stating when thereafter said termination shall take effect.

Termination of our appointment does not affect the rights, obligations or liabilities of either you or us in relation to the Reinsurance, which have accrued prior to the termination date, but following the termination we will owe you no further obligations to provide any services in relation to your Reinsurance. Upon termination of our appointment, all relevant files and claims files for the run-off will be transferred to the new reinsurance intermediary broker appointed by you according to your instructions. In the event you wish us to handle run-off claims on your behalf and we agree to do so, we reserve the right to charge a reasonable fee for these services. As our Fixed Fee for bringing about or arranging the Reinsurance is fully earned when the Reinsurance incepts, any unpaid portion of our Fixed Fee becomes immediately due and payable by you to us upon termination of our appointment.

Resolution of Disputes Between Us

In the event a dispute of any kind between us cannot be resolved, the matter will be submitted to binding arbitration in a city mutually selected by both of us (in default, then New York City) before a neutral, impartial, and disinterested three member panel of persons experienced in the reinsurance business. Each party shall have the right to select one of the arbitrators and the two arbitrators so selected will agree on the choice of the third arbitrator who shall be known as the umpire. The procedures of the arbitration shall be established by agreement of you and us and if you and we are unable to agree within thirty (30) days of the naming of the umpire, then by the arbitration panel. If requested by both you and us at or before the conclusion of the arbitration proceeding, the arbitrators shall provide a decision in writing stating the reasons and rationale for their decision. The decision of any arbitration panel shall be final and binding upon both you and us and judgment may be entered thereon in any court of competent jurisdiction. You and we hereby waive our respective rights to a trial by judge or jury of any claim or cause of action arising out of or in any way connected with this Agreement or the services performed thereunder. The foregoing arbitration process will be the sole and exclusive means for resolving any controversy or claim except for one involving the ownership or use of Software, work product or intellectual property; provided further that either party may seek an injunction or other equitable relief if such action is necessary to avoid irreparable damage or to preserve the status quo.



Governing Law

The validity and interpretation of the provisions of this Agreement will be governed by the laws of the State of Florida, without regard to any provisions governing conflict of laws, and both you and us agree that, subject to the provision entitled "Resolution of Disputes Between Us" the exclusive jurisdiction and the proper venue for any action brought hereunder will be in a Florida state court or a federal court sitting in Florida.

General

This Agreement sets forth the entire agreement between you and us concerning our relationship going forward after the Effective Date and shall supersede and replace any and all prior agreements between the parties. Any change or modification of this Agreement shall be null and void unless made by amendment to the Agreement and signed by the affected parties.

If any provision set forth in this Agreement is determined to be invalid or unenforceable under any law, the validity of the remainder of this Agreement shall not be affected and such provision shall be deemed modified to the minimum extent necessary to make it consistent with applicable law. The modified provision shall be enforceable and enforced, provided it does not impose on you or us any obligations or benefits that are materially greater than those provided under the original provision.

Once again, we are very pleased to have the opportunity to work with you and we look forward to the growth of our relationship with you. We trust this Agreement accurately reflects the terms and conditions governing our delivery of services and meets with your approval. To that end, kindly indicate your acceptance of this Agreement by signing the enclosed copy and returning it to my attention.

Very truly yours,

JLT RE (NORTH AMERICA) INC.

By: _____

Print Name:

Print Title:

Date: _____

Accepted and agreed:

SAWGRASS MUTUAL INSURANCE COMPANY

By: _____

Print Name:

Print Title:

Date: _____



**EXHIBIT I
BROKERAGE BUSINESS OF JLT RE
COMPENSATION AND DISCLOSURE**

The principal sources of revenue for the Reinsurance Business of JLT Re (North America) Inc. ("JLT Re") are derived from:

- Reinsurance Brokerage - payment allowed or paid by reinsurers for reinsurance placement services JLT Re provides as a reinsurance intermediary to (re)insurance company clients (cedents); and
- Insurance Brokerage - payment by insurers are specifically negotiated with the insurer or reinsurer providing the insurance or reinsurance.
- Occasionally, a fee payable by the insured or cedent is negotiated and paid. The combination of a fee paid by the insured/cedent and brokerage paid by the insurer/reinsurer is acceptable only if disclosed to all parties and substantiated by signed documentation between all parties involved in the specific transaction.

Commissions and fees for bringing about or arranging (re)insurance are considered fully earned when the (re)insurance incepts, irrespective of when the premium for the (re)insurance is payable to the (re)insurer(s) and are not refundable in the event of cancellation or early termination of either the (re)insurance(s) or our appointment as (re)insurance intermediary.

Brokerage – Treaty Reinsurance

JLT Re's longstanding practice is to negotiate with reinsurers and accept commission rates of reinsurance brokerage that are consistent with long-standing industry practice (with occasional acceptance of other rates) and generally to support consistency of those rates within a specific reinsurance placement. Guidelines for rates of reinsurance brokerage that apply to the majority of business are set forth below.

- Brokerage on pro rata reinsurance placements is usually between 1.0% and 2.50% of gross ceded premium. Few placements involve brokerage greater than 2.50%.
- Brokerage on excess of loss reinsurance placements is usually between 5.0% and 10.0% of ceded premium.

When excess of loss reinsurance placements are made into the London market, an additional 5.0% brokerage is often charged and retained by the London correspondent broker, particularly for catastrophe business. JLT Re Limited or JLT Reinsurance Brokers Limited, are often used on these placements.

In some placements (mainly U.S. and Bermuda) when an additional premium applies to reinstate limits exhausted by paid reinsurance claims, JLT Re charges reinsurance brokerage of up to 5.0% on those reinstatement premiums.

- On some specific placements, a stated margin is paid to the reinsurer. In those cases, brokerage is usually in the vicinity of 20.0% of the reinsurer's margin.



- Should JLT Re earn more or less than the above rates on a particular placement, we will report it to our client.
- Should a client request specific information on our compensation on a particular placement, we will provide it.

Brokerage - Facultative Reinsurance

Unlike treaty reinsurance placements, due to the nature of facultative placements and the limited lead-time clients typically have to make the purchase decision, brokerage rates for a given facultative transaction may not be determined until after the placement is complete. The rates of brokerage that apply for the majority of facultative business are:

- In all geographic regions of the world, and for all lines of business except United States Casualty Facultative business, the standard rate that JLT Re will earn is 15.0% of ceded reinsurance premium.
- For United States Casualty Facultative business, the standard rate JLT Re will earn is 10.0% of ceded reinsurance premium.
- Should JLT Re earn more or less than the above rates on a particular placement, we will report it to clients.
- On some facultative placements, a local or wholesale broker may be used to access a particular market. An additional 5.0% to 10.0% brokerage rate ordinarily applies and is earned and paid to the local or wholesale broker on such transactions. A JLT Re affiliated broker may be used on these placements. Should a particular placement entitle JLT Re, as a whole, to earn more than 20.0% in total compensation, JLT Re will disclose this to the client.
- In every instance, should a client request specific information on our compensation on a particular placement, JLT Re will provide it.

Brokerage – Insurance

- Brokerage rates for insurance generally are established by the insurer and run between 5.0% and 20.0% of premium depending on line of business and size of account.
- Should JLT Re earn more or less than the above rates on a particular placement, we will report it to clients.
- Should a particular placement entitle JLT Re, as a whole, to earn more than 20.0% percent of premium in total compensation, JLT Re will disclose this to the client.
- In every instance, should a client request specific information on our compensation on a particular placement, JLT Re will provide it.



Service Fees

JLT Re also provides other insurance and reinsurance related services for which, on occasion, it receives fee income. Instances where these service fees are charged are relatively small in number and any fees paid may be in addition to the brokerage earned for traditional reinsurance intermediary services. Revenue from these activities represents a small portion of JLT Re's (re)insurance total income and JLT Re provides details of the fees and related services to clients.

Contingent Commissions

JLT Re does not accept or enter into contingent commission agreements based on the volume of business placed, profitability of business placed or for any other reason.

Regulatory Required Actions

In certain jurisdictions and countries, legal and/or regulatory requirements may stipulate additional documentation or disclosure, such as:

- A client's written acceptance of brokerage rates;
- A client's agreement to the use of a wholesale broker;
- Disclosure of all quotes;
- An annual broker compensation report;
- Disclosure of reinsurance markets with which we have contractual arrangements; and
- Disclosure of the ownership position of JLT Re in any insurer or reinsurer.

JLT Re will provide this additional information as required, or as requested by our client.

Client Disclosure

- When a client appoints JLT Re as broker of record, we will disclose to our client the estimated brokerage percentage rate or service fee we anticipate receiving for the services to be provided on the client's behalf on that program.
- JLT Re strives for and generally achieves consistency in rates of brokerage to be earned by JLT Re within a layer of reinsurance and will disclose any variation in reinsurance commission rates to all parties participating within that layer.

Interest Income

In accordance with common practice and general custom and usage within the reinsurance business, JLT Re's Broker Services Agreements authorize JLT Re to retain income earned on fiduciary funds passing through our accounts.



PHONE (850) 425-6654 FAX (850) 425-6694 WEB WWW.RADEYLAW.COM
MAIL POST OFFICE BOX 10967 | TALLAHASSEE, FL 32302 OFFICE 501 SOUTH BRONOUGH ST., STE. 2001 TALLAHASSEE, FL 32301

August 25, 2017

Via Electronic Mail

Alyssa S. Lathrop
Assistant General Counsel
Florida Office of Insurance Regulation
Larson Building, 200 East Gaines Street
Tallahassee, FL 32399

RE: In the Matter of: Sawgrass Mutual Insurance Company
Case No.: 213367-17-CO

Dear Alyssa:

Pursuant to the terms of paragraph 11 of the Consent Order, Sawgrass Mutual is providing the attached spreadsheet of current litigation and high exposure claims as of August 24, 2017. Additionally, Sawgrass Mutual Insurance Company is a named party in the following cases:

- Sawgrass Mutual Insurance Company v Cladium Inc.; Endurance Specialty Insurance Company; Endurance Specialty Holdings Ltd., and Cladium Inc. v Dan O'Neal, Randy Dumm, Guy Marvin, Paul Simeone and Sawgrass Management Advisors, Inc., Case Number 2016 CA 000158 (Leon County Circuit Court)
- Sawgrass Mutual Insurance Company v Endurance Specialty Insurance Ltd., Case Number 2016 CA 001477 (Leon County Circuit Court)
- Sawgrass Mutual Insurance Company v Endurance Specialty Insurance Ltd., Case Number 4:16cv449-MW-CAS (US District Court, Northern District of Florida)

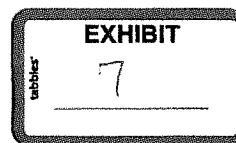
Please let me know if you have any questions or require additional information.

Regards,

David A. Yon

Enc.

cc: Virginia Christy, Director
Property & Casualty Financial Oversight



Claim ID	Status	Loss Date	Reported Date	Closed Date	Insured Last Name	Loss Description	Policy ID	Property County	Loss Reserve	LAE Reserve	DCC Reserve	Loss Payments	LAE Payments	DCC Payments	Local Recent Re-Open Date	Most Recent Re-Open Reason
3049	Re-Opened	10/11/2010	01/18/2011		MILLER	Water Damage (Roof)	1005874	Hillsborough	25000	0	0	5598.6	1054.2	7821.44	07/11/2016	AOB Limsult
31281	Re-Opened	01/11/2011	02/02/2012		CORDBRO	Mechanics	1005874	Hillsborough	60000	7069.2	0	2694.73	960.8	20365.27	05/14/2016	AOB Limsult
33368	Re-Opened	12/16/2012	04/17/2014		Kemak	Water Damage (Roof)	1005874	Hillsborough	25000	0	2966.55	3940.78	11001.45	11001.45	04/12/2016	Limsult
34714	Open	10/22/2014	03/03/2014		SHAKIL	Water (Seepage, Leaky)	1005874	Seminole	25000	0	6235.5	1935.37	80.85	11774.5	04/21/2016	Limsult
35158	Re-Opened	02/24/2015	02/25/2015		MULLINSS	Water Damage (Plumbing)	1005915	Broward	35818.43	998.5	0.6	16191.57	2028.6	22115.78	04/20/2016	AOB Limsult
35159	Re-Opened	02/24/2015	02/25/2015		MULLINSS	Water Damage (Plumbing)	1005915	Broward	35818.43	998.5	0.6	16191.57	2028.6	22115.78	04/20/2016	AOB Limsult
35697	Open	07/28/2015	07/28/2015		VILLARREAL	Water Damage (Plumbing)	1005915	Miami-Dade	34000	0	894.8	1000	2282.4	5933.5	04/19/2016	Limsult
38182	Open	08/28/2015	08/28/2015		Edouard	Water Damage (Plumbing)	1005915	Broward	28000	850	0	1000	2160	10328.88	07/28/2015	Limsult
38500	Open	07/01/2015	08/18/2015		BILLINI	Water Damage (Plumbing)	1007870	Miami-Dade	39500	194.23	0	3485.75	285.32	15035.24	08/20/2015	Limsult
38501	Open	07/01/2015	08/18/2015		PORTOCARRERO	Water Damage (Plumbing)	1006626	Miami-Dade	35000	399	0	752	2401.28	11405.23	08/18/2015	Limsult
38523	Open	08/24/2015	08/24/2015		Morlan	Water Damage (Plumbing)	1006666	Miami-Dade	17500	473	0	6000	510	6741.26	08/18/2015	Limsult
38524	Open	08/24/2015	08/24/2015		Morlan	Water Damage (Plumbing)	1006666	Miami-Dade	17500	500	0	6000	525	6741.26	08/18/2015	Limsult
38525	Open	08/24/2015	08/24/2015		ST SIMON	Water Damage (Roof)	1018837	Palm Beach	47728.48	0	0	1271.32	2300	5985.5	08/24/2015	Limsult
38526	Open	11/18/2015	12/10/2015		WALTERS	Hill	1003280	Seminole	25000	0	7500	10000	1742	3821	10/18/2016	Limsult
38718	Re-Opened	01/28/2016	02/01/2016		WALTERS	Wind	1023951	Orange	25000	0	10000	10000	2223.78	3974.5	08/15/2017	Limsult
38719	Re-Opened	01/28/2016	02/01/2016		WALTERS	Wind	1023951	Orange	25000	0	10000	10000	2223.78	3974.5	08/15/2017	Limsult
38998	Re-Opened	02/18/2016	02/18/2016		Leale	Wind	1019156	Orange	81105.22	0	1025.5	0	3233.95	3974.5	07/15/2017	Limsult
37020	Re-Opened	02/18/2016	02/18/2016		Henck	Water Damage (Plumbing)	1004142	Seminole	25000	0	0	6894.78	2271.95	10383	03/23/2016	Limsult
37342	Re-Opened	04/25/2016	04/25/2016		VASQUEZ	Wind (Tornado)	1004142	Seminole	45000	1000	0	9331	711.80	2181.8	04/21/2016	Limsult
37352	Re-Opened	06/02/2016	06/02/2016		DAVONIAN	Wind	1004108	Seminole	25000	447.1	0	4054.42	3003.2	13421.8	04/21/2016	Limsult
37353	Re-Opened	06/02/2016	06/02/2016		Rodriguez Galid	Water Damage (Plumbing)	1005030	Broward	25000	0	0	8814.5	4310.5	1185.5	04/21/2016	Limsult
37359	Open	02/13/2016	07/14/2016		VASSILEZ	Water Damage (Other)	1051490	Seminole	20000	0	0	3000	4086.44	1208.51	08/03/2017	Limsult
37364	Re-Opened	01/22/2016	08/03/2016		AYALA	Mechanics	1003000	Orange	7500	507.61	0	533	1499.55	3023.6	07/15/2016	Limsult
37369	Re-Opened	07/21/2016	08/03/2016		GUDES	Water Damage (Plumbing)	1002710	Broward	20000	0	6392	2382.39	1115	4467	12/08/2016	Limsult
37393	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37394	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37395	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37396	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37397	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37398	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
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37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
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37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
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37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2017	Limsult
37399	Re-Opened	08/19/2016	08/19/2016		ASBOLIN	Water Damage (Plumbing)	1002707	Broward	20000	0	10000	10000	1285	1638	05/16/2	

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

<p>Holborn Corporation, Plaintiff, -v- Sawgrass Mutual Insurance Company, Defendant.</p>
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16-cv-09147 (AJN)

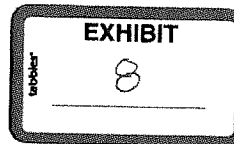
MEMORANDUM
OPINION & ORDER

ALISON J. NATHAN, District Judge:

In this diversity action, Plaintiff Holborn Corporation asserts that Defendant Sawgrass Mutual Insurance Company breached its contract by failing to pay premiums to Holborn in exchange for Holborn acting as Sawgrass’s reinsurance broker. Sawgrass asserts counterclaims against Holborn, alleging first that Holborn acted negligently and breached its fiduciary duty by failing to recommend a particular type of reinsurance, and second that Holborn breached its contract by failing to repay certain sums to Sawgrass. Before the Court is Holborn’s motion to dismiss Counts I and II (negligence and breach of fiduciary duty) of Sawgrass’s Amended Counterclaims under Federal Rule of Civil Procedure 12(b)(6). Because the Court concludes that New York law applies and that Sawgrass has failed to sufficiently allege facts that would support Sawgrass’s claims under New York law, the motion is granted.

I. Background

The following facts are taken from the allegations contained in the Defendant’s Amended Counterclaims, as required in deciding this motion to dismiss. *See Kassner v. 2nd Ave. Delicatessen Inc.*, 496 F.3d 229, 237 (2d Cir. 2007). Defendant Sawgrass is a mutual insurance corporation existing in and organized under the laws of the state of Florida. Defendant/Counter-



Plaintiff's Amended Counterclaims ("Counterclaims"), Dkt. No. 22, ¶ 1. It writes homeowners insurance policies in the state of Florida. Counterclaims ¶ 4. Plaintiff Holborn is a reinsurance intermediary organized under the laws of the state of Delaware, with offices in New York, Minnesota, and Kansas. Counterclaims ¶ 2.

In 2012, Holborn had a series of conversations with Sawgrass's then-President and CEO, James Esse, aimed at convincing Esse to let Holborn procure reinsurance for Sawgrass. Counterclaims ¶ 5. During these conversations, Esse advised Holborn that it would need to "carefully analyze" Sawgrass's potential risk exposure under its homeowners policies, as well as "design a specific reinsurance program custom tailored to Sawgrass' unique business needs." Counterclaims ¶ 7. Given the magnitude of Sawgrass's risk, any reinsurance deal would likely require Sawgrass to pay nearly \$10 million in annual reinsurance premiums for nearly \$100 million in coverage. Counterclaims ¶ 8. Holborn was likely to receive nearly \$1 million in annual commissions. Counterclaims ¶ 8. As a result, Sawgrass alleges, Holborn "understood that if Sawgrass retained it as its reinsurance intermediary that the relationship would be one of trust and confidence, and that Holborn would have a duty to counsel and advise Sawgrass on the reinsurance program that would be most advantageous to its particular business needs." Counterclaims ¶ 9.

In addition, according to Sawgrass, Holborn made "a series of representations concerning its expertise in an effort to induce Sawgrass to retain its services," which were "substantially the same" as the representations currently made on Holborn's website. Counterclaims ¶ 10. These representations include:

- a. Holborn is an independent reinsurance brokerage offering advanced analytic tools, global market access, and responsive account services to clients across the United States.
- b. Holborn is "committed to understanding each clients' needs, corporate

- culture, risk tolerance and overall business approach.”
- c. Holborn promises to “maintain a relentless commitment to giving clients what they truly need, with no two client solutions exactly the same.”
 - d. Holborn “take[s] a comprehensive approach to reinsurance structure design and placement by understanding each client’s business philosophy and risk appetite. Each client team incorporates dedicated placement & claims brokers, cat modelers, actuaries, contracts professionals and accountants, who collaborate to deliver an exceptional client experience throughout the year. By being client focused, instead of product-focused, [its] team understands the whole picture and the implications of each recommendation and ultimate decision made by our clients.”
 - e. Holborn “keeps [its] finger on the pulse of both the traditional market and alternative market, when exploring risk solutions, to ensure [its] clients have the most efficient, innovative and secure reinsurance program available.”

Counterclaims ¶ 10. Sawgrass considered these representations material to its decision to retain Holborn and alleges that Holborn knew or should have known this. Counterclaims ¶ 11.

On March 14, 2012, Sawgrass executed a Broker Authorization Contract (the “2012 BAC”), which designated Holborn as Sawgrass’s reinsurance intermediary from June 1, 2012 through May 31, 2015. Counterclaims ¶ 12; *see also* 2012 BAC, Dkt. No. 29-1. On November 6, 2013, Holborn and Sawgrass executed a superseding Broker Authorization Contract (the “2014 BAC”), which designated Holborn as Sawgrass’s reinsurance intermediary from June 1, 2014 through May 31, 2017. Counterclaims ¶ 12; *see also* 2014 BAC, Dkt. No. 29-2. In addition, the parties signed two other agreements: a “Consulting Agreement” that amended the 2012 BAC and specified that Holborn would provide consulting services for a period of time even if the contract were terminated, Counterclaims ¶ 14, and a contract authorizing Sawgrass to use Holborn’s proprietary Portfolio Optimization Tool, *see* Portfolio Optimization Tool Use Agreement, Dkt. No. 29-3.

According to Sawgrass, Holborn recommended a specific program of reinsurance coverage that it represented was the most advantageous for Sawgrass. Counterclaims ¶ 16. Based on these representations, Sawgrass purchased the recommended reinsurance.

Counterclaims ¶ 17. At some point thereafter, Sawgrass learned that Holborn had failed to recommend “Top and Drop” reinsurance coverage, a multi-layer insurance product which allows the insured to reuse the top excess-of-loss layer of reinsurance if it is not breached by the first loss event. Counterclaims ¶¶ 18-19. Sawgrass alleges that if Holborn had recommended Top and Drop coverage, Sawgrass would have saved hundreds of thousands of dollars.

Counterclaims ¶ 20.

Sawgrass subsequently terminated Holborn pursuant to paragraph 2 of the 2014 BAC, which allowed Sawgrass to terminate Holborn at any time for cause. Counterclaims ¶ 27; 2014 BAC ¶¶ 2-3. On November 23, 2016, Holborn filed a complaint against Sawgrass alleging breach of contract. Complaint, Dkt. No. 1, ¶ 1. Specifically, Holborn alleged that Sawgrass “prematurely terminat[ed] the Contract without cause and fail[ed] to pay Holborn its full share of brokerage on all reinsurance procured or placed” during the period of time covered by the 2014 BAC. Complaint ¶ 1. In response, Sawgrass brought three counterclaims against Holborn alleging negligence, breach of fiduciary duty, and breach of contract. Counterclaims ¶¶ 34-55. Sawgrass alleges that Holborn’s failure to recommend Top and Drop insurance constituted a breach of its duty of care, Counterclaims ¶ 40, and a breach of its fiduciary duty, Counterclaims ¶ 47. It also alleges that Holborn breached the terms of the 2014 BAC by failing to remit a percentage of the brokerage earned by Holborn as required. Counterclaims ¶¶ 53-54.

On April 11, 2017, Holborn filed a motion to dismiss Sawgrass’s first and second counterclaims. Dkt. No. 27. Holborn argues that the tort-based claims of negligence and breach of fiduciary duty are barred by the economic loss doctrine under New York law and therefore must be dismissed. Memo. in Support of Motion to Dismiss (“Support”), Dkt. No. 28, at 1.

II. Legal Standard

To survive a motion to dismiss under Rule 12(b)(6), the complaint must “state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). A claim achieves “facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009). Plausibility is “not akin to a ‘probability requirement,’ but it asks for more than a sheer possibility that a defendant has acted unlawfully.” *Id.* Assessing the plausibility of a complaint is a “context-specific task that requires the reviewing court to draw on its judicial experience and common sense.” *Id.* at 679. To plausibly allege a claim, the plaintiff must do more than provide “bare assertions” that “amount to nothing more than a ‘formulaic recitation of the elements’” of a claim. *Id.* at 681 (quoting *Twombly*, 550 U.S. at 555). “Plausibility thus depends on a host of considerations: the full factual picture presented by the complaint, the particular cause of action and its elements, and the existence of alternative explanations so obvious that they render plaintiff’s inferences unreasonable.” *L-7 Designs, Inc. v. Old Navy, LLC*, 647 F.3d 419, 430 (2d Cir. 2011). “A motion to dismiss a counterclaim is evaluated under the same standard as a motion to dismiss a complaint.” *Orientview Techs. LLC v. Seven for All Mankind, LLC*, No. 13-cv-0538 (PAE), 2013 WL 4016302, at *2 (S.D.N.Y. Aug. 7, 2013) (citation omitted). In reviewing a motion to dismiss, the court “may consider any written instrument attached to the complaint, statements or documents incorporated into the complaint by reference, . . . and documents possessed by or known to the plaintiff and upon which it relied in bringing the suit.” *ATSI Commc’ns, Inc. v. Shaar Fund, Ltd.*, 493 F.3d 87, 98 (2d Cir. 2007).

III. Discussion

Before the Court are Sawgrass’s Counterclaims alleging the torts of negligence and

breach of fiduciary duty based on money Sawgrass lost due to Holborn's alleged failure to secure Top and Drop reinsurance for Sawgrass. Holborn argues that these claims are legally improper under New York's economic loss doctrine. "New York law holds that a negligence action seeking recovery for economic loss will not lie." *Cty. of Suffolk v. Long Island Lighting Co.*, 728 F.2d 52, 62 (2d Cir. 1984). In particular, if the parties have a remedy in contract, they may not also bring claims sounding in tort that claim only economic damages independent of physical injury or damage to property. This principle seeks to "prevent[] the encroachment of tort law into the domain of contract" and "protect[] parties' abilities to allocate risk by mutual agreement and thereby form reliable expectations about their potential financial exposure with respect to the duties and liabilities that they have contractually assumed." *Travelers Cas. & Sur. Co. v. Dormitory Auth.-State of N.Y.*, 734 F. Supp. 2d 368, 379 (S.D.N.Y. 2010). However, an exception to the economic loss doctrine exists "where the defendant has a duty independent of contractual obligations." *Nebraskaland, Inc. v. Sunoco, Inc.*, No. 10-cv-1091 (RJD) (CLP), 2011 WL 6131313, at *4 (E.D.N.Y. July 13, 2011) (report and recommendation) (citation omitted), *adopted* 2011 WL 6131298 (E.D.N.Y. Dec. 8, 2011).

Because the relationship between Holborn and Sawgrass is governed by the contracts they executed (namely, the 2012 BAC and 2014 BAC), the economic loss doctrine would generally bar Sawgrass's tort-based counterclaims. To avoid application of the economic loss doctrine, Sawgrass makes two arguments. First, it argues that this case should be governed by Florida law rather than New York law. Because Florida recognizes only a much narrower economic loss doctrine that applies only to product liabilities cases, Sawgrass's counterclaims may be properly brought if Florida law governs. Second, Sawgrass argues that Sawgrass and Holborn formed a special relationship giving rise to duties "independent of contractual

obligations,” *Nebraskaland*, 2011 WL 6131313, at *4 (citation omitted), and that Sawgrass may bring legal theories alleging breaches of those independent obligations. For the reasons explained below, the Court disagrees with Sawgrass’s contentions.

A. New York Law Governs this Case

In response to the motion to dismiss, Sawgrass first argues that Florida law, rather than New York law, applies to this case and that, as a result, New York’s economic loss doctrine is inapplicable. Memo. in Opp. to Motion to Dismiss (“Opp.”), Dkt. No. 35, at 6. The Court concludes that New York law governs this case.

1. Choice-of-Law Doctrine

“Because a choice of law analysis is fact intensive, courts often decline to make a choice of law determination at the motion to dismiss stage.” *Smith v. Railworks Corp.*, No. 10-cv-3980 (NRB), 2011 WL 2016293, at * 6 n.12 (S.D.N.Y. May 17, 2011). “But where . . . the relevant facts are sufficiently clear, courts in this Circuit have engaged in choice-of-law analysis at the motion to dismiss stage.” *Patel v. New York Life Ins. Co.*, No. 11-cv-4895 (JPO), 2012 WL 1883529, at *3 (S.D.N.Y. May 21, 2012).

“A federal court exercising diversity jurisdiction must apply the choice of law analysis of the forum state.” *GlobalNet Financial.com, Inc. v. Frank Crystal & Co.*, 449 F.3d 377, 382 (2d Cir. 2006). “In New York, . . . the first question to resolve in determining whether to undertake a choice of law analysis is whether there is an actual conflict of laws.” *Curley v. AMR Corp.*, 153 F.3d 5, 12 (2d Cir. 1998). An actual conflict of law exists if “the applicable law from each jurisdiction provides different substantive rules,” *id.*, and the differences “have a ‘significant possible effect on the outcome of the trial,’” *Fin. One Pub. Co. v. Lehman Bros. Special Fin., Inc.*, 414 F.3d 325, 331 (2d Cir. 2005) (quoting *Simon v. Philip Morris, Inc.*, 124 F. Supp. 2d 46,

71 (2002)).

If an actual conflict exists, courts must decide which choice-of-law test is most appropriate. “The New York Court of Appeals has held that ‘the relevant analytical approach to choice of law in tort actions in New York’ is the ‘[i]nterest test.’” *GlobalNet Financial*, 449 F.3d at 384 (alteration in original) (quoting *Schultz v. Boy Scouts of Am., Inc.*, 480 N.E.2d 679, 684 (N.Y. 1985)). Under this test, courts “seek to apply the law of the jurisdiction with the most significant interest in, or relationship to, the dispute.” *White Plains Coat & Apron Co. v. Cintas Corp.*, 460 F.3d 281, 284 (2d Cir. 2006) (quoting *Lazard Freres & Co. v. Protective Life Ins. Co.*, 108 F.3d 1531, 1539 (2d Cir. 1997)). The states’ interests are defined primarily by “the parties’ domiciles and the locus of the tort.” *Schultz*, 480 N.E.2d at 684. New York tort laws are either considered conduct-regulating or loss-allocating depending on their primary purposes. *GlobalNet Financial*, 449 F.3d at 384. “If conflicting conduct-regulating laws are at issue, the law of the jurisdiction where the tort occurred will generally apply because that jurisdiction has the greatest interest in regulating behavior within its borders.” *White Plains Coat & Apron Co.*, 460 F.3d at 284 (quoting *Cooney v. Osgood Mach., Inc.*, 612 N.E.2d 277, 280 (N.Y. 1993)). New York courts treat negligence and breach of fiduciary duty laws as conduct-regulating laws. *Rose v. Arthur J. Gallagher & Co.*, 928 N.Y.S.2d 783, 784 (App. Div. 2011).

While the parties generally agree that the above standards govern the Court’s choice-of-law inquiry, *see* Support at 7-9; Opp. at 6-7, they disagree on which Second Circuit precedent interpreting New York law governs when the allegedly tortious conduct and the resulting injury happen in different locations. Sawgrass relies on the Second Circuit’s statement in *White Plains Coat & Apron Co.* that “where negligent conduct occurs in one jurisdiction but the plaintiff’s injuries are suffered in another, the situs of the tort is where the last event necessary for liability

occurred.” 460 F.3d at 285; Opp. at 7, 11 (citations omitted). Holborn, on the other hand, points to the Second Circuit’s decision in *Licci ex rel. Licci v. Leb. Can. Bank, SAL*, 739 F.3d 45 (2d Cir. 2013), which “reject[ed] the view . . . that the law of the place of injury ordinarily or always governs where conduct-regulating rules are involved” and instead held that “where [wrongful conduct and injury] do not [take place in the same jurisdiction], it is the place of the allegedly wrongful conduct that generally has superior ‘interests in protecting the reasonable expectations of the parties who relied on [the laws of that place] to govern their primary conduct and in the admonitory effect that applying its law will have on similar conduct in the future.’” 739 F.3d at 50-51 (third alteration in original) (quoting *Schultz*, 480 N.E.2d at 684-85); *see also* Support at 9.

The Court concludes that it must follow the decision in *Licci* and presume that the state with the greatest interest in this case is the state in which the alleged wrongful conduct occurred. In reaching this conclusion, the Court relies on the fact that in *Licci*, the Second Circuit explicitly considered whether the law of the place of injury or the law of the place of wrongful conduct governed a choice-of-law analysis in New York. *See Licci*, 739 F.3d at 50-51. In contrast, in *White Plains Coat & Apron Co.*, the Second Circuit considered both where the majority of the conduct had taken place and where plaintiffs’ injuries had occurred simultaneously in determining which state had the greatest interest in the case. *See* 460 F.3d at 284-85. As a result, *White Plains Coat & Apron Co.* does not stand for the proposition that the location in which a plaintiff was injured has a greater interest than the location in which the wrongful conduct occurred.

Additionally, the case on which the Second Circuit relied in *White Plains Coat & Apron Co.* for the proposition that the location of the last event necessary for liability had the greatest interest was *Schultz v. Boy Scouts of America*, a case that concerned states’ interests in loss-

allocating laws rather than conduct-regulating laws. See *Schultz*, 480 N.E.2d at 685; see also *White Plains Coat & Apron Co.*, 460 F.3d at 285 (citing *Schultz* for the proposition that in New York, “the situs of the tort is where the last event necessary for liability occurred”). In *Schultz*, the New York Court of Appeals concluded that where conflicting laws were loss-allocating, “the locus jurisdiction has at best a minimal interest in determining the right of recovery or the extent of the remedy,” while the injured party’s domiciliary state has an interest in seeing that its “loss-distributing rules are enforced so that the underlying policy . . . is effectuated.” 480 N.E.2d at 685-86. As a result, *Schultz* is inapposite to application of the interest test for conduct-regulating tort laws, and thus the statement in *White Plains Coat & Apron Co.* relying on *Schultz* is similarly inapposite to the choice of law analysis in this case where conduct-regulating laws are at issue.

Finally, the rule in *Licci* is most consistent with the Second Circuit’s holding in *GlobalNet Financial*, the case that most resembles this controversy, and in which the Court of Appeals affirmed the District Court’s conclusion that New York law rather than Florida law should govern a tort claim relating to an insurance broker’s failure to notify its client of important information. 449 F.3d at 384-85. In *GlobalNet Financial*, the Second Circuit disagreed with the appellant’s contention that “its tort claims should be analyzed under the substantive law of Florida because that state has a significant interest in regulating the conduct of brokers who knowingly deal with a Florida-based insured to provide coverage for a risk that was primarily located in Florida.” *Id.* at 385. Instead, it concluded that the District Court had correctly determined that “New York has a greater interest than Florida in this litigation involving a tort that occurred [in New York] and in regulating the conduct of brokers, insurance agents, premium finance companies and insurers licensed within the state.” *Id.* (alteration in

original). In reaching this conclusion, the Second Circuit pointed to the fact that the defendant was “licensed in New York and maintain[ed] its principal place of business in New York.” *Id.* The Court further reasoned that because the defendant received mail and phone calls at its New York office, the defendant’s failure to notify the plaintiff of information it had received “was centered in New York.” *Id.* (citing *Northwestern Mutual Life Ins. Co. v. Wender*, 940 F. Supp. 62, 66 (S.D.N.Y. 1996)). In reaching its conclusion, the Second Circuit clearly assumed that the location of the insurance company’s allegedly tortious conduct was the operative consideration rather than the location in which the plaintiff was injured. As a result, this Court adopts the same approach and presumes that the state in which tortious conduct occurred will be the state whose substantive law applies.

2. Application to the Present Case

The Court first concludes that it must undertake a choice-of-law analysis because there is an actual conflict of law. As both parties recognize, New York prevents insureds from suing insurance brokers in tort under the economic loss doctrine, while under Florida law, the economic loss doctrine is limited to product liability cases. Support at 8; Opp. at 6. *Compare Cornelia Fifth Ave., LLC v. Canizales*, No. 12-cv-7660 (ALC), 2017 WL 1034644, at *4 (S.D.N.Y. Mar. 16, 2017) (explaining New York’s economic loss doctrine), with *Tiara Condo. Ass’n, Inc. v. Marsh & McLennan Cos.*, 110 So. 3d 399, 407 (Fla. 2013) (explaining that Florida’s economic loss doctrine applies only in products liability). Thus, New York and Florida employ different substantive rules that have a “significant *possible* effect on the outcome of the trial,” *Fin. One Pub. Co.*, 414 F.3d at 331 (citation omitted), by potentially eliminating two of Sawgrass’s counterclaims.

The Court next concludes that New York has the greatest interest in this case, and that

New York law therefore governs Sawgrass's counterclaims. While it is undisputed that Sawgrass suffered injury in Florida where it is domiciled, the Court finds that the actual tortious conduct alleged in Sawgrass's counterclaims occurred in New York. The wrongful conduct alleged in Sawgrass's counterclaims is a failure to recommend Top and Drop insurance. Sawgrass alleges that Holborn was negligent because it "breached its duty of care by failing to use reasonable skill and care to recommend and secure appropriate reinsurance for Sawgrass, including Top and Drop coverage." Counterclaims ¶ 40. Likewise, Holborn "breached its fiduciary duty by failing to recommend and secure the reinsurance products appropriate for Sawgrass' particular business needs, including Top and Drop coverage." Counterclaims ¶ 47. Sawgrass repeatedly characterizes Holborn's tortious conduct as a "failure to recommend and secure" Top and Drop coverage, Counterclaims ¶ 21; *see also* Counterclaims ¶ 18 ("Sawgrass learned that Holborn, contrary to its duties and fiduciary obligations, failed to recommend a reinsurance product known as 'Top and Drop' reinsurance coverage ('Top and Drop')."). This failure occurred when Holborn considered, recommended, and secured reinsurance for Sawgrass.

The Court finds that Sawgrass has failed to plausibly allege that this failure occurred in Florida. Specifically, Sawgrass does not allege with particularity that Holborn's agents were in Florida when they were considering and selecting reinsurance or when they recommended a particular reinsurance plan to Sawgrass. Rather, Sawgrass only specifically states that Holborn agents traveled to Florida "to meet with Sawgrass during the course of negotiations" and more generally alleges that Holborn agents traveled to Florida during the course of "the ensuing relationship." Counterclaims ¶ 28. It does not specifically allege that any of these meetings concerned Holborn's choice of a reinsurance plan or its recommendation of that reinsurance plan to Sawgrass. Similarly, in its opposition to Holborn's motion to dismiss, Sawgrass does not

allege that any of Holborn's actions other than its alleged pre-contract representations about the services it would provide took place in Florida:

Here, Holborn traveled to Florida, and while in Florida made representations to Sawgrass that it would custom tailor a reinsurance program to meet its unique business needs. Holborn then drafted and presented a Reinsurance Contract to Sawgrass that itself contained a Florida choice of law provision, which Holborn recommended Sawgrass execute because it met its business needs, and which Sawgrass executed in Florida.

Opp. at 10. Sawgrass specifically avoids asserting that Holborn was in Florida during the consideration, drafting, or presentation of the proposed reinsurance contract. Further underscoring the dearth of specific allegations that the purportedly tortious conduct took place in Florida is Sawgrass's argument in its opposition to the motion to dismiss that the allegedly tortious conduct may have occurred in Minnesota or Kansas. In arguing against application of New York law, Sawgrass states that "Holborn also maintains offices in Minnesota and Kansas, and is incorporated in Delaware," and that "there is no record support for what activities occurred at any of Holborn's varied locations." Opp. at 10. In effect, Sawgrass admits that it does not know where Holborn was when it acted but that Holborn's allegedly tortious conduct took place at one of its locations rather than in Florida during any meeting between Sawgrass and Holborn.¹ As a result, the Court concludes that Sawgrass's allegations fail to rise above the level of "bare assertions" that tortious conduct occurred in Florida, which cannot be credited. *See Iqbal*, 556 U.S. at 681. The Court finds that the allegedly tortious actions of Holborn occurred in

¹ The Court separately rejects Sawgrass's contention that Holborn's conduct may have occurred in Minnesota or Kansas rather than in New York. Nowhere in the Amended Counterclaims does Sawgrass allege that Holborn conducted any business related to Sawgrass out of its other offices or that it has reason to believe that any of the agents with whom Sawgrass worked traveled to these other offices. The only reference to these other offices in the Counterclaims is the statement that "[u]pon information and belief, Holborn . . . [has] offices in New York, Minnesota, and Kansas." Counterclaims ¶ 2. But the contracts that are incorporated into the Amended Counterclaims all require communications between Sawgrass and Holborn to be sent to Holborn's New York office. *See* 2012 BAC at 2, 3; 2014 BAC at 3.

New York. As in *GlobalNet Financial*, Holborn is licensed in New York and its principal place of business is New York. Counterclaims ¶ 2; Support at 3; 2012 BAC at 2, 3; 2014 BAC at 3; NY License, Dkt. No. 29-4. The contracts between Sawgrass and Holborn required all communications with Holborn to be sent to a New York address and that Holborn's agent could be reached at a New York City phone number. 2012 BAC at 2, 3; 2014 BAC at 3. Holborn's failure to recommend a specific policy therefore is centered in New York under *GlobalNet Financial* (and absent contrary specific allegations by Sawgrass), and the Court concludes that New York has the greatest interest in this case. See *Licci*, 739 F.3d at 50-51; *GlobalNet Financial*, 449 F.3d at 385.

Sawgrass argues that even if Holborn's failure to recommend Top and Drop insurance occurred in New York, Florida law should nevertheless govern this case because Holborn made fraudulent misrepresentations during meetings with Sawgrass in Florida. Opp. at 8. Specifically, Sawgrass states that its claims "relate to the misrepresentations Holborn made that it would carefully analyze Sawgrass' potential exposure and recommend a specific reinsurance program custom tailored to its needs, and then failed to do so resulting in damages." Opp. at 8. This claim is unavailing. Sawgrass has not sued Holborn for fraud or alleged that Holborn knowingly made misrepresentations to Sawgrass. Rather, Sawgrass claims that Holborn's *later failure to fulfill these promises* was negligent and a breach of fiduciary duty. As a result, the tortious conduct at issue in Sawgrass's counterclaims is that subsequent failure, not the initial representations. Because Sawgrass has not sufficiently alleged that Holborn's failure occurred in Florida, and against the backdrop of *GlobalNet Financial*, the Court concludes that the alleged failure occurred in New York and thus is governed by New York law.

The Court likewise sees no merit in Sawgrass's argument that Florida law applies in this

case because the reinsurance contract Sawgrass ultimately signed with third parties was executed in Florida and governed by Florida law. Opp. at 8. Holborn was not a party to that contract, nor did that contract implicate Holborn's contractual relationship to Sawgrass. See Reinsurance Contract, Dkt. No. 35-1. Rather, the contract merely governed the obligations between Sawgrass and its many reinsurers. As a result, although that contract has a choice-of-law provision stating that Florida law governs the contract, Reinsurance Contract at 22, that contract has no bearing on where Holborn's allegedly tortious conduct occurred or which state has the greatest interest in the actions by the reinsurance broker rather than the actions of the reinsured and reinsurers. See *GlobalNet Financial*, 449 F.3d at 385 (holding that a state did not have the greatest interest in a tort arising from an insurance relationship merely because the ultimate insurance risk would be borne in that state).

Sawgrass next argues that, despite the normal rule that the state in which a conduct-regulating tort occurred will generally have the greatest interest in the case, see *White Plains Coat & Apron Co.*, 460 F.3d at 284, Florida has the greatest interest in this case, Opp. at 11. In support of this position, Sawgrass states that it is domiciled in Florida, Holborn traveled to Florida to negotiate its relationship with Sawgrass, the reinsurance Holborn secured covered exclusively Florida risks on Florida-issued insurance policies, and the ultimate reinsurance contract secured by Holborn had a choice-of-law provision applying Florida law. Opp. at 11. This argument is largely foreclosed by the Second Circuit's holding in *GlobalNet Financial*. In that case, the plaintiff likewise argued that Florida had the greater interest because the plaintiff was domiciled in Florida and the defendant had provided insurance coverage "for a risk that was primarily located in Florida." 449 F.3d at 385. Nevertheless, the Second Circuit concluded that New York had the greater interest in the outcome because it was where the defendant's conduct

had occurred. *Id.* Because the facts of *GlobalNet Financial* are not meaningfully distinguishable from the facts presented here, the Court disagrees with Sawgrass's suggestion that Florida law should govern.

Finally, Sawgrass counsels that if the Court is not persuaded that Florida law applies, it should defer ruling on the choice-of-law question until after discovery has occurred. *Opp.* at 7, 12-13. In support of this position, it states only that delaying resolution of the question until after discovery "will allow the parties to present the Court with additional facts germane to the issue." *Opp.* at 12. While the Court recognizes that courts often decline to rule on choice of law at the motion to dismiss stage because it requires fact-intensive analysis, *Smith*, 2011 WL 2016293 at *6 n.12, the Court finds it appropriate to rule that New York law governs this case. The Court's determination in this case does not require a fact-intensive inquiry: even treating all of Sawgrass's allegations as true and viewing all facts in the light most favorable to it, it has failed to allege any facts that would cause Florida law to govern this case. Because the failure is one of pleading rather than one of factual support, the Court sees no reason to allow the choice-of-law issue to become the subject of extensive discovery. *See Patel*, 2012 WL 1883529, at *4 (deciding the choice of law question at the motion to dismiss stage because plaintiff had not plausibly alleged that the locus of the tort had been anywhere other than Georgia).

The Court thus concludes that New York law governs Sawgrass's counterclaims. As a result, New York's economic loss doctrine will foreclose Sawgrass's claims absent application of an exception to that general rule.

B. The Parties Did Not Have a Special Relationship Creating Additional Duties Owed by Holborn to Sawgrass

Sawgrass next argues that the economic loss doctrine is inapplicable in this case because the parties had a special relationship giving rise to additional duties independent of the operative

contracts. Under New York law, insurance brokers “have a common-law duty to obtain requested coverage for their clients within a reasonable time or inform the client of the inability to do so” but “have no continuing duty to advise, guide or direct a client to obtain additional coverage.” *Am. Bldg. Supply Corp. v. Petrocelli Grp., Inc.*, 979 N.E.2d 1181, 1184 (N.Y. 2012) (quoting *Murphy v. Kuhn*, 682 N.E.2d 972, 974 (N.Y. 1997)). However, the New York Court of Appeals has held that “[w]here a special relationship develops between the broker and client,” the broker “may be liable . . . for failing to advise or direct the client to obtain additional coverage.” *Voss v. Neth. Ins. Co.*, 8 N.E.3d 823, 828 (N.Y. 2014). A special relationship may be established in one of three ways:

- (1) the agent receives compensation for consultation apart from payment of the premiums,
- (2) there was some interaction regarding a question of coverage, with the insured relying on the expertise of the agent, or
- (3) there is a course of dealing over an extended period of time which would have put objectively reasonable insurance agents on notice that their advice was being sought and specially relied on.

Murphy, 682 N.E.2d at 975-76 (citations omitted).

If a special relationship exists, the special duties that attach to the parties are “governed by the particular relationship between the parties and [are] best determined on a case-by-case basis.” *Id.* at 975. An insurance broker may be found negligent for failure to fulfill the duties that attach due to a special relationship. *See Voss*, 8 N.E.3d at 828-29. A special relationship will also support a claim for breach of fiduciary duty because “[t]he ‘duty’ element of [negligence and fiduciary duty] causes of action requires the same inquiry.” *Muller-Paisner v. TIAA*, 289 F. App’x 461, 465 (2d Cir. 2008); *see also Edelman v. O’Toole-Ewald Art Assocs., Inc.*, 814 N.Y.S.2d 98, 99 (App. Div. 2006) (“[I]nsurance companies do not owe a fiduciary duty to their insureds, absent a showing of some special relationship.”). “[S]pecial relationships in the insurance brokerage context are the exception, not the norm” *Voss*, 8 N.E.3d at 829.

Insureds bear the burden of proving a special relationship. *Murphy*, 682 N.E.2d at 976.

Sawgrass alleges that a special relationship existed between itself and Holborn based on the second method identified in *Murphy*: an interaction regarding a question of coverage with the insured relying on the expertise of an agent. Opp. at 14-18. In order to satisfy this requirement, courts have generally required that the insured make a specific request about the feature of the proposed insurance at issue in the subsequent suit. For example, in *Voss*, the plaintiff asked the defendant whether an insurance policy that covered \$75,000 in loss due to business interruption would be sufficient for her based on the size and revenue of her business. 8 N.E.3d at 825-26. The defendant “allegedly assured her that it would suffice based on . . . the size of her businesses,” and the plaintiff subsequently accepted the policy. *Id.* at 826. The Court of Appeals concluded that a special relationship might exist, and thus summary judgment was inappropriate, because the two parties “discussed business interruption insurance from the inception of their business relationship,” the defendant obtained “relevant data in order to calculate the proper level of coverage,” and the plaintiff “questioned that amount [of \$75,000 of coverage]” and the defendant “assured her that it was adequate based on his review of her business finances.” *Id.* at 829. In contrast, in *Murphy*, the Court of Appeals found no special relationship between an insurer and insured where the plaintiff “never asked [the defendant] to increase the liability limits” on the auto insurance policy at issue and, “[i]n fact, there is no indication that [the plaintiff] ever inquired or discussed with [the defendant] any issues involving the liability limits of the automobile policy.” 682 N.E.2d at 975. The court concluded that “[s]uch lack of initiative or personal indifference cannot qualify as legally recognizable or justifiable reliance.” *Id.*

Here, Sawgrass has not alleged that a particular conversation about Top and Drop

insurance ever occurred between the parties, nor has it alleged that it relied on Holborn to procure Top and Drop insurance specifically. Instead, Sawgrass merely alleges that it required Holborn “to carefully analyze Sawgrass’ potential exposure . . . [and] design a specific reinsurance program custom tailored to Sawgrass’ unique business needs.” Counterclaims ¶ 7. Similarly, Sawgrass argues that Holborn recommended a reinsurance policy “that it represented as having been the most advantageous for its unique business needs,” and that Sawgrass “relied on Holborn’s analysis and recommendations and purchased the reinsurance that Holborn recommended.” Counterclaims ¶¶ 16-17. An alleged conversation in which the parties discussed “the most advantageous” policy – without either party specifically mentioning Top and Drop insurance – is insufficient to create a special relationship under *Murphy*. See 682 N.E.2d at 975. All insurance customers are seeking the most advantageous insurance policy, and as a result, a discussion generally about what policy will be the most advantageous does not suggest “that the Plaintiff enjoyed anything other than an ordinary consumer-agent insurance relationship.” *Long Beach Road Holdings, LLC v. Foremost Ins. Co.*, 75 F. Supp. 3d 575, 590 (E.D.N.Y. 2015). If such a generalized and common inquiry were sufficient to create a special relationship between an insurance broker and customer, courts would be required to find the existence of a special relationship in nearly every insurance purchase and the exception would swallow the general rule. See *Voss*, 8 N.E.3d at 829 (describing a special relationship between an insurance broker and customer as the “exception” to the general rule).

Sawgrass argues that it need not allege “the *precise* coverage discussed, and the *precise* question presented” because only a short, plain statement of the claim is required at the motion to dismiss stage. Opp. at 15 n.7 (discussing the requirement of Federal Rule of Civil Procedure 8(a)(2)). While the Court agrees that Sawgrass need not plead every fact in its Amended

Counterclaims, Rule 8(a)(2) requires it to plead a sufficient statement to “show[] that the pleader is entitled to relief.” Fed. R. Civ. Proc. 8(a)(2). In this case, Sawgrass has failed to allege sufficient facts to demonstrate that a special relationship was created between itself and Holborn that would require Holborn to recommend Top and Drop reinsurance. It has thus failed to allege that it is entitled to relief for Holborn’s actions under either a negligence theory or breach-of-fiduciary-duty theory.


IV. Conclusion

Plaintiff’s motion to dismiss Counts I and II of Defendant’s Amended Counterclaims is granted. This resolves Docket Number 27.

The Court will schedule an initial pretrial conference in this matter under separate order.

SO ORDERED.

Dated: January 17, 2018
New York, New York



ALMON NATHAN
United States District Judge

Christy, Virginia

From: David Yon <dyon@radeylaw.com>
Sent: Friday, June 29, 2018 11:16 AM
To: Christy, Virginia
Cc: Murphy, Susanne
Subject: RE: SMIC

Thank you for your assistance. I understand your this is not the only issue.

From: Christy, Virginia <Virginia.Christy@flair.com>
Sent: Friday, June 29, 2018 11:06 AM
To: David Yon <dyon@radeylaw.com>
Cc: Murphy, Susanne <Susanne.Murphy@flair.com>
Subject: Fwd: SMIC

David,
See the attached. I will also be forwarding two others. There appears to be quite a few that do not reconcile with the list provided to the Office at the beginning and new ones that would have been required to be provided as a condition of the consent order. Just to be clear, the list of outstanding litigation that was recently discovered is not the only basis used regarding our last discussion.

Virginia A. Christy
Director, Property and Casualty Financial Oversight
Florida Office of Insurance Regulation
200 E. Gaines Street, Suite 637A
Tallahassee, Florida
Telephone: (850) 413-5019
E-Mail: Virginia.Christy@flair.com

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Party	Party Type	Action Code	File Date	Judge	Case Status	Case Number
, SAWGRASS MUTUAL INSURANCE COMPANY	DEFENDANT	CONTRACT	6/24/2015	DODSON CLOS		2015 CA 00144
, SAWGRASS MUTUAL INSURANCE COMPANY	PLAINTIFF	OTHER BUSINESS TRANSACTIONS	1/15/2016	COOPER CLOS		2016 CA 00012
, SAWGRASS MUTUAL INSURANCE COMPANY	PLAINTIFF	CONTRACT	1/25/2016	GIEVERS OPEN		2016 CA 00015
, SAWGRASS MUTUAL INSURANCE COMPANY	PLAINTIFF	OTHER BUSINESS TRANSACTIONS	6/30/2016	SHELPER REOP		2016 CA 00147



Case Number	Case Style	Case Type	Filing Date	Case
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**CLAUDINA BATISTA ET AL VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CA05 CA00308/30/2017OPEN
021309-CA-01
State Case
Number 132017CA021309000001
Consolidated Case Number

**DANIEL RODRIGUEZ ET AL VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CA10 CA00308/24/2017OPEN
020761-CA-01
State Case
Number 132017CA020761000001
Consolidated Case Number

**DEDRA BARBER ET AL VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CA25 CA12608/02/2017OPEN
018684-CA-01
State Case
Number 132017CA018684000001
Consolidated Case Number

**DANIEL KAPLAN ET AL VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CA11 CA00307/19/2017OPEN
017330-CA-01
State Case
Number 132017CA017330000001
Consolidated Case Number

**DEBORAH PINERO ET AL VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CA11 CA00306/09/2017OPEN
013899-CA-01
State Case
Number 132017CA013899000001
Consolidated Case Number

**DEBORAH PINERO ET AL VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

CA27 CA00306/09/2017OPEN

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Case Number	Case Style	Case Type	Filing Date	Case
CACE17013992	Luisa Rodriguez, et al Plaintiff vs. Sawgrass Mutual Insurance Company Defendant			Contra Indebt
CACE17015323	Isaura Cardoso Plaintiff vs. Sawgrass Mutual Insurance Company Defendant			Contra Indebt
COWE18005732	Direct Dryer Corp Plaintiff vs. Sawgrass Mutual Insurance Company Defendant			CC Pr Insura Claims \$15k

- Party Name: sawgrass mutual insurance

Case Style Information / Case Number	Section	Case Type	Filing Date	Case Status
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**ANGELA YON FLEITES ET AL
VS SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2018-015798-CA-01 CA21 CA00305/11/2018OPEN
State Case
Number 132018CA015798000001
Consolidated Case Number

**HERNANDEZ PLUMBING CO.
VS SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2018-003007-CC-05 CC06 CC00302/08/2018OPEN
State Case
Number 132018CC003007000005
Consolidated Case Number

Case Number	Case Style	Case Type	Filing Date	Case
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Local Case Number 2017-
013935-CA-01
State Case
Number 132017CA013935000001
Consolidated Case Number

**MANUEL LEON ET AL VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CA31 CA00306/06/2017OPEN
013486-CA-01
State Case
Number 132017CA013486000001
Consolidated Case Number

**YAKO RESTORATION GROUP
CORP AAO MARIO PINERO VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CC04 CC00305/22/2017OPEN
008243-CC-05
State Case
Number 132017CC008243000005
Consolidated Case Number

**MYRIAM B RAMIREZ VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2017- CA08 CA12603/24/2017OPEN
007118-CA-01
State Case
Number 132017CA007118000001
Consolidated Case Number

**LECTY BALMASEDA VS
SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2016- CA08 CA00311/15/2016OPEN
029434-CA-01
State Case
Number 132016CA029434000001
Consolidated Case Number

**VIDAL PORTOCARERO ET AL
VS SAWGRASS MUTUAL
INSURANCE COMPANY**

Local Case Number 2016- CA11 CA00302/04/2016OPEN
002774-CA-01
State Case

Case Number	Case Style	Case Type	Filing Date	Case
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Number 132016CA002774000001
Consolidated Case Number

**VIDAL PORTOCARERO ET AL
VS SAWGRASS MUTUAL
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Local Case Number 2016- CA11 CA00302/04/2016OPEN
002773-CA-01
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FindLaw Caselaw Florida FL Dist Ct App **SAWGRASS MUTUAL INSURANCE COMPANY v. MONE**
SAWGRASS MUTUAL INSURANCE COMPANY v. MONE

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SAWGRASS MUTUAL INSURANCE COMPANY, Appellant, v. Terry MONE and Diane Mone, Appellees.

Case No. 5D15-3061

Decided: May 18, 2018

Jack R. Keiter and Robert D. Peters, of GrayRobinson, P.A., Miami, for Appellant. Mark A. Nation and Paul W. Pritchard, of The Nation Law Firm, Longwood, for Appellees.
UPON REMAND FROM THE FLORIDA SUPREME COURT

Our prior opinion of September 2, 2016, was disapproved by the Florida Supreme Court "to the extent it is inconsistent with [the Florida Supreme] Court's opinion in *Joyce v. Federated Nat'l Ins. Co.*, 228 So.3d 1122 (Fla. 2017)," and the case was remanded to this court "for instructions not inconsistent with th[e] Court's opinion in *Joyce*." See *Mone v. Sawgrass Mut. Ins. Co.*, 43 Fla. L. Weekly S185, 2018 WL 1895708 (Fla. Apr. 20, 2018). Upon reconsideration, we affirm the final judgment awarding attorney's fees, including the trial court's application of a multiplier to the attorney's fees award. Based upon Appellees' prior concession of error, we reverse the award of \$26,918.43 in court costs regarding the services provided by two of Appellees' expert witnesses, Nettles & Associates and Reliable Field Services of Central Florida, Inc. On remand, the trial court is directed to strike this amount from the final judgment.

AFFIRMED in part; REVERSED in part; and REMANDED, with instructions.

PER CURIAM.

COHEN, C.J., LAMBERT, J., and LEMONIDIS, R.C., Associate Judge, concur.

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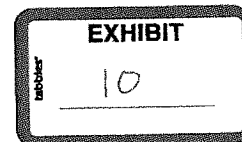
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SAWGRASS MUTUAL INSURANCE COMPANY, Appellant, v. Terry MONE and Diane Mone, Appellees.

No. 5D15-3061.

Decided: September 02, 2016

Jack R. Reiter and Robert D. Peters, of GrayRobinson, P.A., Miami, for Appellant. Mark A. Nation and Paul W. Pritchard, of The Nation Law Firm, Longwood, for Appellee.

Sawgrass Mutual Insurance Company ("Sawgrass") appeals the final judgment awarding attorney's fees and costs against it and in favor of Appellees and their counsel. Sawgrass raises two issues. First, it contends that the trial court erred by applying a contingency risk multiplier to Appellees' award of attorney's fees. Second, Sawgrass argues, and Appellees agree, that there was a lack of competent substantial evidence to support the award of \$26,918.43 in court costs regarding the services provided by two of Appellees' expert witnesses, Nettles & Associates and Reliable Field Services of Central Florida, Inc. Based upon this proper concession of error, we reverse the award of these costs from the total costs awarded in the final judgment. Concluding that the application of the contingency risk multiplier in this case is unwarranted, we also reverse on the first issue.

Appellees purchased a homeowner's insurance policy from Sawgrass for their home in Ormond Beach, Florida. During the policy period, Appellees noticed cracks in the interior and exterior walls of their home and filed a claim with Sawgrass under their policy seeking recovery for the damages caused to their home by sinkhole activity. In response, Sawgrass investigated and ultimately denied the claim, resulting in Appellees filing suit against Sawgrass for breach of the insurance contract. Following a one-week jury trial at which Appellees prevailed on their claim, the trial court entered final judgment for damages in their favor and against Sawgrass.

Appellees thereafter moved for an award of attorney's fees pursuant to section 627.428, Florida Statutes (2011), and for court costs. Following an evidentiary hearing, the trial court entered the final judgment on appeal, making express findings in the judgment as to the reasonable number of hours expended by Appellees' counsel and the reasonable hourly rates for their services rendered in this litigation. This "lodestar figure" totaled \$262,620. See Fla. Patient's Comp. Fund v. Rowe, 472 So.2d 1145, 1150-51 (Fla.1985), modified on other grounds by Standard Guar. Ins. Co. v. Quanstrom, 555 So.2d 828, 829 (Fla.1990) (explaining lodestar process to determine reasonable attorney's fees). The trial court also found that the case was appropriate for the use of a contingency risk multiplier under the guidelines set forth in Rowe and Quanstrom, and it applied a 1.5 multiplier to the lodestar amount, resulting in a total attorney's fee award of \$393,930. On appeal, Sawgrass does not dispute Appellees' entitlement to attorney's fees under section 627.428, nor does it contest the lodestar aspect of the attorney's fee award. Sawgrass does, however, argue that the trial court's use of the multiplier to enhance the award of attorney's fees was error because Appellees did not present sufficient evidence that a multiplier was necessary for them to obtain competent counsel.

The trial court's application of a multiplier to an attorney's fee award is reviewed under an abuse of discretion standard of review. *Holiday v. Nationwide Mut. Fire Ins.*, 864 So.2d 1215, 1218 (Fla. 5th DCA 2004) ("Once it is determined that attorney's fees are awardable, the standard of review with respect to the application of a multiplier is one of abuse of discretion." (citing *United Auto. Ins. Co. v. Padron*, 775 So.2d 372 (Fla. 3d DCA 2000) (additional citation omitted))). In *Federated National Insurance Co. v. Joyce*, 179 So.3d 492, 493-94 (Fla. 5th DCA 2015), review granted, SC16-103 (Fla.2016), we recently wrote:

In *Rowe*, the Florida Supreme Court adopted the federal lodestar approach, which includes "a 'strong presumption' that the lodestar represents the 'reasonable fee.'" *Progressive Express Ins. Co. v. Schultz*, 948

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So.2d 1027, 1030 (Fla. 5th DCA 2007) (citing *Pennsylvania v. Del. Valley Citizens' Council for Clean Air*, 478 U.S. 546, 565, 106 S.Ct. 3088, 92 L.Ed.2d 439 (1986)). "The application of a multiplier is the exception, not the rule. . . and this presumption is overcome only in 'rare' and 'exceptional' circumstances." *State Farm Fla. Ins. Co. v. Alvarez*, 175 So.3d 352 (Fla. 3d DCA 2015) (citing *Perdue v. Kenny A. ex rel. Winn*, 559 U.S. 542, 544, 130 S.Ct. 1662, 176 L.Ed.2d 494 (2010)).

The primary issue in this case was whether Appellees' home was damaged by sinkhole activity. If it was, then the claim was covered under the policy. If not, then there was no coverage. Each party presented expert witness testimony at trial as to this issue. Appellees' counsel skillfully represented Appellees throughout this litigation, prevailed at trial, and was statutorily entitled to an award of an attorney's fee. The lodestar fee computed to \$262,620, which, under *Rowe*, is strongly presumed to be a reasonable attorney's fee. See *Schultz*, 948 So.2d at 1030. Although we apply a highly deferential standard of review of this type of an attorney's fee award because of the trial court's "first-hand knowledge of the case," "superior understanding of the litigation," and "extensive contact with the parties and their counsel," *Alvarez*, 175 So.3d at 355 (quoting *Centex-Rooney Const. Co. v. Martin Cty.*, 725 So.2d 1255, 1259 (Fla. 4th DCA 1999)), as appellate judges, when we review the trial court's decision for an abuse of discretion, "we are not required to abandon what we learned as lawyers . . . in evaluating the reasonableness of an award." *Trumbull Ins. Co. v. Wolentarski*, 2 So.3d 1050, 1057 (Fla. 3d DCA 2009) (citing *Ziontz v. Ocean Trail Unit Owners Ass'n*, 663 So.2d 1334, 1335 (Fla. 4th DCA 1993)). We find that this case is not one involving "rare" and "exceptional" circumstances and, therefore, conclude that the strong presumption against the application of the contingency risk multiplier has not been overcome.



Accordingly, we reverse, in part, the attorney's fee award and remand with directions that the court strike from the final judgment the sum of \$131,310 for attorney's fees awarded pursuant to the multiplier, resulting in an attorney's fee award to Appellees' counsel in accordance with the aforementioned lodestar figure. We also reverse, in part, the award of court costs and remand with directions that the trial court strike from the final judgment the sum of \$26,918.43, reflecting the amount awarded for services rendered by Nettles & Associates and Reliable Field Services of Central Florida, Inc.

REVERSED in part; and REMANDED, with directions.

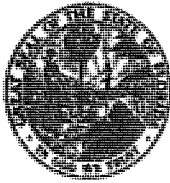
I concur with the majority's decision to reverse the award of total costs. I also agree with the majority's framing of the issue—it should be the most exceptional of cases that merit the use of a multiplier. I am forced to dissent, however, because of the standard of review in this case. As the majority notes, the trial court's application of a multiplier to an attorney's fee award is reviewed for an abuse of discretion. *Holiday v. Nationwide Mut. Fire Ins.*, 864 So.2d 1215, 1218 (Fla. 5th DCA 2004). The trial court conducted an extensive evidentiary hearing on the fee issue and determined that a multiplier was appropriate. I cannot conclude that the trial court's decision constituted an abuse of discretion; thus, I would affirm the use of a multiplier. I respectfully dissent on this issue but concur with the majority opinion in all other respects.

PER CURIAM.

LAMBERT, J., and LEMONIDES, R.C., Associate Judge, concur. COHEN, J., concurs in part and dissents in part.

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Florida Hurricane Catastrophe Fund

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GOVERNOR
CHAIR

JIMMY PATRONIS
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

October 23, 2017

VIA EMAIL

Mr. Daniel O'Neil
Mr. Paul Simeone
Sawgrass Mutual Insurance Company
1000 Sawgrass Corporate Parkway, #100
Sunrise, FL 33323

Re: Florida Hurricane Catastrophe Fund (FHCF)
Overdue Premium Payment

Dear Messrs. O'Neil and Simeon:

As Sawgrass Mutual Insurance Company was placed under administrative supervision on August 18, 2017, pursuant to Article X(2)(b) of the FHCF Reimbursement Contract ("Contract"), the remainder of your company's full 2017 provisional reimbursement premium of \$3,237,331.40 was due August 18, 2017. A letter and an invoice for this amount were emailed to your attention on September 15, 2017 requesting payment by October 2, 2017. As of today, we have not received payment for this outstanding amount.

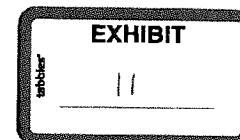
Pursuant to Section 215.555(5), Florida Statutes, Sawgrass is required to annually pay the FHCF an actuarially indicated premium for the coverage provided under the Contract. Pursuant to Article IX of the Contract executed by Mr. Simeon on February 21, 2017, a company's actual FHCF reimbursement premium is based on its June 30 exposure and is not adjusted to reflect any changes to your book of business after June 30th, nor is it adjusted if a company cancels policies, is liquidated or otherwise changes its business status, or stops writing new business. As such, the Florida Office of Insurance Regulation's September 1, 2017 Consent Order providing for the cancellation of all Sawgrass policies effective September 1, 2017, does not change Sawgrass' obligations under the FHCF Contract.

As Sawgrass failed to pay its full provisional FHCF premium by August 18, 2017 (as required under Article X(2)(b) of the Contract) or by the October 2, 2017 date requested in the September 15, 2017 invoice, Sawgrass' 2017 selected coverage level of 90% had now been defaulted to 45% pursuant to the terms of the Contract.

On September 26, 2017, the FHCF received Sawgrass' 2017 Data Call submission. At the default 45% coverage level, Sawgrass' actuarially indicated 2017 FHCF premium, based on the Data Call submission, is \$2,181,044. As such, we have included your company's final premium invoice for this amount, less the \$1,618,666 provisional premium payment received from Sawgrass on August 1, 2017, which results in a remaining premium owed of \$562,378.

Pursuant to the Contract, interest will continue to accrue on this balance from August 18, 2017 (the date Sawgrass' full FHCF provisional premium was due) until the date the balance is paid. While Sawgrass' initial full provisional premium was a significantly higher number, the FHCF will not charge any interest on the provisional premium in excess of your company's eventual final premium.

ADMINISTERED FOR
THE STATE BOARD OF ADMINISTRATION BY
PARACON STRATEGIC SOLUTIONS INC.
8200 TOWER • 5600 W. 83RD STREET, SUITE 1100 • MINNEAPOLIS, MN 55437
PHONE: 800-689-FUND (3863) • FACSIMILE: 800-264-0492



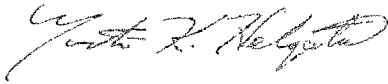
October 23, 2017

Page 2

After payment of the premium has been received, the FHCF will issue an invoice for the interest owed to the FHCF on the \$562,378 through the date of its payment.

If you would like to discuss this issue, feel free to call me at 800-689-3863 or Leonard Schulte, FHCF Director of Legal Analysis & Risk Evaluation at the State Board of Administration of Florida, at 850-413-1335.

Sincerely,



Martin K. Helgestad
Managing Director - FHCF Administration
Paragon Strategic Solutions Inc.

CC: Virginia Christy, Director of P&C Oversight
Florida Office of Insurance Regulation

Anne T. Bert, FHCF Chief Operating Officer
State Board of Administration of Florida

J:\fhcf\2017\sawgrass



Florida Hurricane Catastrophe Fund

RICK SCOTT
GOVERNOR
CHAIR

JIMMY PATRONIS
CHIEF FINANCIAL OFFICER

FAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

October 23, 2017

Mr. Paul Simeone
Sawgrass Mutual Insurance Company
1000 Sawgrass Corporate Parkway, #100
Sunrise, FL 33323

STATEMENT # S2017-13619-00003

Sawgrass Mutual Insurance Company
NAIC: 13619

This statement is a current summary of all open FHCF invoices for your company.

Invoice Number	Invoice Type	Invoice Balance	Due Date	Status
I2017-13619-00002	Mandatory 2nd Provisional	\$3,237,331.40	10/2/2017	
I2017-13619-00005	Adjustment	\$562,378.00	11/7/2017	
I2017-13619-00006	Reversal	(\$3,237,331.40)	10/23/2017	
BALANCE (Due to Company) Due to the FHCF:		\$562,378.00		

Failure to remit payment by the due date is a violation of the Florida Insurance Code and shall result in a referral to the Florida Office of Insurance Regulation. Late payments will accrue an interest charge until the payment is received.

Payment must be made by one of these two methods

WIRE Transfer to:
Bank of America, Tampa FL
ABA 026 009 593
For credit to Paragon fbo FHCF
Acct #0036 0275 2941

ACH to:
Bank of America, Tampa FL
ABA 063 100 277
For credit to Paragon fbo FHCF
Acct #0036 0275 2941

PLEASE NOTE: PAYMENTS BY CHECK ARE NO LONGER ACCEPTED BY THE FHCF AND THE LOCKBOX HAS BEEN CLOSED. PLEASE REMIT BY WIRE TRANSFER OR ACH AS INSTRUCTED ABOVE.

PAYMENTS NOT MADE BY ONE OF THE ABOVE METHODS AND NOT RECEIVED BY THE DUE DATE ARE CONSIDERED LATE AND ARE SUBJECT TO LATE INTEREST. PLEASE INCLUDE REMITTANCE INFORMATION WITH THE WIRE OR ACH INSTRUCTIONS. SEND BILLING/REMITTANCE QUESTIONS TO FHCFAccounting@aonbenfield.com.

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Florida Hurricane Catastrophe Fund

RICK SCOTT
GOVERNOR
CHAIR
JEFF ATWATER
CHIEF FINANCIAL OFFICER
PAM BONDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

Invoice #: I2017-13619-00002

October 23, 2017

Sawgrass Mutual Insurance Company
NAIC: 13619

Total: \$3,237,331.40
Due Date: October 02, 2017

2nd PROVISIONAL PREMIUM INSTALLMENT INVOICE

2017 Coverage Option 90.00 %

One-Third Provisional Premium \$3,237,331.40

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PAM BONDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

Invoice #: I2017-13619-00005

October 23, 2017

Sawgrass Mutual Insurance Company
NAIC: 13619

Total: \$562,378.00
Due Date: November 07, 2017

ADJUSTMENT

Amount: \$562,378.00

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CHIEF FINANCIAL OFFICER
FAM BONDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

Invoice #: I2017-13619-00006

October 23, 2017

Sawgrass Mutual Insurance Company
NAIC: 13619

Total: (\$3,237,331.40)
Due Date: October 23, 2017

REVERSAL INVOICE

Amount: (\$3,237,331.40)

Reverses Invoice #: I2017-13619-00002

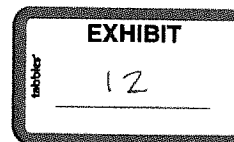
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AFFIDAVIT OF LEONARD SCHULTE

STATE OF FLORIDA
COUNTY OF LEON

BEFORE ME, this day personally appeared Leonard Schulte, who being duly sworn deposes and says that the following information is true and correct, and within his personal knowledge:

1. I, Leonard Schulte, am over the age of 18, sui juris, and I am competent to testify to and have personal knowledge of the facts contained herein.
2. Beginning October 2010 and continuing through the present, I have been employed by the Florida Hurricane Catastrophe Fund ("FHCF") as the Director of Legal Analysis and Risk Evaluation.
3. The FHCF is a tax-exempt state trust fund under the direction of the State Board of Administration. The FHCF was created in November 1993 during a special legislative session after Hurricane Andrew. The purpose of the FHCF is to protect and advance the state's interest in maintaining insurance capacity in Florida by providing reimbursements to insurers for a portion of their catastrophic hurricane losses.
4. Every insurer writing residential property insurance in Florida must enter into a reimbursement contract with the FHCF as a condition of doing business in the state. This contract establishes the amount of premium to be paid by that insurer and the level of reimbursement to be provided by the FHCF in the case of catastrophic losses.
5. On February 21, 2017, Sawgrass Mutual Insurance Company executed its FHCF reimbursement contract for the period June 1, 2017 through May 31, 2018



("Contract"). A true and correct copy of the Contract is attached to this affidavit as Exhibit A.

6. The total premium due to the FHCF from Sawgrass pursuant to the Contract is \$2,181,044, plus interest on the unpaid amount, accruing at the rate of 6.16% until paid in full. In addition, because of reporting errors discovered during the FHCF's exposure examination, the FHCF is requiring Sawgrass to resubmit exposure data, which will result in additional premium due; this additional premium will not be calculated or invoiced before receipt of the resubmission.

7. As of the date of this affidavit, Sawgrass has paid to the FHCF \$1,618,666.00 in premium under the Contract. Copies of the receipt of this payment is attached to this affidavit as composite Exhibit B.

8. As of the date of this affidavit, Sawgrass still owes the FHCF \$562,378.00 in premium under the Contract plus interest on the unpaid amount, accruing at the rate of 6.16% until paid in full. A copy of the latest statement of the premium amount due and owing the FHCF from Sawgrass is attached to this affidavit as Exhibit C.

9. The FHCF has made demand of Sawgrass for payment of the delinquent premium. Sawgrass has not remitted payment or made any commitment to do so.

10. On or about July 19, 2018, a representative of Sawgrass contacted the FHCF and inquired whether the FHCF would consider accepting a reduced amount as full payment of the premium due. The FHCF informed this representative that it would not.

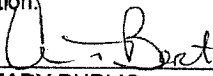
FURTHER AFFIANT SAYETH NAUGHT.


Leonard Schulte

STATE OF FLORIDA
COUNTY OF LEON

Sworn to and subscribed before me by Leonard Schulte this 2nd day of ^{August} ~~July~~, 2018.

he/she is personally known to me, OR
 has produced _____ as identification.


NOTARY PUBLIC

(NOTARY STAMP)

Printed Name: Anne T. Bert



EXHIBIT A

**STATE BOARD OF ADMINISTRATION
OF FLORIDA**



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TALLAHASSEE, FLORIDA 32308
(850) 488-4406

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32317-3300

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PAM BUNDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

REIMBURSEMENT CONTRACT

**Effective: June 1, 2017
(Contract)**

between

**SAWGRASS MUTUAL INSURANCE COMPANY
(Company)**

NAIC # 13619

and

**THE STATE BOARD OF ADMINISTRATION OF THE STATE OF FLORIDA (SBA)
WHICH ADMINISTERS THE FLORIDA HURRICANE CATASTROPHE FUND (FHCF)**

PREAMBLE

The Legislature of the State of Florida has enacted Section 215.555, Florida Statutes (Statute), which directs the SBA to administer the FHCF. This Contract, consisting of the principal document entitled Reimbursement Contract, addressing the mandatory FHCF coverage, and Addenda, is subject to the Statute and to any administrative rule adopted pursuant thereto, and is not intended to be in conflict therewith. All provisions in the principal document are equally applicable to each Addendum unless specifically superseded by one of the Addenda.

In consideration of the promises set forth in this Contract, the parties agree as follows:

ARTICLE I - SCOPE OF AGREEMENT

As a condition precedent to the SBA's obligations under this Contract, the Company, an Authorized Insurer or an entity writing Covered Policies under Section 627.351, Florida Statutes, in the State of Florida, shall report to the SBA in a specified format the business it writes which is described in this Contract as Covered Policies.

The terms of this Contract shall determine the rights and obligations of the parties. This Contract provides reimbursement to the Company under certain circumstances, as described herein, and does not provide or extend insurance or reinsurance coverage to any person, firm, corporation or other entity. The SBA shall reimburse the Company for its Ultimate Net Loss on Covered Policies, which were in force and in effect at the time of the Covered Event(s) causing the Loss, in excess of the Company's Retention as a result of each Covered Event commencing during the Contract Year, to the extent funds are available, all as hereinafter defined.

100N

28 '17

FHCF-2017K
Rule 19-8.010 F.A.C.

ARTICLE II - PARTIES TO THE CONTRACT

This Contract is solely between the Company and the SBA which administers the FHCF. In no instance shall any insured of the Company or any claimant against an insured of the Company, or any other third party, have any rights under this Contract, except as provided in Article XV. The SBA will only disburse funds to the Company, except as provided for in Article XV. The Company shall not, without the prior approval of the Office of Insurance Regulation, sell, assign, or transfer to any third party, in return for a fee or other consideration any sums the FHCF pays under this Contract or the right to receive such sums.

ARTICLE III - TERM

- (1) The term of this Contract shall apply to Losses from Covered Events which commence during the period from 12:00:01 a.m., Eastern Time, June 1, 2017, to 12:00 midnight, Eastern Time, May 31, 2018 (Contract Year). Pursuant to the terms of this Contract, the SBA shall not be liable for Losses from Covered Events which commence after the effective time and date of expiration or termination. Should this Contract expire or terminate while a Covered Event is in progress, the SBA shall be responsible for such Covered Event in progress in the same manner and to the same extent it would have been responsible had the Contract expired the day following the conclusion of the Covered Event in progress.
- (2) The Company is required to designate a coverage level, make the required selections, and return this fully executed Contract to the FHCF Administrator so that the Contract is received by the FHCF Administrator no later than 5 p.m., Central Time, March 1, 2017. Failure to do so shall result in the Company's coverage level under this Contract being deemed as follows:
 - (a) For Companies that are a member of a National Association of Insurance Commissioners (NAIC) group, the same coverage level selected by the other Companies of the same NAIC group shall be deemed. If executed Contracts for none of the members of an NAIC group have been received by the FHCF Administrator, the coverage level from the prior Contract Year shall be deemed.
 - (b) For Companies that are not a member of an NAIC group under which other Companies are active participants in the FHCF, the coverage level from the prior Contract Year shall be deemed.
 - (c) For New Participants, as that term is defined in Article V(21), that are a member of an NAIC group, the same coverage level selected by the other Companies of the same NAIC group shall be deemed.
 - (d) For New Participants that are not a member of an NAIC group under which other Companies are active participants in the FHCF, the 45%, 75% or 90% coverage levels may be selected providing that the FHCF Administrator receives executed Contracts within 30 calendar days of the effective date of the first Covered Policy, otherwise, the 45% coverage level shall be deemed.
- (3) Failure by the Company to meet the requirements of this Article may result in referral to the Office of Insurance Regulation.

ARTICLE IV - LIABILITY OF THE FHCF

- (1) The SBA shall reimburse the Company, with respect to each Covered Event commencing during the Contract Year for the "Reimbursement Percentage" elected, this percentage times the amount of Ultimate Net Loss paid by the Company in excess of the Company's Retention, as adjusted pursuant to Article V(28), plus 5% of the reimbursed Losses for Loss Adjustment Expense Reimbursement.
- (2) The Reimbursement Percentage will be 45% or 75% or 90%, at the Company's option as elected under Article XIX.

- (3) The aggregate liability of the FHCF with respect to all Reimbursement Contracts covering this Contract Year shall not exceed the limit set forth under Section 215.555(4)(c)1., Florida Statutes. For specifics regarding reimbursement calculations, see section (3)(c) of Article X.
- (4) Upon the occurrence of a Covered Event, the SBA shall evaluate the potential Losses to the FHCF and the FHCF's capacity at the time of the event. The initial Projected Payout Multiple used to reimburse the Company for its Losses shall not exceed the Projected Payout Multiple as calculated based on the capacity needed to provide the FHCF's coverage. If it appears that the Estimated Claims-Paying Capacity may be exceeded, the SBA shall reduce the projected payout factors or multiples for determining each participating insurer's projected payout uniformly among all insurers to reflect the Estimated Claims-Paying Capacity.
- (5) Reimbursement amounts shall not be reduced by reinsurance paid or payable to the Company from other sources. Once the Company's limit of coverage has been exhausted, the Company will not be entitled to further reimbursements.
- (6) After the end of the calendar year, the SBA shall notify insurers of the estimated Borrowing Capacity and the Balance of the Fund as of December 31. In May and October of each year, the SBA shall publish in the *Florida Administrative Register* a statement of the FHCF's estimated Borrowing Capacity, Estimated Claims-Paying Capacity, and the projected Balance of the Fund as of December 31.
- (7) The obligation of the SBA with respect to all Contracts covering a particular Contract Year shall not exceed the Balance of the Fund as of December 31 of that Contract Year, together with the maximum amount the SBA is able to raise through the issuance of revenue bonds or through other means available to the SBA under Section 215.555, Florida Statutes, up to the limit in accordance with Section 215.555(4)(c)1. and (6), Florida Statutes. The obligations and the liability of the SBA are more fully described in Rule 19-8.013, Florida Administrative Code (F.A.C.).

ARTICLE V - DEFINITIONS

- (1) **Actual Claims-Paying Capacity of the FHCF**
This term means the sum of the Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the amount the SBA is able to raise through the issuance of revenue bonds, or through other means available by law to the SBA, up to the limit in accordance with Section 215.555(4)(c)1. and (6), Florida Statutes.
- (2) **Actuarially Indicated**
This term means, with respect to Premiums paid by Companies for reimbursement provided by the FHCF, an amount determined in accordance with the definition provided in Section 215.555(2)(a), Florida Statutes.
- (3) **Additional Living Expense (ALE)**
ALE Losses covered by the FHCF are not to exceed 40 percent of the insured value of a Residential Structure or its contents based on the coverage provided in the policy. Fair rental value, loss of rents, or business interruption losses are not covered by the FHCF.
- (4) **Administrator**
This term means the entity with which the SBA contracts to perform administrative tasks associated with the operations of the FHCF. The Administrator is Paragon Strategic Solutions Inc., 8200 Tower, 5600 West 83rd Street, Suite 1100, Minneapolis, Minnesota 55437. The telephone number is (800) 689-3863, and the facsimile number is (800) 264-0492.

(5) **Authorized Insurer**

This term is defined in Section 624.09(1), Florida Statutes.

(6) **Borrowing Capacity**

This term means the amount of funds which are able to be raised by the issuance of revenue bonds or through other financing mechanisms, less bond issuance expenses and reserves.

(7) **Citizens Property Insurance Corporation (Citizens)**

This term means Citizens Property Insurance Corporation as created under Section 627.351(6), Florida Statutes. For the purposes of the FHCF, Citizens Property Insurance Corporation incorporates two accounts, (a) the coastal account and (b) the personal lines and commercial lines accounts. Each account is treated by the FHCF as if it were a separate participating insurer with its own reportable exposures, Reimbursement Premium, Retention, and Ultimate Net Loss.

(8) **Contract**

This term means this Reimbursement Contract for the current Contract Year.

(9) **Covered Event**

This term means any one storm declared to be a hurricane by the National Hurricane Center which causes insured losses in Florida. A Covered Event begins when a hurricane causes damage in Florida while it is a hurricane and continues throughout any subsequent downgrades in storm status by the National Hurricane Center regardless of whether the hurricane makes landfall. Any storm, including a tropical storm, which does not become a hurricane is not a Covered Event.

(10) **Covered Policy or Covered Policies**

(a) Covered Policy, as defined in Section 215.555(2)(c), Florida Statutes, is further clarified to mean only that portion of a binder, policy or contract of insurance that insures real or personal property located in the State of Florida to the extent such policy insures a Residential Structure or the contents of a Residential Structure, located in the State of Florida.

(b) Due to the specialized nature of the definition of Covered Policies, Covered Policies are not limited to only one line of business in the Company's annual statement required to be filed by Section 624.424, Florida Statutes. Instead, Covered Policies are found in several lines of business on the Company's annual statement. Covered Policies will at a minimum be reported in the Company's statutory annual statement as:

1. Fire
2. Allied Lines
3. Farmowners Multiple Peril
4. Homeowners Multiple Peril
5. Commercial Multiple Peril (non liability portion, covering condominiums and apartments)
6. Inland Marine

Note that where particular insurance exposures, e.g., mobile homes, are reported on an annual statement is not dispositive of whether or not the exposure is a Covered Policy.

(c) This definition applies only to the first-party property section of a policy pertaining strictly to the structure, its contents, appurtenant structures, or ALE coverage.

(d) Covered Policy also includes any collateral protection insurance policy covering personal residences which protects both the borrower's and the lender's financial interest, in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy, if such policy can be accurately reported as required in Section 215.555(5), Florida Statutes. A Company will be deemed to be able to accurately report data if the required data, as specified in the Premium Formula adopted in Section 215.555(5), Florida Statutes, is available.

(e) See Article VI for specific exclusions.

- (11) **Deductible Buy-Back Policy**
This term means a specific policy that provides coverage to a policyholder for some portion of the policyholder's deductible under a policy issued by another insurer.
- (12) **Estimated Claims-Paying Capacity of the FHCF**
This term means the sum of the projected Balance of the Fund as of December 31 of a Contract Year, plus any reinsurance purchased by the FHCF, plus the most recent estimate of the Borrowing Capacity of the FHCF, determined pursuant to Section 215.555(4)(c), Florida Statutes.
- (13) **Excess Policy**
This term, for the purposes of this Contract, means a policy that provides insurance protection for large commercial property risks and that provides a layer of coverage above a primary layer (which is insured by a different insurer) that acts much the same as a very large deductible.
- (14) **Florida Department of Financial Services**
This term means the Florida regulatory agency, created pursuant to Section 20.121, Florida Statutes, which is charged with regulating the Florida insurance market and administering the Florida Insurance Code.
- (15) **Florida Insurance Code**
This term means those chapters identified in Section 624.01, Florida Statutes, which are designated as the Florida Insurance Code.
- (16) **Formula or the Premium Formula**
This term means the Formula approved by the SBA for the purpose of determining the Actuarially Indicated Premium to be paid to the FHCF. The Premium Formula is defined as an approach or methodology which leads to the creation of premium rates. The Formula shall, pursuant to Section 215.555(5)(b), Florida Statutes, include a cash build-up factor in the amount specified therein.
- (17) **Fund Balance or Balance of the Fund as of December 31**
These terms mean the amount of assets available to pay claims, not including any bonding proceeds, resulting from Covered Events which occurred during the Contract Year.
- (18) **Insurer Group**
For purposes of the coverage option election in Section 215.555(4)(b), Florida Statutes, Insurer Group means the group designation assigned by the National Association of Insurance Commissioners (NAIC) for purposes of filing consolidated financial statements. A Company is a member of a group as designated by the NAIC until such Company is assigned another group designation or is no longer a member of a group recognized by the NAIC.
- (19) **Loss**
"Loss" or "Losses" means incurred losses under a Covered Policy from a Covered Event, including Additional Living Expenses not to exceed 40 percent of the insured value of a Residential Structure or its contents and amounts paid as fees on behalf of or inuring to the benefit of a policyholder. "Loss" excludes allocated or unallocated loss adjustment expenses and also excludes any item for which this Contract does not provide reimbursement pursuant to the exclusions in Article VI.
- (20) **Loss Adjustment Expense Reimbursement**
(a) Loss Adjustment Expense Reimbursement shall be 5% of the reimbursed Losses under this Contract as provided in Article IV, pursuant to Section 215.555(4)(b)1., Florida Statutes.
(b) The 5% Loss Adjustment Expense Reimbursement is included in the total Payout Multiple applied to each Company.
- (21) **New Participant(s)**
This term means all Companies which begin writing Covered Policies on or after the beginning of the Contract Year. A Company that removes exposure from Citizens pursuant to an assumption agreement effective on or after June 1 and had written no other Covered Policies before June 1 is also considered a New Participant.

- (22) **Office of Insurance Regulation**
This term means that office within the Department of Financial Services and which was created in Section 20.121(3), Florida Statutes.
- (23) **Payout Multiple**
This term means the multiple as calculated in accordance with Section 215.555(4)(c), Florida Statutes, which is derived by dividing the single season Claims-Paying Capacity of the FHCF by the total aggregate industry Reimbursement Premium for the FHCF for the Contract Year billed as of December 31 of the Contract Year. The final Payout Multiple is determined once Reimbursement Premiums have been billed as of December 31 and the amount of bond proceeds has been determined.
- (24) **Premium**
This term means the same as Reimbursement Premium.
- (25) **Projected Payout Multiple**
The Projected Payout Multiple is used to calculate a Company's projected payout pursuant to Section 215.555(4)(d)2., Florida Statutes. The Projected Payout Multiple is derived by dividing the estimated single season Claims-Paying Capacity of the FHCF by the estimated total aggregate industry Reimbursement Premium for the FHCF for the Contract Year. The Company's Reimbursement Premium as paid to the SBA for the Contract Year is multiplied by the Projected Payout Multiple to estimate the Company's coverage from the FHCF for the Contract Year.
- (26) **Reimbursement Premium**
This term means the Premium determined by multiplying each \$1,000 of insured value reported by the Company in accordance with Section 215.555(5)(b), Florida Statutes, by the rate as derived from the Premium Formula, as described in Rule 19-8.028, F.A.C.
- (27) **Residential Structures**
This term means units or buildings used exclusively or predominantly for dwelling or habitational occupancies, including the primary structure and appurtenant structures insured under the same policy and any other structures covered under endorsements associated with a policy covering a residential structure. For the purpose of this Contract, a single structure which includes a mix of commercial habitational and commercial non-habitational occupancies, and which is insured under a commercial policy, is considered a Residential Structure if 50% or more of the total insured value of the structure is used for habitational occupancies. *Covered Residential Structures do not include* any structures listed under Article VI.
- (28) **Retention**
This term means the amount of Losses from a Covered Event which must be incurred by the Company before it is eligible for reimbursement from the FHCF.
- (a) When the Company incurs Losses from one or two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the Covered Events.
- (b) When the Company incurs Losses from more than two Covered Events during the Contract Year, the Company's full Retention shall be applied to each of the two Covered Events causing the largest Losses for the Company. For each other Covered Event resulting in Losses, the Company's Retention shall be reduced to one-third of its full Retention.
1. All reimbursement of Losses for each Covered Event shall be based on the Company's full Retention until December 31 of the Contract Year. Adjustments to reflect a reduction to one-third of the full Retention shall be made on or after January 1 of the Contract Year provided the Company reports its Losses as specified in this Contract.
2. Adjustments to the Company's Retention shall be based upon its paid and outstanding Losses as reported on the Company's Proof of Loss Reports, but shall not include incurred but not reported Losses. The Company's Proof of Loss Reports shall be used to determine

which Covered Events constitute the Company's two largest Covered Events. After this initial determination, any subsequent adjustments shall be made quarterly by the SBA only if the Proof of Loss Reports reveal that loss development patterns have resulted in a change in the order of Covered Events entitled to the reduction to one-third of the full Retention.

- (c) The Company's full Retention is established in accordance with the provisions of Section 215.555(2)(e), Florida Statutes, and shall be determined by multiplying the Retention Multiple by the Company's Reimbursement Premium for the Contract Year.

(29) Retention Multiple

- (a) The Retention Multiple is applied to the Company's Reimbursement Premium to determine the Company's Retention. The Retention Multiple for the 2017/2018 Contract Year shall be equal to \$4.5 billion, adjusted based upon the reported exposure for the 2015/2016 Contract Year to reflect the percentage growth in exposure to the FHCF since 2004, divided by the estimated total industry Reimbursement Premium at the 90% reimbursement percentage level for the Contract Year as determined by the SBA.
- (b) The Retention Multiple shall be adjusted to reflect the reimbursement percentage elected by the Company under this Contract as follows:
 - 1. If the Company elects a 90% reimbursement percentage, the adjusted Retention Multiple is 100% of the amount determined under (29)(a) above;
 - 2. If the Company elects a 75% reimbursement percentage, the adjusted Retention Multiple is 120% of the amount determined under (29)(a) above; or
 - 3. If the Company elects a 45% reimbursement percentage, the adjusted Retention Multiple is 200% of the amount determined under (29)(a) above.

(30) Ultimate Net Loss

- (a) This term means all Losses under Covered Policies in force at the time of a Covered Event prior to the application of the Company's Retention and reimbursement percentage, and excluding loss adjustment expense and any exclusions under Article VI.
- (b) The Company's Ultimate Net Loss shall be determined in accordance with the deductible level as specified under the policy sustaining the Loss without taking into consideration any deductible discounts or deductible waivers.
- (c) Salvages and all other recoveries, excluding reinsurance recoveries, shall be first deducted from such Loss to arrive at the amount of liability attaching hereunder.
- (d) All salvages, recoveries or payments recovered or received subsequent to a Loss settlement under this Contract shall be applied as if recovered or received prior to the aforesaid settlement and all necessary adjustments shall be made by the parties hereto.
- (e) Nothing in this clause shall be construed to mean that Losses under this Contract are not recoverable until the Company's Ultimate Net Loss has been ascertained.
- (f) The SBA shall be subrogated to the rights of the Company to the extent of its reimbursement of the Company. The Company agrees to assist and cooperate with the SBA in all respects as regards such subrogation. The Company further agrees to undertake such actions as may be necessary to enforce its rights of salvage and subrogation, and its rights, if any, against other insurers as respects any claim, loss, or payment arising out of a Covered Event.

ARTICLE VI – EXCLUSIONS

This Contract does not provide reimbursement for:

- (1) Any losses not defined as being within the scope of a Covered Policy.
- (2) Any policy which excludes wind or hurricane coverage.

- (3) Any Excess Policy or Deductible Buy-Back Policy that requires individual ratemaking, as determined by the FHCF.
- (4) (a) Any policy for Residential Structures that provides a layer of coverage underneath an Excess Policy issued by a different insurer;
- (b) Any policy providing a layer of windstorm or hurricane coverage for a particular structure above or below a layer of windstorm or hurricane coverage under a separate policy issued by a different insurer, or any other circumstance in which two or more insurers provide primary windstorm or hurricane coverage for a single structure using separate policy forms;
- (c) Any other policy providing a layer of windstorm or hurricane coverage for a particular structure below a layer of self-insured windstorm or hurricane coverage for the same structure; or
- (d) The exclusions in this subsection do not apply to primary quota share policies written by Citizens Property Insurance Corporation under Section 627.351(6)(c)2., Florida Statutes.
- (5) Any liability of the Company attributable to losses for fair rental value, loss of rent or rental income, or business interruption.
- (6) Any collateral protection policy that does not meet the definition of Covered Policy as defined in Article V(10)(d).
- (7) Any reinsurance assumed by the Company.
- (8) Any exposure for hotels, motels, timeshares, shelters, camps, retreats, and any other rental property used solely for commercial purposes.
- (9) Any exposure for homeowner associations if no habitational structures are insured under the policy.
- (10) Any exposure for homes and condominium structures or units that are non-owner occupied and rented for 6 or more rental periods by different parties during the course of a 12-month period.
- (11) Commercial healthcare facilities and nursing homes; however, a nursing home which is an integral part of a retirement community consisting primarily of habitational structures that are not nursing homes will not be subject to this exclusion.
- (12) Any exposure under commercial policies covering only appurtenant structures or structures that do not function as a habitational structure (e.g., a policy covering only the pool of an apartment complex).
- (13) Policies covering only Additional Living Expense.
- (14) Any exposure for barns or barns with apartments or living quarters.
- (15) Any exposure for builders risk coverage or new Residential Structures still under construction.
- (16) Any exposure for recreational vehicles, golf carts, or boats (including boat related equipment) requiring licensing and written on a separate policy or endorsement.
- (17) Any liability of the Company for extra contractual obligations or liabilities in excess of original policy limits. This exclusion includes, but is not limited to, amounts paid as bad faith awards, punitive damages awards, or other court-imposed fines, sanctions, or penalties; or other amounts in excess of the coverage limits under the Covered Policy.
- (18) Any losses paid in excess of a policy's hurricane limit in force at the time of each Covered Event, including individual coverage limits (i.e., building, appurtenant structures, contents, and additional living expense), or other amounts paid as the result of a voluntary expansion of coverage by the insurer, including, but not limited to, a discount on or waiver of an applicable deductible. This exclusion includes overpayments of a specific individual coverage limit even if total payments under the policy are within the aggregate policy limit.
- (19) Any losses paid under a policy for Additional Living Expense, written as a time element coverage, in excess of the Additional Living Expense exposure reported for that policy under the Data Call for the applicable Contract Year (unless policy limits have changed effective after June 30 of the Contract Year).

- (20) Any losses which the Company's claims files do not adequately support. Claim file support shall be deemed adequate if in compliance with the Records Retention Requirements outlined on the Form FHCF-L1B (Proof of Loss Report) applicable to the Contract Year.
- (21) Any exposure for, or amounts paid to reimburse a policyholder for, condominium association loss assessments or under similar coverages for contractual liabilities.
- (22) Losses in excess of the sum of the Balance of the Fund as of December 31 of the Contract Year and the amount the SBA is able to raise through the issuance of revenue bonds or by the use of other financing mechanisms, up to the limit pursuant to Section 215.555(4)(c), Florida Statutes.
- (23) Any liability assumed by the Company from Pools, Associations, and Syndicates. Exception: Covered Policies assumed from Citizens under the terms and conditions of an executed assumption agreement between the Authorized Insurer and Citizens are covered by this Contract.
- (24) 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, howsoever 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.
- (25) Property losses that are proximately caused by any peril other than a Covered Event, including, but not limited to, fire, theft, flood or rising water, or windstorm that does not constitute a Covered Event, or any liability of the Company for loss or damage caused by or resulting from nuclear reaction, nuclear radiation, or radioactive contamination from any cause, whether direct or indirect, proximate or remote, and regardless of any other cause or event contributing concurrently or in any other sequence to the loss.
- (26) The FHCF does not provide coverage for water damage which is generally excluded under property insurance contracts and has been defined to mean flood, surface water, waves, tidal water, overflow of a body of water, storm surge, or spray from any of these, whether or not driven by wind.
- (27) Policies and endorsements predominantly covering Specialized Fine Arts Risks or collectible types of property meeting the following requirements:
 - (a) A policy or endorsement predominantly covering Specialized Fine Arts Risks and not covering any Residential Structure if it meets the description in subparagraph 1 and if the conditions in subparagraph 2 are met.
 - 1. For purposes of this exemption, a Specialized Fine Arts Risk policy or endorsement is a policy or endorsement that:
 - a. Insures works of art, of rarity, or of historic value, such as paintings, works on paper, etchings, art glass windows, pictures, statuary, sculptures, tapestries, antique furniture, antique silver, antique rugs, rare books or manuscripts, jewelry, or other similar items;
 - b. Charges a minimum premium of \$500; and
 - c. Insures scheduled items valued, in the aggregate, at no less than \$100,000.
 - 2. The insurer offers specialized loss prevention services or other collector services designed to prevent or minimize loss, or to value or inventory the Specialized Fine Arts for insurance purposes, such as:
 - a. Collection risk assessments;
 - b. Fire and security loss prevention;
 - c. Warehouse inspections to protect items stored off-site;
 - d. Assistance with collection inventory management; or

- e. Collection valuation reviews.
- (b) A policy form or endorsement generally used by the Company to cover personal property which could include property of a collectible nature, including fine arts, as further described in this paragraph, either on a scheduled basis or written under a blanket limit, and not covering anything other than personal property. All such policy forms or endorsements are subject to the exclusion provided in this paragraph when the policy or endorsement limit equals or exceeds \$500,000. Generally such collectible property has unusually high values due to its investible, artistic, or unique intrinsic nature. The class of property covered under such a policy or endorsement represents an unusually high exposure value and such policy is intended to provide coverage for a class or classes of property that is not typical for the contents coverage under residential property insurance policies. In many cases property may be located at various locations either in or outside the state of Florida or the location of the property may change from time to time. The investment nature of such property distinguishes this type of exposure from the typical contents associated with a Covered Policy.
- (28) Any losses under liability coverages.
- (29) Any exposure for a condominium structure insured on a commercial policy in which more than 50% of the individual units are non-owner occupied and rented for 6 or more rental periods by different parties during the course of a 12-month period.
- (30) Any structure used exclusively or predominantly for non-dwelling or non-habitational occupancies.

ARTICLE VII - MANAGEMENT OF CLAIMS AND LOSSES

The Company shall investigate and settle or defend all claims and Losses. All payments of claims or Losses by the Company within the terms and limits of the appropriate coverage parts of Covered Policies shall be binding on the SBA, subject to the terms of this Contract, including the provisions in Article XIII relating to inspection of records and examinations.

ARTICLE VIII –REIMBURSEMENT ADJUSTMENTS

Section 215.555(4)(d) and (c), Florida Statutes, provides the SBA with the right to seek the return of excess reimbursements which have been paid to the Company along with interest thereon. Excess reimbursements are those payments made to the Company by the SBA that are in excess of the Company's coverage under the Contract Year. Excess reimbursements may result from adjustments to the Projected Payout Multiple or the Payout Multiple, incorrect exposure (Data Call) submissions or resubmissions, incorrect calculations of Reimbursement Premiums or Retentions, incorrect Proof of Loss Reports, incorrect calculation of reinsurance recoveries, or subsequent readjustment of policyholder claims, including subrogation and salvage, or any combination of the foregoing. The Company will be sent an invoice showing the due date for adjustments along with the interest due thereon through the due date. The applicable interest rate for interest credits, and for interest charges for adjustments beyond the Company's control, will be the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges on excess reimbursements due to adjustments resulting from incorrect exposure submissions or Proof of Loss Reports will accrue at this rate plus 5%. All interest will continue to accrue if not paid by the due date.

ARTICLE IX - REIMBURSEMENT PREMIUM

- (1) The Company shall, in a timely manner, pay the SBA its Reimbursement Premium for the Contract Year. The Reimbursement Premium for the Contract Year shall be calculated in accordance with Section 215.555, Florida Statutes, with any rules promulgated thereunder, and with Article X(2).
- (2) The Company's Reimbursement Premium is based on its June 30 exposure in accordance with Article X, except as provided for New Participants under Article X, and is not adjusted to reflect an

increase or decrease in exposure for Covered Policies effective after June 30 nor is the Reimbursement Premium adjusted when the Company cancels policies or is liquidated or otherwise changes its business status (merger, acquisition, or termination) or stops writing new business (continues in business with its policies in a runoff mode). Similarly, new business written after June 30 will not increase or decrease the Company's FHCF Reimbursement Premium or impact its FHCF coverage. FHCF Reimbursement Premiums are required of all Companies based on their writing Covered Policies in Florida as of June 30, and each Company's FHCF coverage as based on the definition in Section 215.555(2)(m), Florida Statutes, shall exist for the entirety of the Contract Year regardless of exposure changes, except as provided for New Participants under Article X.

- (3) Since the calculation of the Actuarially Indicated Premium assumes that the Companies will pay their Reimbursement Premiums timely, interest charges will accrue under the following circumstances. A Company may choose to estimate its own Premium installments. However, if the Company's estimation is less than the provisional Premium billed, an interest charge will accrue on the difference between the estimated Premium and the final Premium. If a Company estimates its first installment, the Administrator shall bill that estimated Premium as the second installment as well, which will be considered as an estimate by the Company. No interest will accrue regarding any provisional Premium if paid as billed by the FHCF's Administrator, except in the case of an estimated second installment as set forth in this Article. Also, if a Company makes an estimation that is higher than the provisional Premium billed but is less than the final Premium, interest will not accrue. If the Premium payment is not received from a Company when it is due, an interest charge will accrue on a daily basis until the payment is received. Interest will also accrue on Premiums resulting from submissions or resubmissions finalized after December 1 of the Contract Year. An interest credit will be applied for any Premium which is overpaid as either an estimate or as a provisional Premium. Interest shall not be credited past December 1 of the Contract Year. The applicable interest rate for interest credits will be the average rate earned by the SBA for the FHCF for the first four months of the Contract Year. The applicable interest rate for interest charges will accrue at this rate plus 5%.

ARTICLE X - REPORTS AND REMITTANCES

(1) Exposures

- (a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall report to the SBA, unless otherwise provided in Rule 19-8.029, F.A.C., no later than the statutorily required date of September 1 of the Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of June 30 of the Contract Year as outlined in the annual reporting of insured values form, FHCF-DIA (Data Call) adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.
- (b) If the Company first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year, the Company shall report to the SBA, no later than February 1 of the Contract Year, by ZIP Code or other limited geographical area as specified by the SBA, its insured values under Covered Policies as of November 30 of the Contract Year as outlined in the Supplemental Instructions for New Participants section of the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C., and other data or information in the format specified by the SBA.
- (c) If the Company first begins writing Covered Policies on December 1 through and including May 31 of the Contract Year, the Company shall not report its exposure data for the Contract Year to the SBA.
- (d) The requirement that a report is due on a certain date means that the report shall be received by the SBA no later than 4 p.m. Eastern Time on the due date. If the applicable due date is a

Saturday, Sunday or legal holiday, then the actual due date will be the day immediately following the applicable due date which is not a Saturday, Sunday or legal holiday. For purposes of the timeliness of the submission, neither the United States Postal Service postmark nor a postage meter date is in any way determinative. Reports sent to the FHCF Administrator in Minneapolis, Minnesota, will be returned to the sender. Reports not in the physical possession of the SBA by 4 p.m., Eastern Time, on the applicable due date are late.

(2) Reimbursement Premium

- (a) If the Company writes Covered Policies before June 1 of the Contract Year, the Company shall pay the FHCF its Reimbursement Premium in installments due on or before August 1, October 1, and December 1 of the Contract Year in amounts to be determined by the FHCF. However, if the Company's Reimbursement Premium for the prior Contract Year was less than \$5,000, the Company's full provisional Reimbursement Premium, in an amount equal to the Reimbursement Premium paid in the prior year, shall be due in full on or before August 1 of the Contract Year. The Company will be invoiced for amounts due, if any, beyond the provisional Reimbursement Premium payment, on or before December 1 of the Contract Year.
- (b) If the Company is under administrative supervision, or if any control or oversight of the Company has been transferred through any legal or regulatory action to a state regulator or court appointed receiver or rehabilitator (referred to in the aggregate as "state action"):
1. The full annual provisional Reimbursement Premium as billed and any outstanding balances will be due and payable on August 1, or the date that such State action occurs after August 1 of the Contract Year.
 2. Failure by such Company to pay the full annual provisional Reimbursement Premium as specified in 1. above by the applicable due date(s) shall result in the 45% coverage level being deemed for the complete Contract Year regardless of the level selected for the Company through the execution of this Contract and regardless of whether a hurricane event occurred or triggered coverage.
 3. The provisions required in 1. and 2. above will not apply when the state regulator, receiver, or rehabilitator provides a letter of assurance to the FHCF that the Company will have the resources and will pay the full Reimbursement Premium for the coverage level selected through the execution of this Contract.
 4. When control or oversight has been transferred, in whole or in part, through a legal or regulatory action, the controlling management of the Company shall specify by August 1 or as soon thereafter as possible (but not to exceed two weeks after any regulatory or legal action) in a letter to the FHCF as to the Company's intentions to either pay the full FHCF Reimbursement Premium as specified in 1. above, to default to the 45% coverage being deemed as specified in 2. above, or to provide the assurances as specified in 3. above.
- (c) A New Participant that first begins writing Covered Policies on or after June 1 but prior to December 1 of the Contract Year shall pay the FHCF a provisional Reimbursement Premium of \$1,000 upon execution of this Contract. The Administrator shall calculate the Company's actual Reimbursement Premium for the period based on its actual exposure as of November 30 of the Contract Year, as reported on or before February 1 of the Contract Year. To recognize that New Participants have limited exposure during this period, the actual Premium as determined by processing the Company's exposure data shall then be divided in half, the provisional Premium shall be credited, and the resulting amount shall be the total Premium due for the Company for the remainder of the Contract Year. However, if that amount is less than \$1,000, then the Company shall pay \$1,000. The Premium payment is due no later than April 1 of the Contract Year. The Company's Retention and coverage will be determined based on the total Premium due as calculated above.

- (d) A New Participant that first begins writing Covered Policies on or after December 1 through and including May 31 of the Contract Year shall pay the FHCF a Reimbursement Premium of \$1,000 upon execution of this Contract.
- (e) The requirement that the Reimbursement Premium is due on a certain date means that the Premium shall be remitted by wire transfer or ACH and shall have been credited to the FHCF's account at its bank in Tampa, Florida, as set out on the invoice sent to the Company, on the due date applicable to the particular installment. If the applicable due date is a Saturday, Sunday or legal holiday, then the actual due date will be the day immediately following the applicable due date which is not a Saturday, Sunday or legal holiday. Reimbursement Premiums not credited to the FHCF's account on the applicable due date are late.
- (f) Except as required by Section 215.555(7)(c), Florida Statutes, or as described in the following sentence, Reimbursement Premiums, together with earnings thereon, received in a given Contract Year will be used only to pay for Losses attributable to Covered Events occurring in that Contract Year or for Losses attributable to Covered Events in subsequent Contract Years and will not be used to pay for past Losses or for debt service on post-event revenue bonds issued pursuant to Section 215.555(6)(a)1., Florida Statutes. Reimbursement Premiums and earnings thereon may be used for payments relating to such revenue bonds in the event emergency assessments are insufficient. If Reimbursement Premiums or earnings thereon are used for debt service on post-event revenue bonds, then the amount of the Reimbursement Premiums or earnings thereon so used shall be returned, without interest, to the Fund when emergency assessments or other legally available funds remain available after making payment relating to the post-event revenue bonds and any other purposes for which emergency assessments were levied.

(3) Losses

(a) In General

Losses resulting from a Covered Event commencing during the Contract Year shall be reported by the Company and reimbursed by the FHCF as provided herein and in accordance with the Statute, this Contract, and any rules adopted pursuant to the Statute. For a Company participating in a quota share primary insurance agreement(s) with Citizens Property Insurance Corporation Coastal Account, Citizens and the Company shall report only their respective portion of Losses under the quota share primary insurance agreement(s). Pursuant to Section 215.555(4)(c), Florida Statutes, the SBA is obligated to pay for Losses not to exceed the Actual Claims-Paying Capacity of the FHCF, up to the limit in accordance with Section 215.555(4)(c)1., Florida Statutes, for any one Contract Year.

(b) Loss Reports

1. At the direction of the SBA, the Company shall report its projected Ultimate Net Loss from each Covered Event to provide information to the SBA in determining any potential liability for possible reimbursable Losses under the Contract on the Interim Loss Report, Form FHCF-L1A, adopted for the Contract Year under Rule 19-8.029, F.A.C. Interim Loss Reports (including subsequent Interim Loss Reports if required by the SBA) will be due in no less than fourteen days from the date of the notice from the SBA that such a report is required.
2. FHCF reimbursements will be issued based on Ultimate Net Loss information reported by the Company on the Proof of Loss Report, Form FHCF-L1B, adopted for the Contract Year under Rule 19-8.029, F.A.C.
 - a. To qualify for reimbursement, the Proof of Loss Report must have the electronic signatures of two executive officers authorized by the Company to sign or submit the report.

- b. The Company must also submit a Detailed Claims Listing, Form FHCF-DCL, adopted for the Contract Year under Rule 19-8.029, F.A.C., at the same time it submits its first Proof of Loss Report for a specific Covered Event that qualifies the Company for reimbursement under that Covered Event, and should be prepared to supply a Detailed Claims Listing for any subsequent Proof of Loss Report upon request.
 - c. While the Company may submit a Proof of Loss Report requesting reimbursement at any time following a Covered Event, the Company shall submit a mandatory Proof of Loss Report for each Covered Event no earlier than December 1 and no later than December 31 of the Contract Year during which the Covered Event occurs using the most current data available, regardless of the amount of Ultimate Net Loss or the amount of reimbursements or advances already received.
 - d. For the Proof of Loss Reports due by December 31 of the Contract Year, and the required subsequent quarterly and annual reports required under subparagraphs 3. and 4. below, the Company shall submit its Proof of Loss Reports by each quarter-end or year-end using the most current data available. However, the date of such data shall not be more than sixty days prior to the applicable quarter-end or year-end date.
3. Updated Proof of Loss Reports for each Covered Event are due quarterly thereafter until all Losses resulting from a Covered Event are fully discharged including any adjustments to such Losses due to salvage or other recoveries, or the Company has received its full coverage under the Contract Year in which the Covered Event occurred. Guidelines follow:
- a. Quarterly Proof of Loss Reports are due by March 31 from a Company whose Losses exceed, or are expected to exceed, 50% of its FHCF Retention for a specific Covered Event.
 - b. Quarterly Proof of Loss Reports are due by June 30 from a Company whose Losses exceed, or are expected to exceed, 75% of its FHCF Retention for a specific Covered Event.
 - c. Quarterly Proof of Loss Reports are due by September 30 and quarterly thereafter from a Company whose Losses exceed, or are expected to exceed, its FHCF Retention for a specific Covered Event.
- If the Company's Retention must be recalculated as the result of an exposure resubmission, and if the recalculated Retention changes the FHCF's reimbursement obligations, then the Company shall submit additional Proof of Loss Reports for recalculation of the FHCF's obligations.
4. Annually after December 31 of the Contract Year, all Companies shall submit a mandatory year-end Proof of Loss Report for each Covered Event, as applicable, using the most current data available, accompanied by a Detailed Claims Listing. This Proof of Loss Report shall be filed no earlier than December 1 and no later than December 31 of each year and shall continue until the earlier of the commutation process described in (3)(d) below or until all Losses resulting from the Covered Event are fully discharged including any adjustments to such Losses due to salvage or other recoveries.
5. The SBA, except as noted below, will determine and pay, within 30 days or as soon as practicable after receiving Proof of Loss Reports, the reimbursement amount due based on Losses paid by the Company to date and adjustments to this amount based on subsequent quarterly information. The adjustments to reimbursement amounts shall require the SBA to pay, or the Company to return, amounts reflecting the most recent determination of Losses.
- a. The SBA shall have the right to consult with all relevant regulatory agencies to seek all relevant information, and shall consider any other factors deemed relevant, prior to the issuance of reimbursements.

- b. The SBA shall require commercial self-insurance funds established under Section 624.462, Florida Statutes, to submit contractor receipts to support paid Losses reported on a Proof of Loss Report, and the SBA may hire an independent consultant to confirm Losses, prior to the issuance of reimbursements.
 - c. The SBA shall have the right to conduct a loss examination prior to the issuance of any advances or reimbursements requested by Companies that have been placed under regulatory supervision by a State or where control has been transferred through any legal or regulatory proceeding to a state regulator or court appointed receiver or rehabilitator.
6. All Proof of Loss Reports received will be compared with the FHCF's exposure data to establish the facial reasonableness of the reports. The SBA may also review the results of current and prior Contract Year exposure and loss examinations to determine the reasonableness of the reported Losses. Except as noted in paragraph 4. above, Companies meeting these tests for reasonableness will be scheduled for reimbursement. Companies not meeting these tests for reasonableness will be handled on a case-by-case basis and will be contacted to provide specific information regarding their individual book of business. The discovery of errors in a Company's reported exposure under the Data Call may require a resubmission of the current Contract Year Data Call which, as the Data Call impacts the Company's Premium, Retention, and coverage for the Contract Year, will be required before the Company's request for reimbursement or an advance will be fully processed by the Administrator.
- (c) **Loss Reimbursement Calculations**
1. In general, the Company's paid Ultimate Net Losses must exceed its full FHCF Retention for a specific Covered Event before any reimbursement is payable from the FHCF for that Covered Event. As described in Article V(28)(b), Retention adjustments will be made on or after January 1 of the Contract Year. No interest is payable on additional payments to the Company due to this type of Retention adjustment. Each Company, including entities created pursuant to Section 627.351(6), Florida Statutes, incurring reimbursable Losses will receive the amount of reimbursement due under the individual Company's Contract up to the amount of the Company's payout. If more than one Covered Event occurs in any one Contract Year, any reimbursements due from the FHCF shall take into account the Company's Retention for each Covered Event. However, the Company's reimbursements from the FHCF for all Covered Events occurring during the Contract Year shall not exceed, in aggregate, the Projected Payout Multiple or Payout Multiple, as applicable, times the individual Company's Reimbursement Premium for the Contract Year.
 2. Reserve established. When a Covered Event occurs in a subsequent Contract Year when reimbursable Losses are still being paid for a Covered Event in a previous Contract Year, the SBA will establish a reserve for the outstanding reimbursable Losses for the previous Contract Year, based on the length of time the Losses have been outstanding, the amount of Losses already paid, the percentage of incurred Losses still unpaid, and any other factors specific to the loss development of the Covered Events involved.
- (d) **Commutation**
1. Not less than 36 months or more than 60 months after the end of the Contract Year, the Company shall file a final Proof of Loss Report(s), with the exception of Companies having no reportable Losses as described in paragraph (3)(d)1.a. below. Otherwise, the final Proof of Loss Report(s) is required as specified in paragraph (3)(d)1.b. below. The Company and SBA may mutually agree to initiate commutation after 36 months and prior to 60 months after the end of the Contract Year. The commutation negotiations shall begin at the later of 60 months after the end of the Contract Year or upon completion of the FHCF loss examination for the Company and the resolution of all outstanding examination issues.

- a. If the Company's most recently submitted Proof of Loss Report(s) indicates that it has no Losses resulting from Covered Events during the Contract Year, the SBA shall after 36 months request that the Company execute a final commutation agreement. The final commutation agreement shall constitute a complete and final release of all obligations of the SBA with respect to Losses. If the Company chooses not to execute a final commutation agreement, the SBA shall be released from all obligations 60 months following the end of the Contract Year if no Proof of Loss Report indicating reimbursable Losses had been filed and the commutation shall be deemed concluded. However during this time, if the Company determines that it does have Losses to report for FHCF reimbursement, the Company must submit an updated Proof of Loss Report prior to the end of 60 months after the Contract Year and the Company shall be required to follow the commutation provisions and time frames otherwise specified in this section.
 - b. If the Company has submitted a Proof of Loss Report indicating that it does have Losses resulting from a Covered Event during the Contract Year, the SBA may require the Company to submit within 30 days an updated, current Proof of Loss Report for each Covered Event during the Contract Year. The Proof of Loss Report must include all paid Losses as well as all outstanding Losses and incurred but not reported Losses, which are not finally settled and which may be reimbursable Losses under this Contract, and must be accompanied by supporting documentation (at a minimum an adjuster's summary report or equivalent details) and a copy of a written opinion on the present value of the outstanding Losses and incurred but not reported Losses by the Company's certifying actuary. Failure of the Company to provide an updated current Proof of Loss Report, supporting documentation, and an opinion by the date requested by the SBA may result in referral to the Office of Insurance Regulation for a violation of the Contract. Increases in reported paid, outstanding, or incurred but not reported Losses on original or corrected Proof of Loss Report filings received later than 60 months after the end of the Contract Year shall not be eligible for reimbursement or commutation.
2. Determining the present value of outstanding Losses.
- a. If the Company exceeds or expects to exceed its Retention, the Company and the SBA or their respective representatives shall attempt, by mutual agreement, to agree upon the present value of all outstanding Losses, both reported and incurred but not reported, resulting from Covered Events during the Contract Year. Payment by the SBA of its portion of any amount or amounts so mutually agreed and certified by the Company's certifying actuary shall constitute a complete and final release of the SBA in respect of all Losses, both reported and unreported, under this Contract.
 - b. If agreement on present value cannot be reached within 90 days of the FHCF's receipt of the final Proof of Loss Report and supporting documentation, the Company and the SBA may mutually appoint an actuary, adjuster, or appraiser to investigate and determine such Losses. If both parties then agree, the SBA shall pay its portion of the amount so determined to be the present value of such Losses.
 - c. If the parties fail to agree, then any difference shall be settled by a panel of three actuaries, as provided in this paragraph.
 - i. One actuary shall be chosen by each party, and the third actuary shall be chosen by those two actuaries. If either party does not appoint an actuary within 30 days, the other party may appoint two actuaries. If the two actuaries fail to agree on the selection of an independent third actuary within 30 days of their appointment, each of them shall name two, of whom the other shall decline one and the decision shall be made by drawing lots.

- ii. All of the actuaries shall be regularly engaged in the valuation of property claims and losses and shall be members of the Casualty Actuarial Society and of the American Academy of Actuaries.
 - iii. None of the actuaries shall be under the control of either party to this Contract.
 - iv. Each party shall submit its case to the panel in writing on the 30th day after the appointment of the third actuary. Following the submission of the case to the panel, the parties are prohibited from providing any further information or other communication except at the request of the panel. Such responses to requests from the panel must be in writing and simultaneously provided to the other party and all members of the panel, except that the panel may require the response to be provided in a meeting or teleconference attended by both parties and all members of the panel.
 - v. The decision in writing of any two actuaries, when filed with the parties hereto, shall be final and binding on both parties.
- d. The reasonable and customary expense of the actuaries and of the commutation (as a result of b. and c. above) shall be equally divided between the two parties. Said commutation shall take place in Tallahassee, Florida, unless some other place is mutually agreed upon by the Company and the SBA.

(4) **Advances**

- (a) The SBA may make advances for loss reimbursements as defined herein, at market interest rates, to the Company in accordance with Section 215.555(4)(e), Florida Statutes. An advance is an early reimbursement which allows the Company to continue to pay claims in a timely manner. Advances will be made based on the Company's paid and reported outstanding Losses for Covered Policies (excluding all incurred but not reported Losses) as reported on a Proof of Loss Report, and shall include Loss Adjustment Expense Reimbursement as calculated by the FHCF. In order to be eligible for an advance, the Company must submit its exposure data for the Contract Year as required under paragraph (1) of this Article. Except as noted below, advances, if approved, will be made as soon as practicable after the SBA receives a written request, signed by two officers of the Company, for an advance of a specific amount and any other information required for the specific type of advance under subparagraphs (c) and (e) below. All reimbursements due to the Company shall be offset against any amount of outstanding advances plus the interest due thereon.
- (b) For advances or excess advances, which are advances that are in excess of the amount to which the Company is entitled, the market interest rate shall be the prime rate as published in the Wall Street Journal on the first business day of the Contract Year. This rate will be adjusted annually on the first business day of each subsequent Contract Year, regardless of whether the Company executes subsequent Contracts. In addition to the prime rate, an additional 5% interest charge will apply on excess advances. All interest charged will commence on the date the SBA issues a check for an advance and will cease on the date upon which the FHCF has received the Company's Proof of Loss Report for the Covered Event for which the Company qualifies for reimbursement. If such reimbursement is less than the amount of outstanding advances issued to the Company, interest will continue to accrue on the outstanding balance of the advances until subsequent Proof of Loss Reports qualify the Company for reimbursement under any Covered Event equal to or exceeding the amount of any outstanding advances. Interest shall be billed on a periodic basis. If it is determined that the Company received funds in excess of those to which it was entitled, the interest as to those sums will not cease on the date of the receipt of the Proof of Loss Report but will continue until the Company reimburses the FHCF for the overpayment.

- (c) If the Company has an outstanding advance balance as of December 31 of this or any other Contract Year, the Company is required to have an actuary certify outstanding and incurred but not reported Losses as reported on the applicable December Proof of Loss Report.
- (d) The specific type of advances enumerated in Section 215.555, Florida Statutes, follow.
 - 1. Advances to Companies to prevent insolvency, as defined under Article XIV.
 - a. Section 215.555(4)(e)1., Florida Statutes, provides that the SBA shall advance to the Company amounts necessary to maintain the solvency of the Company, up to 50 percent of the SBA's estimate of the reimbursement due to the Company.
 - b. In addition to the requirements outlined in subparagraph (4)(a) above, the requirements for an advance to a Company to prevent insolvency are that the Company demonstrates it is likely to qualify for reimbursement and that the immediate receipt of moneys from the SBA is likely to prevent the Company from becoming insolvent, and the Company provides the following information:
 - i. Current assets;
 - ii. Current liabilities other than liabilities due to the Covered Event;
 - iii. Current surplus as to policyholders;
 - iv. Estimate of other expected liabilities not due to the Covered Event; and
 - v. Amount of reinsurance available to pay claims for the Covered Event under other reinsurance treaties.
 - c. The SBA's final decision regarding an application for an advance to prevent insolvency shall be based on whether or not, considering the totality of the circumstances, including the SBA's obligations to provide reimbursement for all Covered Events occurring during the Contract Year, granting an advance is essential to allowing the entity to continue to pay additional claims for a Covered Event in a timely manner.
 - 2. Advances to entities created pursuant to Section 627.351(6), Florida Statutes.
 - a. Section 215.555(4)(e)2., Florida Statutes, provides that the SBA may advance to an entity created pursuant to Section 627.351(6), Florida Statutes, up to 90% of the lesser of the SBA's estimate of the reimbursement due or the entity's share of the actual aggregate Reimbursement Premium for that Contract Year, multiplied by the current available liquid assets of the FHCF.
 - b. In addition to the requirements outlined in subparagraph (4)(a) above, the requirements for an advance to entities created pursuant to Section 627.351(6), Florida Statutes, are that the entity must demonstrate to the SBA that the advance is essential to allow the entity to pay claims for a Covered Event.
 - 3. Advances to limited apportionment companies.

Section 215.555(4)(e)3., Florida Statutes, provides that the SBA may advance the amount of estimated reimbursement payable to limited apportionment companies.
- (e) In determining whether or not to grant an advance and the amount of an advance, the SBA:
 - 1. Shall determine whether its assets available for the payment of obligations are sufficient and sufficiently liquid to fulfill its obligations to other Companies prior to granting an advance;
 - 2. Shall review and consider all the information submitted by such Companies;
 - 3. Shall review such Companies' compliance with all requirements of Section 215.555, Florida Statutes;
 - 4. Shall consult with all relevant regulatory agencies to seek all relevant information;

5. Shall review the damage caused by the Covered Event and when that Covered Event occurred;
 6. Shall consider whether the Company has substantially exhausted amounts previously advanced;
 7. Shall consider any other factors deemed relevant; and
 8. Shall require commercial self-insurance funds established under section 624.462, Florida Statutes, to submit a copy of written estimates of expenses in support of the amount of advance requested.
- (f) Any amount advanced by the SBA shall be used by the Company only to pay claims of its policyholders for the Covered Event which has precipitated the immediate need to continue to pay additional claims as they become due.
- (5) **Inadequate Data Submissions**
 If exposure data or other information required to be reported by the Company under the terms of this Contract is not received by the FHCF in the format specified by the FHCF or is inadequate to the extent that the FHCF requires resubmission of data, the Company will be required to pay the FHCF a resubmission fee of \$1,000 for resubmissions that are not a result of an examination by the SBA. If a resubmission is necessary as a result of an examination report issued by the SBA, the first resubmission fee will be \$2,000. If the Company's examination-required resubmission is inadequate and the SBA requires an additional resubmission(s), the resubmission fee for each subsequent resubmission shall be \$2,000. A resubmission of exposure data may delay the processing of the Company's request for reimbursement or an advance.
- (6) **Confidential Information/Trade Secret Information**
 Pursuant to the provisions of Section 215.557, Florida Statutes, the reports of insured values under Covered Policies by ZIP Code submitted to the SBA pursuant to Section 215.555, Florida Statutes, are confidential and exempt from the provisions of Section 119.07(1), Florida Statutes, and Section 24(a), Art. I of the State Constitution. If other information submitted by the Company to the FHCF could reasonably be ruled a "trade secret" as defined in Section 812.081, Florida Statutes, such information must be clearly marked "Trade Secret Information."

ARTICLE XI - TAXES

In consideration of the terms under which this Contract is issued, the Company agrees to make no deduction in respect of the Premium herein when making premium tax returns to the appropriate authorities. Should any taxes be levied on the Company in respect of the Premium herein, the Company agrees to make no claim upon the SBA for reimbursement in respect of such taxes.

ARTICLE XII - ERRORS AND OMISSIONS

Any inadvertent delay, omission, or error on the part of the SBA shall not be held to relieve the Company from any liability which would attach to it hereunder if such delay, omission, or error had not been made.

ARTICLE XIII - INSPECTION OF RECORDS

The Company shall allow the SBA to inspect, examine, and verify, at reasonable times, all records of the Company relating to the Covered Policies under this Contract, including Company files concerning claims, Losses, or legal proceedings regarding subrogation or claims recoveries which involve this Contract, including premium, loss records and reports involving exposure data or Losses under Covered Policies. This right by the SBA to inspect, examine, and verify shall survive the completion and closure of an exposure examination or loss examination file and the termination of the Contract. The Company shall have no right to re-open an exposure or loss examination once closed and the findings have been

accepted by the Company; any re-opening shall be at the sole discretion of the SBA. If the State Board of Administration Finance Corporation has issued revenue bonds and relied upon the exposure and Loss data submitted and certified by the Company as accurate to determine the amount of bonding needed, the SBA may choose not to require, or accept, a resubmission if the resubmission will result in additional reimbursements to the Company. The SBA may require any discovered errors, inadvertent omissions, and typographical errors associated with the data reporting of insured values, discovered prior to the closing of the file and acceptance of the examination findings by the Company, to be corrected to reflect the proper values. The Company shall retain its records in accordance with the requirements for records retention regarding exposure reports and claims reports outlined herein, and in any administrative rules adopted pursuant to Section 215.555, Florida Statutes. Companies writing covered collateral protection policies, as defined in definition (10)(d) of Article V, must be able to provide documentation that the policy covers personal residences, protects both the borrower's and lender's interest, and that the coverage is in an amount at least equal to the coverage for the dwelling in place under the lapsed homeowner's policy.

(1) **Purpose of FHCF Examination**

The purpose of the examinations conducted by the SBA is to evaluate the accuracy of the FHCF exposure or Loss data reported by the Company. However, due to the limited nature of the examination, it cannot be relied upon as an assurance that a Company's data is reported accurately or in its entirety. The Company should not rely on the FHCF to identify every type of reporting error in its data. In addition, the reporting requirements are subject to change each Contract Year so it is the Company's responsibility to be familiar with the applicable Contract Year requirements and to incorporate any changes into its data for that Contract Year. It is also the Company's responsibility to ensure that its data is reported accurately and to comply with Florida Statutes and any applicable rules when reporting exposure data. The examination report is not intended to provide a legal determination of the Company's compliance.

(2) **Examination Requirements for Exposure Verification**

The Company shall retain complete and accurate records, in policy level detail, of all exposure data submitted to the SBA in any Contract Year until the SBA has completed its examination of the Company's exposure submissions. The Company shall also retain complete and accurate records of any completed exposure examination for any Contract Year in which the Company incurred Losses until the completion of the loss reimbursement examination and commutation for that Contract Year. The records to be retained are outlined in the Data Call adopted for the Contract Year under Rule 19-8.029, F.A.C. A complete list of records to be retained for the exposure examination is set forth in Form FHCF-EAP1, adopted for the Contract Year under Rule 19-8.030, F.A.C.

(3) **Examination Requirements for Loss Reports**

The Company shall retain complete and accurate records of all reported Losses and/or advances submitted to the SBA until the SBA has completed its examination of the Company's reimbursable Losses and commutation for the Contract Year (if applicable) has been concluded. The records to be retained are set forth as part of the Proof of Loss Report, Form FHCF-L1B, adopted for the Contract Year under Rule 19-8.029, F.A.C., and Form FHCF-LAP1, adopted for the Contract Year under Rule 19-8.030, F.A.C.

(4) **Examination Procedures**

(a) The FHCF will send an examination notice to the Company providing the commencement date of the examination, the site of the examination, any accommodation requirements of the examiner, and the reports and data which must be assembled by the Company and forwarded to the FHCF upon request. The Company shall be prepared to choose one location in which to be examined, unless otherwise specified by the SBA.

- (b) The reports and data are required to be forwarded to the FHCF as set forth in an examination notice letter. The information is then forwarded to the examiner. If the FHCF receives accurate and complete records as requested, the examiner will contact the Company to inform the Company as to what policies or other documentation will be required once the examiner is on site. Any records not required to be provided to the examiner in advance shall be made available at the time the examiner arrives on site. Any records to support reported exposure or Losses which are provided after the examiner has left the work-site will, at the SBA's discretion, result in an additional examination of exposure and/or Loss records or an extension or expansion of the examination already in progress. All costs associated with such additional examination or with the extension or expansion of the original examination shall be borne by the Company.
- (c) At the conclusion of the examiner's work and the management review of the examiner's report, findings, recommendations, and work papers, the FHCF will forward an examination report to the Company and require a response from the Company by a date certain as to the examination findings and recommendations, if any.
- (d) If the Company accepts the examination findings and recommendations, and there is no recommendation for additional information, the examination report will be finalized and the exam file closed.
- (e) If the Company disputes the examiner's findings, the areas in dispute will be resolved by a meeting or a conference call between the Company and FHCF management.
- (f)
 1. If the recommendation of the examiner is to resubmit the Company's exposure data for the Contract Year in question, then the FHCF will send the Company a letter outlining the process for resubmission and including a deadline to resubmit. Once the resubmission is received, the FHCF's Administrator calculates a revised Reimbursement Premium for the Contract Year which has been examined. The SBA shall then review the resubmission with respect to the examiner's findings, and accept the resubmission or contact the Company with any questions regarding the resubmission. Once the SBA has accepted the resubmission as a sufficient response to the examiner's findings, the exam is closed.
 2. If the recommendation of the examiner is to give the Company the option to either resubmit the exposure data or to pay the estimated Premium difference, then the FHCF will send the Company a letter outlining the process for resubmission or for paying the estimated Premium difference and including a deadline for the resubmission or the payment to be received by the FHCF's Administrator. If the Company chooses to resubmit, the same procedures outlined in Article XIII(4) apply.
- (g) If the recommendation of the examiner is to update the Company's Proof of Loss Report(s) for the Contract Year under review, the FHCF will send the Company a letter outlining the process for submitting the Proof of Loss Report(s) and including a deadline to file. Once the Proof of Loss Report(s) is received by the FHCF Administrator, the FHCF's Administrator will calculate a revised reimbursement. The SBA shall then review the submitted Proof of Loss Report(s) with respect to the examiner's findings, and accept the Proof of Loss Report(s) as filed or contact the Company with any questions. Once the SBA has accepted the corrected Proof of Loss Report(s) as a sufficient response to the examiner's findings, the exam is closed.
- (h) The examiner's list of errors is made available in the examination report sent to the Company. Given that the examination was based on a sample of the Company's policies or claims rather than the whole universe of the Company's Covered Policies or reported claims, the error list is not intended to provide a complete list of errors but is intended to indicate what information needs to be reviewed and corrected throughout the Company's book of Covered Policy business or claims information to ensure more complete and accurate reporting to the FHCF.

(5) Costs of the Examinations

The costs of the examinations shall be borne by the SBA. However, in order to remove any incentive for a Company to delay preparations for an examination, the SBA shall be reimbursed by the Company for any examination expenses incurred in addition to the usual and customary costs, which additional expenses were incurred as a result of the Company's failure, despite proper notice, to be prepared for the examination or as a result of a Company's failure to provide requested information. All requested information must be complete and accurate.

ARTICLE XIV – OFFSETS

The SBA reserves the right to offset amounts payable to the SBA from the Company, including amounts payable under the Reimbursement Contract for any Contract Year and also including the Company's full Premium for the current Contract Year (regardless of installment due dates), against any (1) premium refunds under any Contract Year, (2) reimbursement or advance amounts, or (3) amounts agreed to in a commutation agreement, which are due and payable to the Company from the SBA as a result of the liability of the SBA.

ARTICLE XV - INSOLVENCY OF THE COMPANY

Company shall notify the FHCF immediately upon becoming insolvent. Except as otherwise provided below, no reimbursements will be made until the FHCF has completed and closed its examination of the insolvent Company's Losses, unless an agreement is entered into by the court appointed receiver specifying that all data and computer systems required for FHCF exposure and loss examinations will be maintained until completion of the Company's exposure and loss examinations. Except as otherwise provided below, in order to account for potential erroneous reporting, the SBA shall hold back 25% of requested reimbursements until the exposure and loss examinations for the Company are completed. Only those Losses supported by the examination will be reimbursed. Pursuant to Section 215.555(4)(g), Florida Statutes, the FHCF is required to pay the "net amount of all reimbursement moneys" due an insolvent insurer to the Florida Insurance Guaranty Association (FIGA) for the benefit of Florida policyholders. For the purpose of this Contract, a Company is insolvent when an order of liquidation with a finding of insolvency has been entered by a court of competent jurisdiction. In light of the need for an immediate infusion of funds to enable policyholders of insolvent companies to be paid for their claims, the SBA may enter into agreements with FIGA allowing exposure and loss examinations to take place immediately without the usual notice and response time limitations and allowing the FHCF to make reimbursements (net of any amounts payable to the SBA from the Company or FIGA) to FIGA before the examinations are completed and before the response time expires for claims filing by reinsurers and financial institutions, which have a priority interest in those funds pursuant to Section 215.555(4)(g), Florida Statutes. Such agreements must ensure the availability of the necessary records and adequate security must be provided so that if the FHCF determines that it overpaid FIGA on behalf of the Company, or if claims are filed by reinsurers or financial institutions having a priority interest in these funds, that the funds will be repaid to the FHCF by FIGA within a reasonable time.

ARTICLE XVI - TERMINATION

The FHCF and the obligations of both parties under this Contract can be terminated only as may be provided by law or applicable rules.

ARTICLE XVII - VIOLATIONS

(1) Statutory Provisions

- (a) Section 215.555(10), Florida Statutes, provides that any violation of Section 215.555, Florida Statutes, or of rules adopted under that section, constitutes a violation of the Florida Insurance Code. This Contract has been adopted as part of Rule 19-8.010, Florida Administrative Code, under the authority of that section of Florida Statutes.
- (b) Section 215.555(11), Florida Statutes, authorizes the SBA to take any action necessary to enforce the rules and the provisions and requirements of this Contract, required by and adopted pursuant to Section 215.555, Florida Statutes.

(2) Noncompliance

- (a) As used in this Article, the term “noncompliance” means the failure of the Company to meet any applicable requirement of Section 215.555, Florida Statutes, or of any rule adopted under the authority of that section of Florida Statutes, including, but not limited to, any failure to meet a deadline for an FHCF payment, Data Call submissions or resubmissions, Loss reporting or commutation documentation, or a deadline related to SBA examination requirements. The Company remains in a state of noncompliance as long as the Company fails to meet the applicable requirement(s).
- (b) If the Company is in a state of noncompliance, the SBA reserves the right to withhold any payments or advances due the Company until the SBA determines that the Company is no longer in a state of noncompliance.

ARTICLE XVIII - APPLICABLE LAW

This Contract shall be governed by and construed according to the laws of the State of Florida in respect of any matter relating to or arising out of this Contract.

ARTICLE XIX – REIMBURSEMENT CONTRACT ELECTIONS

(1) Reimbursement Percentage

For purposes of determining reimbursement (if any) due the Company under this Contract and in accordance with the Statute, the Company has the option to elect a 45% or 75% or 90% reimbursement percentage under this Contract. If the Company is a member of an NAIC group, all members must elect the same reimbursement percentage, and the individual executing this Contract on behalf of the Company, by placing his or her initials in the box under (a) below, affirms that the Company has elected the same reimbursement percentage as all members of its NAIC group. If the Company is an entity created pursuant to Section 627.351, Florida Statutes, the Company must elect the 90% reimbursement percentage. The Company shall not be permitted to change its reimbursement percentage during the Contract Year. The Company shall be permitted to change its reimbursement percentage at the beginning of a new Contract Year, but may not reduce its reimbursement percentage if a Covered Event required the issuance of revenue bonds, until the bonds are no longer outstanding.

The Reimbursement Percentage elected by the Company for the prior Contract Year effective June 1, 2016 was as follows: Sawgrass Mutual Insurance Company - 90%

(a) **NAIC Group Affirmation:** Initial the following box if the Company is part of an NAIC Group:

(b) **Reimbursement Percentage Election:** The Company hereby elects the following Reimbursement Percentage for the Contract Year from 12:00:01 a.m., Eastern Time, June 1, 2017, to 12:00 a.m., Eastern Time, May 31, 2018, (the individual executing this Contract on behalf of the Company shall place his or her initials in the box to the left of the percentage elected for the Company):

45% OR 75% OR PS 90%

(123) Additional Living Expense (ALE) Written as Time Element Coverage

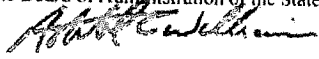
If your Company writes Covered Policies that provide ALE coverage on a time element basis (i.e., coverage is based on a specific period of time as opposed to a stated dollar limit), you must initial the 'Yes – Time Element ALE' box below. If your Company does not write time element ALE coverage, initial 'No – Time Element ALE' box below.

Yes – Time Element ALE OR **No – Time Element ALE**


ARTICLE XX – SIGNATURES

Approved by:

Florida Hurricane Catastrophe Fund
By: State Board of Administration of the State of Florida

By:  4/7/17
Ashbel C. Williams Date
Executive Director & CIO

Approved as to legality:

By:  4/7/17
Date
CRAIG A. MEYER
ASSISTANT GENERAL COUNSEL

Authority to sign on behalf of the Company:

The person signing this Contract on behalf of the Company hereby represents that he or she is an officer of the Company, acting within his or her authority to enter into this Contract on behalf of the Company, with the requisite authority to bind the Company and make the representations on behalf of the Company as set forth in this Contract.

Sawgrass Mutual Insurance Company

Paul Sineore, CFO
Printed Name and Title

By:  2/2/17
Signature Date

EXHIBIT B

Transaction Detail



Transaction Details	
Date:	08/01/2017
Account Number:	003602752941
Bank ID:	063100277
Transaction:	Preauthorized ACH Credit (165)
Currency:	USD
Amount:	1,618,666.00
Credit/Debit:	CREDIT
Customer Ref #:	00000000000
Bank Reference:	09006475207
Value Date:	
Immediate Avail:	0.00
1 Day Float:	0.00
2 Day Float:	0.00
	Sawgrass Mutual DES: Payment ID:
Text:	INDN:Bank of America Tampa CO ID:2841004254 PPD PMT INFO:For Credit to Paragon fbo FHCF



EXHIBIT C

Florida Hurricane Catastrophe Fund

RICK SCOTT
GOVERNOR
CHAIR
JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
PAM BONDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

October 23, 2017

VIA EMAIL

Mr. Daniel O'Neil
Mr. Paul Simeone
Sawgrass Mutual Insurance Company
1000 Sawgrass Corporate Parkway, #100
Sunrise, FL 33323

Re: Florida Hurricane Catastrophe Fund (FHCF)
Overdue Premium Payment

Dear Messrs. O'Neil and Simeon:

As Sawgrass Mutual Insurance Company was placed under administrative supervision on August 18, 2017, pursuant to Article X(2)(b) of the FHCF Reimbursement Contract ("Contract"), the remainder of your company's full 2017 provisional reimbursement premium of \$3,237,331.40 was due August 18, 2017. A letter and an invoice for this amount were emailed to your attention on September 15, 2017 requesting payment by October 2, 2017. As of today, we have not received payment for this outstanding amount.

Pursuant to Section 215.555(5), Florida Statutes, Sawgrass is required to annually pay the FHCF an actuarially indicated premium for the coverage provided under the Contract. Pursuant to Article IX of the Contract executed by Mr. Simeon on February 21, 2017, a company's actual FHCF reimbursement premium is based on its June 30 exposure and is not adjusted to reflect any changes to your book of business after June 30th, nor is it adjusted if a company cancels policies, is liquidated or otherwise changes its business status, or stops writing new business. As such, the Florida Office of Insurance Regulation's September 1, 2017 Consent Order providing for the cancellation of all Sawgrass policies effective September 1, 2017, does not change Sawgrass' obligations under the FHCF Contract.

As Sawgrass failed to pay its full provisional FHCF premium by August 18, 2017 (as required under Article X(2)(b) of the Contract) or by the October 2, 2017 date requested in the September 15, 2017 invoice, Sawgrass' 2017 selected coverage level of 90% had now been defaulted to 45% pursuant to the terms of the Contract.

On September 26, 2017, the FHCF received Sawgrass' 2017 Data Call submission. At the default 45% coverage level, Sawgrass' actuarially indicated 2017 FHCF premium, based on the Data Call submission, is \$2,181,044. As such, we have included your company's final premium invoice for this amount, less the \$1,618,666 provisional premium payment received from Sawgrass on August 1, 2017, which results in a remaining premium owed of \$562,378.

Pursuant to the Contract, interest will continue to accrue on this balance from August 18, 2017 (the date Sawgrass' full FHCF provisional premium was due) until the date the balance is paid. While Sawgrass' initial full provisional premium was a significantly higher number, the FHCF will not charge any interest on the provisional premium in excess of your company's eventual final premium.

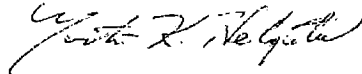
ADMINISTERED FOR
THE STATE BOARD OF ADMINISTRATION BY
PARAGON STRATEGIC SOLUTIONS INC.
8200 TOWER • 5600 W. 83RD STREET, SUITE 1100 • MINNEAPOLIS, MN 55437
PHONE: 800-489-FUND (3863) • FACSIMILE: 800-264-6492

October 23, 2017
Page 2

After payment of the premium has been received, the FHCF will issue an invoice for the interest owed to the FHCF on the \$562,378 through the date of its payment.

If you would like to discuss this issue, feel free to call me at 800-689-3863 or Leonard Schulte, FHCF Director of Legal Analysis & Risk Evaluation at the State Board of Administration of Florida, at 850-413-1335.

Sincerely,



Martin K. Helgestad
Managing Director - FHCF Administration
Paragon Strategic Solutions Inc.

CC: Virginia Christy, Director of P&C Oversight
Florida Office of Insurance Regulation

Anne T. Bert, FHCF Chief Operating Officer
State Board of Administration of Florida

J:fhcf2017/sawgrass



Florida Hurricane Catastrophe Fund

RICK SCOTT
GOVERNOR
CHAIR

JIMMY PATRONIS
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

October 23, 2017

Mr. Paul Simeone
Sawgrass Mutual Insurance Company
1000 Sawgrass Corporate Parkway, #100
Sunrise, FL 33323

STATEMENT # S2017-13619-00003

Sawgrass Mutual Insurance Company
NAIC: 13619

This statement is a current summary of all open FHCF invoices for your company.

Invoice Number	Invoice Type	Invoice Balance	Due Date	Status
I2017-13619-00002	Mandatory 2nd Provisional	\$3,237,331.40	10/2/2017	
I2017-13619-00005	Adjustment	\$562,378.00	11/7/2017	
I2017-13619-00006	Reversal	(\$3,237,331.40)	10/23/2017	
BALANCE (Due to Company) Due to the FHCF:		\$562,378.00		

Failure to remit payments by the due date is a violation of the Florida Insurance Code and shall result in a referral to the Florida Office of Insurance Regulation. Late payments will accrue an interest charge until the payment is received.

Payment must be made by one of these two methods

WIRE Transfer to:
Bank of America, Tampa FL
ABA 026 009 593
For credit to Paragon fbo FHCF
Acct #0036 0275 2941

ACH to:
Bank of America, Tampa FL
ABA 063 100 277
For credit to Paragon fbo FHCF
Acct #0036 0275 2941

PLEASE NOTE: PAYMENTS BY CHECK ARE NO LONGER ACCEPTED BY THE FHCF AND THE LOCKBOX HAS BEEN CLOSED. PLEASE REMIT BY WIRE TRANSFER OR ACH AS INSTRUCTED ABOVE.

PAYMENTS NOT MADE BY ONE OF THE ABOVE METHODS AND NOT RECEIVED BY THE DUE DATE ARE CONSIDERED LATE AND ARE SUBJECT TO LATE INTEREST. PLEASE INCLUDE REMITTANCE INFORMATION WITH THE WIRE OR ACH INSTRUCTIONS. SEND BILLING/REMITTANCE QUESTIONS TO FHCFAccounting@aoonbenfield.com.

ADMINISTERED FOR
THE STATE BOARD OF ADMINISTRATION BY
PARAGON STRATEGIC SOLUTIONS INC.
8200 TOWER - NORMANDALE LAKE OFFICE PARK, 5600 W. 83RD STREET, SUITE 1100, BLOOMINGTON, MINNESOTA 55437
PHONE: 800-689-FUND (3863) / FACSIMILE: 800-264-0492



Florida Hurricane Catastrophe Fund

RICK SCOTT
GOVERNOR
CHAIR
JEFF ATWATER
CHIEF FINANCIAL OFFICER
PAM BONDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

Invoice #: I2017-13619-00002

October 23, 2017

Sawgrass Mutual Insurance Company

Total:

\$3,237,331.40

NAIC: 13619

Due Date:

October 02, 2017

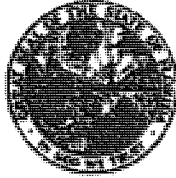
2nd PROVISIONAL PREMIUM INSTALLMENT INVOICE

2017 Coverage Option 90.00 %

One-Third Provisional Premium

\$3,237,331.40

ADMINISTERED FOR
THE STATE BOARD OF ADMINISTRATION BY
PARAGON STRATEGIC SOLUTIONS INC.
8200 TOWER - NORMANDALE LAKE OFFICE PARK, 3600 W. 83RD STREET, SUITE 1100, BLOOMINGTON, MINNESOTA 55437
PHONE: 800-689-FUND (3863) / FACSIMILE: 800-264-0492



Florida Hurricane Catastrophe Fund

RICK SCOTT
GOVERNOR
CHAIR
JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
FAM BONDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

Invoice #: I2017-13619-00005

October 23, 2017

Sawgrass Mutual Insurance Company

Total: \$562,378.00

NAIC: 13619

Due Date: November 07, 2017

ADJUSTMENT

Amount: \$562,378.00

ADMINISTERED FOR
THE STATE BOARD OF ADMINISTRATION BY
PARAGON STRATEGIC SOLUTIONS INC.
8200 TOWER - NORMANDALE LAKE OFFICE PARK, 5600 W. 83RD STREET, SUITE 1100, BLOOMINGTON, MINNESOTA 55437
PHONE: 800-689-FUND (3863) / FACSIMILE: 800-264-0492



Florida Hurricane Catastrophe Fund

RICK SCOTT
GOVERNOR
CHAIR
JIMMY PATRONIS
CHIEF FINANCIAL OFFICER
PAM BONDI
ATTORNEY GENERAL
ASH WILLIAMS
EXECUTIVE DIRECTOR & CIO

Invoice #: I2017-13619-00006

October 23, 2017

Sawgrass Mutual Insurance Company

Total: (\$3,237,331.40)

NAIC: 13619

Due Date: October 23, 2017

REVERSAL INVOICE

Amount: (\$3,237,331.40)

Reverses Invoice #: I2017-13619-00002

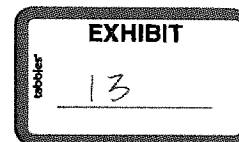
ADMINISTERED FOR
THE STATE BOARD OF ADMINISTRATION BY
PARAGON STRATEGIC SOLUTIONS INC.
8200 TOWER - NORMANDALE LAKE OFFICE PARK, 5600 W. 83RD STREET, SUITE 1100, BLOOMINGTON, MINNESOTA 55437
PHONE: 800-689-FLUND (3863) / FACSIMILE: 800-264-0492

AFFIDAVIT OF KIRK LUSK

STATE OF FLORIDA
COUNTY OF PINELLAS

BEFORE ME, this day personally appeared Kirk Lusk, who being duly sworn deposes and says that the following information is true and correct, and within his personal knowledge:

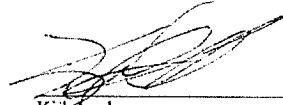
1. I, Kirk Lusk, am over the age of 18, sui juris, and I am competent to testify to and have personal knowledge of the facts contained herein.
2. Beginning January 2018 and continuing through present, I have been employed by Heritage Property and Casualty Insurance Company (herein after referred to as "Heritage P&C") as Chief Financial Officer.
3. Heritage P&C is a Florida based property and casualty insurance company that offers home, condominium, rental property, and commercial residential insurance.
4. On September 1, 2017, the Florida Office of Insurance Regulation (hereinafter referred to as the "Office") approved an agreement between Heritage P&C and Sawgrass Mutual Insurance Company (hereinafter referred to as "Sawgrass") that effectively transferred Sawgrass's policyholders to Heritage. ("Order"). A true and correct copy of the Order is attached to this affidavit as Exhibit A. The Order provided for the assumption by Heritage of Sawgrass's policyholder claims.
5. Pursuant the aforementioned agreement ("Agreement") between Heritage P&C and Sawgrass, a minimum of \$2.5 million was owed to Heritage P&C by Sawgrass. This amount includes:
 - a. additional IBNR of \$1,797,177 to reach the actuarial mid point of gross loss reserves as described at Article 1.12 of the Agreement,
 - b. additional claim handling fees of \$199,500 as described at Article 1.13 of the Agreement,
 - c. additional reserves of \$179,718 as described at Article 1.10 of the Agreement
 - d. \$737,422 of initial reinsurance recoverable on 9/1/2017 which was reversed in the reinsurance rollforward by Sawgrass but was not collected by or remitted to Heritage P&C, and
 - e. \$1,437,715 representing outstanding checks on the Sawgrass claims checking which were voided in the Sawgrass policy system by Sawgrass and Sawgrass personnel instructed should be issued as claim checks on the Heritage P&C checking account for Sawgrass claims. These checks were either issued by Sawgrass prior to 9/1/2017 and therefore not subject to the



Agreement or were issued by Sawgrass subsequent to 9/1/2017 but Heritage P&C had already remitted payment.

- f. These amounts are reduced by \$1,830,853 due to Sawgrass by Heritage P&C for expenses and equipment previously agreed by Heritage P&C to be paid to Sawgrass.
- g. The foregoing amounts do not include an additional amount owed to Heritage P&C of over \$560,000 on a reinsurance recovery that JLT Re withheld from Heritage P&C. If that amount is not collected from JLT Re, that amount owed to Heritage P&C would increase by at least \$560,000.

FURTHER AFFIANT SAYETH NAUGHT.


Kirk Lusk

STATE OF FLORIDA
COUNTY OF

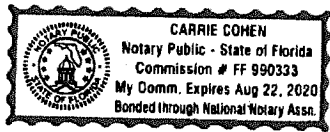
Sworn to and subscribed before me by Kirk Lusk this 1st day of August, 2018.

✓ he/she is personally known to me, OR
_____ has produced _____ as identification.


NOTARY PUBLIC

Printed Name: Carrie Cohen

(NOTARY STAMP)



Robert A. Scher
Adam G. Pence
FOLEY & LARDNER LLP
90 Park Avenue
New York, New York 10016
Tel: (212) 338-3575
Fax: (212) 687-2329

Attorneys for Plaintiff

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

Holborn Corporation,

Plaintiff,

v.

Sawgrass Mutual Insurance Company,

Defendant.

CIVIL ACTION
NO.

COMPLAINT

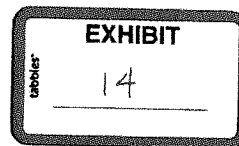
Plaintiff Holborn Corporation (“Holborn”), by and through its attorneys, Foley & Lardner, LLP, for its Complaint against Defendant Sawgrass Mutual Insurance Company (“Sawgrass”), states as follows:

NATURE OF THE ACTION

1. This is an action for breach of contract based on Sawgrass’ refusal to honor its clear obligations under the parties’ Broker Authorization Contract (“Contract”), by prematurely terminating the Contract without cause and failing to pay Holborn its full share of brokerage on all reinsurance procured or placed by the successor broker for the remaining Contract term.

2. In 2013, Holborn and Sawgrass entered into the Contract, whereby Sawgrass designated Holborn as its reinsurance broker for the purpose of procuring and servicing

4834-5975-3789.2



reinsurance. Under the Contract, Holborn and Sawgrass agreed to split brokerage and fees earned by Holborn according to a Brokerage Sharing Agreement contained in Schedule A to the Contract.

3. Under the Contract, if Sawgrass terminated the Contract without cause during the Contract's term, Holborn would be entitled to full brokerage – subject to the Brokerage Sharing Agreement – on all reinsurance procured or placed by Holborn or any successor broker for the remaining term of the Contract.

4. Sawgrass terminated the Contract without cause in May 2016.

5. Holborn has demanded the full brokerage – subject to the Brokerage Sharing Agreement – on all reinsurance procured or placed by Holborn or any successor broker for the remaining term of the Contract.

6. To date, Sawgrass has refused to pay Holborn the full brokerage – subject to the Brokerage Sharing Agreement – on all reinsurance procured or placed by Holborn or any successor broker for the remaining full term of the Contract.

7. Holborn, therefore, brings this action to enforce its contractual and common law rights, and for such other and further relief as the Court deems just and proper.

THE PARTIES

8. Plaintiff Holborn is a corporation organized and existing under the laws of the state of Delaware, with a principal place of business at 180 Maiden Lane, 7th Floor, New York, New York 10038.

9. Upon information and belief, Defendant Sawgrass is a mutual insurance company organized and existing under the laws of the state of Florida, with a principal place of business at

1000 Sawgrass Corporate Parkway, Suite 100, Sunrise, FL 33323, and engages in the business of providing homeowners' insurance coverage.

JURISDICTION AND VENUE

10. This Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. § 1322, as complete diversity exists between the parties and the matter in controversy exceeds \$75,000, exclusive of interest and costs.

11. This Court has personal jurisdiction over Defendant Sawgrass because Sawgrass transacts business in the State of New York and has purposefully availed itself of the privilege of doing business in New York by virtue of the Contract with Holborn.

12. Venue is proper based on 28 U.S.C. § 1391(b)(2) because, upon information and belief, Sawgrass regularly conducts business in this district and/or a substantial part of the claims arose in this district. In addition, New York State has personal jurisdiction over Sawgrass, which is a corporation who, upon information and belief, regularly conducts business in this district, and this district has the most significant contacts. Therefore, venue is also proper pursuant to 28 U.S.C. § 1391(d) and § 1391(b)(1). Alternatively, venue is proper pursuant to 28 U.S.C. § 1391(b)(3).

STATEMENT OF FACTS

13. In 2013, Holborn and Sawgrass entered into the Contract, whereby Sawgrass designated Holborn as its reinsurance broker for the purpose of procuring and servicing reinsurance. Under the Contract, Holborn and Sawgrass agreed to split brokerage and fees earned by Holborn according to a Brokerage Sharing Agreement contained in Schedule A to the Contract.

14. The Contract became effective on June 1, 2014 and, pursuant to the terms of the agreement, would continue in force through May 31, 2017, unless one of the parties terminates the Contract.

15. In the event that Sawgrass terminated the Contract without cause during the agreement's term, the Contract contains the following provision in Paragraph 3:

In the event [Sawgrass], without cause, during the term of this Contract, terminates [Holborn's] designation or appoints a successor broker of record, it is hereby agreed that [Holborn] will be entitled to its full brokerage, subject to the Brokerage Sharing Agreement, as per Schedule A, on all reinsurance procured or placed by [Holborn] or any successor broker during the full term of this Contract had said Contract not been rescinded or terminated, including all brokerage on all years of any multi-year reinsurance agreements incepting during the term of this Contract. For the avoidance of doubt it is agreed that all brokerage and fees associated with any reinsurance agreement, including multi-year reinsurance agreements, shall be considered earned as of the date of placement.

16. On or about May 2016, before the Contract expired, Sawgrass terminated the Contract without cause.

17. Accordingly, under the Contract, Holborn is entitled to its full brokerage, subject to the Brokerage Sharing Agreement, on all reinsurance procured or placed by Holborn or any successor broker during the full term of the Contract as if the Contract not been rescinded or terminated. Upon information and belief, the full brokerage amount that Holborn is entitled to under the Brokerage Sharing Agreement is approximately \$800,000.

18. Holborn has demanded that Sawgrass abide by the terms of the agreement and pay Holborn the full brokerage that Holborn is due.

19. At the time Sawgrass terminated the Contract, Holborn owed Sawgrass approximately \$200,000 pursuant to the terms of the Contract.

20. Holborn is entitled to offset the amount owed to Sawgrass against brokerage due from Sawgrass. Accordingly, the amount owed by Sawgrass is approximately \$600,000.

AS AND FOR A FIRST CAUSE OF ACTION
(BREACH OF CONTRACT)

21. Holborn repeats and re-alleges each and every allegation contained in the preceding paragraphs in this Complaint, and incorporates them herein by reference.

22. The Broker Authorization Contract, which includes the Broker Sharing Agreement as Schedule A thereto, represents a valid, binding, enforceable contract between Holborn and Sawgrass.

23. Holborn fully performed its obligations under the Contract.

24. Pursuant to the clear and unambiguous terms of the Contract, upon termination without cause by Sawgrass, Sawgrass is required to pay Holborn its full brokerage, subject to the Brokerage Sharing Agreement, on all reinsurance procured or placed by Holborn or any successor broker during the full term of the Contract had the Contract not been rescinded or terminated.

25. Sawgrass terminated the Contract without cause and has failed to pay Holborn its full brokerage, subject to the Brokerage Sharing Agreement, on all reinsurance procured or placed by Holborn or any successor broker during the full term of the Contract as if the Contract not been rescinded or terminated.

26. Sawgrass' failure to pay Holborn in the amount of approximately \$800,000 constitutes a material breach of the Contract.

27. As a result, Holborn has been, and continues to be, damaged (after setoff) in an amount not less than \$600,000, plus interest accrued and continuing to accrue thereon.

AS AND FOR A SECOND CAUSE OF ACTION
(UNJUST ENRICHMENT)

28. Holborn repeats and re-alleges each and every allegation contained in the preceding paragraphs of this Complaint, and incorporates them herein by reference.

29. Holborn agreed to be designated as Sawgrass' reinsurance broker for the purpose of procuring and servicing reinsurance for Sawgrass in exchange for the promise of a share of brokerage and fees earned by Holborn.

30. Sawgrass has failed to honor its commitment and has failed to provide Holborn with its share of brokerage and fees earned by Holborn in the amount of approximately \$800,000.

31. Sawgrass has been unjustly enriched by obtaining the benefit of Holborn's placement of reinsurance for Sawgrass without providing Holborn its share of the brokerage and fees in the amount of approximately \$800,000.

32. Holborn is entitled to its share of the brokerage and fees in the amount (after setoff) of no less than \$600,000.

AS AND FOR A THIRD CAUSE OF ACTION
(QUANTUM MERUIT)

33. Holborn repeats and re-alleges each and every allegation contained in the preceding paragraphs of this Complaint, and incorporates them herein by reference.

34. Holborn procured and serviced reinsurance for Sawgrass.

35. Sawgrass received the benefit of Holborn's procurement and service of reinsurance.

36. Sawgrass has failed to compensate Holborn for the fair and reasonable value of its procurement and service of reinsurance for Sawgrass.

37. Holborn is entitled to the fair and reasonable value of its procurement and service of reinsurance for Sawgrass.

JURY DEMAND

Plaintiff demands trial by jury on all issues so triable herein.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff Holborn respectfully requests judgment against Defendant Sawgrass as follows:

A. Enter judgment against Sawgrass on the First Count alleged herein, and award damages in the amount of no less than \$600,000, plus pre-judgment and post-judgment interest, and attorneys' fees;

B. Enter judgment against Sawgrass on the Second Count alleged herein, and award damages in the amount of no less than \$600,000, plus pre-judgment and post-judgment interest, and attorneys' fees;

C. Enter judgment against Sawgrass on the Third Count alleged herein, and award damages in the amount of no less than \$600,000, plus pre-judgment and post-judgment interest, and attorneys' fees and

D. Awarding Holborn such other and further relief as the Court may deem just and proper.

Dated: November 23, 2016

Respectfully submitted,
FOLEY & LARDNER LLP

By: /s/ Robert A. Scher

Robert A. Scher, Esq.
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**IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT,
IN AND FOR LEON COUNTY, FLORIDA**

In Re: The Receivership of
SAWGRASS MUTUAL INSURANCE
COMPANY, a Florida Corporation,

CASE NO.:

**ORDER APPOINTING THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES AS
RECEIVER OF SAWGRASS MUTUAL INSURANCE COMPANY FOR PURPOSES OF
LIQUIDATION, INJUNCTION, AND NOTICE OF AUTOMATIC STAY**

THIS CAUSE was considered on the Application of the Florida Department of Financial Services (“Department”), for an Order to Show Cause on the appointment of a receiver of Sawgrass Mutual Insurance Company (“Respondent” or “Company”), and for injunction, and notice of automatic stay, for purposes of liquidation, which was filed on August _____, 2018, (hereinafter, “Application”). The Court, having reviewed and considered the pleadings of record, and otherwise being fully informed in the premises, finds as follows:

1. Section 631.021, 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.

2. This Court has jurisdiction over these proceedings pursuant to section 631.021(1), Florida Statutes, and this Court can exercise jurisdiction over any person required to cooperate with the Department and the Office of Insurance Regulation (“the Office”) pursuant to section 631.391 Florida Statutes, and over all persons made subject to this Court’s jurisdiction by other provisions of law as provided in section 631.025, Florida Statutes. Venue is proper in the Circuit Court of Leon County pursuant to section 631.021(2), Florida Statutes. Pursuant to section 631.021(1), Florida Statutes, this Court has jurisdiction over the receivership and is authorized to

enter all necessary or proper orders to carry out the purpose of the Florida Insurers Rehabilitation and Liquidation Act, sections 631.001 *et seq.*, Florida Statutes.

3. Respondent was licensed as a Florida domiciled insurance company and on April 7, 2009, was authorized by the Office to transact insurance business. Respondent lists its principal place of business as 1000 Sawgrass Corporate Parkway, Suite 100, Sunrise, Florida 33323.

4. Respondent agreed to be placed into administrative supervision, pursuant to Part V of Chapter 624, Florida Statutes, for the purpose of protecting the assets of Sawgrass and protecting the interests of its insureds and to implement an orderly wind-down of the company's assets. Administrative Supervision began on August 18, 2017, pursuant to a Consent Order entered into with the Office, was extended for two 90-day periods, and was again extended through October 9, 2018 to facilitate the effectuation of run-off.

5. Upon a determination by the Office that one or more grounds exist to initiate a delinquency proceeding against an insurer and upon the Office's determination that a delinquency proceeding should be initiated, the Office is required to refer the insurer to the Department for the initiation of such delinquency proceeding. § 631.031(1), Fla. Stat.

6. By letter dated August 3, 2018, pursuant to section 631.031(1), Florida Statutes, David Altmaier, Commissioner of the Office, advised Florida's Chief Financial Officer, Jimmy Patronis, that grounds exist for the initiation of liquidation proceedings against Respondent.

7. Section 631.031(2), Florida Statutes, empowers the Department to apply to this Court for an order directing it to liquidate a domestic insurer, and section 631.061, Florida Statutes, provides that the Department may apply for such an order if the insurer is or is about to become insolvent or upon the existence of any of the grounds specified in section 631.051, Florida Statutes.

8. Based on the evidence presented in the Department's Application, the Court has determined that sufficient grounds exist for the liquidation of Respondent pursuant to the following provisions of law:

A. Section 631.061(1), Florida Statutes, due to Respondent's insolvency within the meaning of section 631.011(14), Florida Statutes;

B. Section 631.051(3), Florida Statutes, due to the existence of the foregoing grounds for liquidation, Respondent's further transaction of insurance is presently or prospectively hazardous to policyholders, if any, creditors, stockholders, or the public; and

C. Section 631.051(14), Florida Statutes, due to the insurer's systematic attempts to compromise with creditors on the ground that it is financially unable to pay its claims in full.

9. The Court therefore finds that it is in the best interests of Respondent, its policyholders, if any, creditors, stockholders, and the public that the Department be appointed receiver of Respondent for purposes of liquidation.

THEREFORE, IT IS ORDERED AND ADJUDGED:

10. The Department shall be and is hereby appointed receiver of Respondent for purposes of liquidation, effective immediately upon the entry of this Order.

11. The Department 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.

12. All officers, directors, trustees, administrators, agents and employees, and all other persons representing Respondent or currently employed or utilized by Respondent in connection with the conduct of its business are discharged forthwith; provided, however, the Department may retain such persons in the Department's discretion.

13. 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, the following affiliates:

Sawgrass Management Advisors, Inc.

Intuitive Software Development, Inc.

American Insurance Exchange, Inc.

Virtual Video Solutions, Inc.

Insurance Operators Network, Inc.

14. Title to all property, real or personal; contracts; rights of action; and all books and records of Respondent, wherever located, is vested in the Department pursuant to sections 631.111 and 631.141, Florida Statutes.

15. **THE DEPARTMENT IS AUTHORIZED AND DIRECTED TO:**

A. Take immediate possession of all the assets, estate, and property of every kind whatsoever and wherever located belonging to Respondent pursuant to sections 631.111 and 631.141, Florida Statutes, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents, affiliates, or other persons, including but not limited to: offices maintained by Respondent; furniture; fixtures; equipment; office supplies; choses in action; rights of action; contract rights; books, papers, claims and claim files, policy files, application files, premium records, rate books, underwriting manuals, personnel records, and all other records and data that are otherwise the property of the Respondent, in whatever form maintained; evidences of debt; bank accounts; savings accounts; certificates of deposit, stocks, bonds, debentures, and other securities; mortgages; real property; and all funds held by Respondent’s agents, subagents, producing agents, brokers, solicitors, service representatives, premium finance companies, or others under agency contracts or otherwise which

are due and unpaid to Respondent, including premiums, unearned commissions, agents' balances, agents' reserve funds, and subrogation recoveries.

B. Marshal and liquidate the assets of Respondent.

C. Publish notice specifying the time and place fixed for the filing of claims with the Department once each week for three consecutive weeks in the Florida Administrative Weekly published by the Secretary of State, at least once in the Florida Bar News, and in all states where Respondents may have issued insurance policies using methods of publication similar to those being used in the State of Florida.

D. Give notice of this proceeding to Respondent's agents pursuant to section 631.341, Florida Statutes, and to its insureds, if any.

E. 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 Department or coming into its possession.

F. 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.

G. Not defend or accept service of process on legal actions wherein Respondent, the Department, 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 Department may file appropriate pleadings in its discretion.

H. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.

I. Collect all debts that are economically feasible to collect that are due and owing to Respondent.

J. Deposit funds and maintain bank accounts in accordance with section 631.221, Florida Statutes.

K. Take possession of all of Respondent's securities and certificates of deposit on deposit with the Chief Financial Officer of Florida or any similar official of any other state, if any, and convert to cash as much as may be necessary, in its judgment, to pay the expenses of administration of this receivership.

L. Negotiate and settle subrogation claims and final judgments without further order of this Court.

M. Sell any salvage recovered property without further order of this Court.

N. Update its records to incorporate change of address information for interested individuals/entities (e.g., agent, claimant, creditor, policyholder, subscriber) if the Department determines that there has been a change of address for any interested individuals/entities. The Department is authorized to use change of address information for future mailings.

O. Transfer unclaimed funds to the unclaimed property unit(s) of the states(s) reflected in the claimants' last address of record in the Department's files.

P. Dispose of and destroy obsolete and unneeded records pursuant to section

631.141(12), Florida Statutes.

Q. Authorize the applicable guaranty associations to dispose of and destroy obsolete and unneeded records after they have been scanned, verified, and added to the guaranty associations' records management system so long as the guaranty associations provide access to these electronic records to the Department as required to handle its duties.

R. Apply to this Court for further instructions in the discharge of its duties as the Department deems necessary.

IT IS FURTHER ORDERED AND DIRECTED:

16. Any "Covered Entity" or "Business Associate" in possession of "Protected Health Information" ("PHI") as defined in and governed by the federal Health Insurance Portability and Accountability of 1996, is authorized and directed to disclose such PHI to the Department as receiver of Respondent, to the same extent that such disclosure would have been permissible if made directly to Respondent prior to the entry of this Order.

17. Any "financial institution" in possession of "nonpublic personal information" ("NPI"), as defined in and governed by the Gramm-Leach-Bliley Financial Modernization Act of 1999, is authorized and directed to disclosed such NPI to the Department as receiver of Respondent, to the same extent that such disclosure would have been permissible if made directly to Respondent prior to the entry of this Order.

18. Pursuant to the provisions of section 631.252, Florida Statutes, all policies of insurance or similar contracts of coverage that have not expired are canceled **on the date 30 days from the entry of this Order, effective 12:01 AM**. Policies or contracts of coverage with normal expiration dates prior to the dates otherwise applicable under this paragraph, or which are

terminated by insureds, or lawfully cancelled by the Department or insurer before such date, shall stand canceled as of the earlier date.

19. The Department shall continue to coordinate with the applicable Guaranty Associations to provide continued coverage for Respondent's policyholders, if any, prior to the cancellation of policies pursuant to section 631.252, Florida Statutes.

20. All agents, brokers, or other persons having sold policies of insurance and/or collected premiums on behalf of 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 Respondent directly to the Department within twenty (20) days of demand by the Department 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 Department 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 Respondent for refund of unearned premium or for any purpose other than payment to the Department.

21. Any premium finance company that has entered into a contract to finance a premium for a policy issued by Respondent is required to pay any premium owed to Respondent directly to the Department.

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

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

24. 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 Respondent is directed to immediately transfer title, custody, and control of all such funds, accounts, and other assets to the Department. The Department shall be 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 Department's control without permission of this Court.

25. Any entity furnishing telephone, water, electric, sewage, garbage, or trash removal services to Respondent is required to maintain such service and transfer any such accounts to the Department as of the date of the Order, unless instructed to the contrary by the Department.

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

27. Respondent shall surrender all insurance licenses and certificates of authority issued by any and all states that permitted Respondent to operate any insurance business in any state.

28. All executory contracts to which Respondent was a party shall be cancelled and stand cancelled unless specifically adopted by the Department within ninety (90) days of the date of this Order or from the date of the Department's actual knowledge of the existence of such contract, whichever is later. "Actual Knowledge" means the Department has in its possession a written contract to which Respondent is a party, and the Department has notified the vendor in writing acknowledging the existence of the contract.

A. Further, the Department shall have the authority to do the following:

i. Pay for services provided by any of Respondent's vendors, in the ninety (90) day period prior to assuming or rejecting the contract, which are necessary to administer the receivership estate; and

ii. Once the Department determines Respondent's vendor is necessary in the continued administration of the receivership estate for a period to exceed the ninety (90) days from the date of this Order, or from the date of Department's actual knowledge of such contract, whichever is later, the Department may make minimal modifications to the terms of the contract, including, but not limited to, the expiration date of the agreement, the scope of the services to be provide, and/or the compensation to be paid to Respondent's vendor pursuant to the contract. "Minimal Modifications" shall mean any minimum alteration made to the contract to adapt to the new circumstances of the receivership estate. In no event will any minimal modification be construed as the Department entering into a new contract with Respondent's vendor.

B. 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 Department 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 Department. 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.

29. Any information technology service provider or data processing service which has custody or control of any data processing information and records, including, but not limited to, source documents, claims data, policy administration data, data processing cards, input tapes, all types of storage information, master tapes or any other recorded information, relating to Respondent is directed to transfer custody and control of such records to the Department. The Department shall be authorized to compensate any such entity for the actual use of hardware and software, which the Department 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 Department, for the actual time such equipment and software is used by the Department. Any past due or pending balances due from Respondent shall be processed as claims against the estate, and shall not be a basis for withholding the services contemplated in this Paragraph.

30. All attorneys employed by Respondent as of the date of the Order, are required **within ten (10) days of receiving notice of this Order**, to report to the Department on the name, company claim number, and status of each file they are handling on behalf of Respondent. Said

report should also include an accounting of any funds received from or on behalf of 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 Department, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, should not be extinguished by the delivery of these documents.

31. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the building located at 1000 Sawgrass Corporate Parkway, Suite 100, Sunrise, Florida 33323, or any other facility in which Respondent may operate, shall make available, at that location and at no charge to the Department or to Respondent, office space and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Department in its sole discretion.

32. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with Respondent having any interest in the computer equipment, software, and peripherals currently used by or for Respondent shall provide complete access to and administrative control of all such computer equipment, software, and peripherals to the Department at no charge to the Department to the extent deemed necessary by the Department in its sole discretion.

33. All claims shall be filed with the Department **on or before the date that is six months from the date this Order is entered**, and all such claims shall be filed on proof of claim forms prepared by the Department. If the deadline for filing claims falls on a Saturday, Sunday, or a legal holiday, the deadline is extended to the next business day. It is intended that this deadline also be the date certain specified in section 631.181(5), Florida Statutes, after which no further claims may be filed. For any claim filed after the deadline, the Department will send a letter to the claimant advising the claimant that their claim was not filed in compliance with Florida Statutes and this Court's Order and, therefore, will not be treated as a filed claim. A copy of this letter will be filed with the Court.

34. To assure the validity of claim assignments, to assure that the processing of assignments does not create an undue burden on estate resources, and to assure that assignment decisions are made using the best information available, the Department shall not recognize or accept any assignment of claim by the claimant of record unless the following criteria are met:

- A. A distribution petition has not been filed with this Court;
- B. The Department has been provided with a properly executed and notarized assignment of claim agreement entered into between the parties; and
- C. The Department has been provided with a properly executed and notarized Department's Assignment of Claim Change Form and required supporting documentation.
- D. The Department's Assignment of Claim Change Form shall contain an acknowledgement by the claimant, or someone authorized to act on behalf of the claimant, that:
 - i. The claimant is aware that financial information regarding claims distributions and payments published on the Department's website or otherwise available can assist the claimant in making an independent and informed decision regarding the sale of the claim;

ii. The claimant understands that the purchase price being offered in exchange for the assignment may differ from the amount ultimately distributed in the receivership proceeding with respect to the claim;

iii. It is the claimant's intent to sell their claim and have the Department's records be permanently changed to reflect the new owner; and

iv. The claimant understands that that they will no longer have any title, interest, or rights to the claim including future mailings and distributions if they occur.

35. 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.

CONTINUATION OF INVESTIGATION

36. The Department shall be authorized to conduct an investigation as authorized by section 631.156, Florida Statutes, to determine the causes of the insolvency, to discover assets for recovery, to determine the location of assets and their manner of recovery, and to make fully available to the Court the true state of Respondent's financial affairs.

37. The Department may take statements under oath and examine and review the books, records, and documents of any present or former officer, director, manager, trustee, agent, adjuster, employee, or independent contractor of Respondent or its affiliates and any other person possessing any executive authority over, or exercising or having exercised any control over, any segment of the affairs of the Respondent (hereinafter "Controlling Persons").

38. Section 631.391, Florida Statutes, imposes on Controlling Persons a duty to cooperate with the Department during its investigation. Such cooperation shall include, but not be limited to, providing oral testimony under oath, 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.

39. In furtherance of this investigation, Respondent's parent corporations, its subsidiaries, and affiliates are required to make all books, documents, accounts, records, including all records located in any premises occupied by such parent corporations, subsidiaries or affiliates available for full, free and unhindered inspection and examination by the Department during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order and to provide copies of any records requested by the Department whether or not such records are related to Respondent.

40. Upon receipt of a certified copy of Department 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 Department's inspection and copying.

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

INJUNCTION

42. 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, affiliates, members, subscribers, agents, and all other persons 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 Respondent; from in any means interfering with the Department or these proceedings; from the transfer of property and assets of Respondent without the consent of the Department; from the removal, concealment, or other

disposition of Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against Respondent or the Department 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.

43. Notwithstanding the provisions of this paragraph, the Department should 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 Department 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 Department should be authorized to impose a charge for copies of such claim files pursuant to the provisions of sections 119.07(1)(a), and 624.501, Florida Statutes.

NOTICE OF AUTOMATIC STAY

44. Notice is hereby given that, pursuant to section 631.041(1), Florida Statutes, the filing of the Department's Application herein operates as an automatic stay applicable to all persons and entities, other than the Department, 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, Florida Statutes; and

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

45. 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.

46. The Respondent is ordered into liquidation.

DONE and ORDERED in Chambers at the Leon County Courthouse in Tallahassee, Leon County, Florida this _____ day of August, 2018.

CIRCUIT JUDGE

Copies furnished to:

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