

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,

v.

CASE NO: 2011-CA-1476

NATIONAL GROUP INSURANCE
COMPANY, a Florida corporation
Authorized to transact insurance
business in Florida,

Respondent,
_____ /

FILED
2011 AUG -1 P 3:56
BOB INZER
CLERK
LEON COUNTY FLORIDA

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

THIS CAUSE was considered on the Petition of the Department of Financial Services for an Order to Show Cause on the appointment of Receiver of NATIONAL GROUP INSURANCE COMPANY ("Respondent") for purposes of rehabilitation. The Court having considered and reviewed the pleadings of record, heard the presentation and argument of counsel, and otherwise being fully informed of the circumstances, this Court finds as follows:

1. This Court has jurisdiction pursuant to Section 631.021(1), Florida Statutes, and venue is proper pursuant to Section 631.021(2), Florida Statutes.
2. Respondent is a corporation authorized pursuant to the Florida Insurance Code to transact business in the State of Florida as a domestic property and casualty

insurer. Respondent's principal place of business is: 101 Almeria Avenue, Coral Gables, FL 33134-6008.

3. Section 631.021(3), Florida Statutes, provides that a delinquency proceeding pursuant to Chapter 631, Florida Statutes, constitutes the sole and exclusive method of liquidating, rehabilitating, reorganizing, or conserving a Florida domiciled insurer.

4. Sections 631.031 and 631.051, Florida Statutes, empower the Department to apply to this Court for an order directing it to rehabilitate a domestic insurer upon the existence of any one or more grounds specified in Section 631.051, Florida Statutes.

5. Respondent is impaired or insolvent within the meaning of Sections 631.051(1) and 631.011, Florida Statutes. Respondent is in such condition or is using or has been subject to such method or practices in the conduct of its business, as to render its further transaction if insurance presently or prospectively hazardous to its policyholders, creditors, stockholders, or the public.

THEREFORE, IT IS ORDERED AND ADJUDGED as follows:

6. The Florida Department of Financial Services is appointed Receiver of Respondent effective August 1st, 2011, at 3:50 a.m./p.m. for purposes of rehabilitation and that the Receiver is authorized and directed to:

A. Conduct the business of Respondent and take all steps, as the Court may direct, toward the removal of the causes and conditions which have made this Order of Rehabilitation necessary and to take such further action, as the Receiver deems necessary or appropriate, to reform and revitalize the Respondent.

B. Take immediate possession of all the property, assets, and estate, and

all other property of every kind whatsoever and wherever located belonging to Respondent pursuant to Sections 631.101 and 631.141, Florida Statutes, including but not limited to: offices maintained by Respondent, rights of action, books, papers, evidences of debt, bank accounts, savings accounts, certificates of deposit, stocks, bonds, debentures and other securities, mortgages, furniture, fixtures, office supplies and equipment, wherever situate and however titled, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates and all real property of Respondent, wherever situate, whether in the possession of Respondent or its officers, directors, shareholders, trustees, employees, consultants, attorneys, agents or affiliates.

C. Employ and authorize the compensation of legal counsel, actuaries, accountants, clerks, consultants, and such assistants as it deems necessary, purchase or lease personal or real property as it deems necessary, and authorize the payment of the expenses of these proceedings and the necessary incidents thereof, as approved by the Court, to be paid out of the funds or assets of the Respondent in the possession of the Receiver or coming into its possession.

D. Reimburse such employees, from the funds of this receivership, for their actual necessary and reasonable expenses incurred while traveling on the business of this receivership.

E. Not defend or accept service of process on legal actions wherein Respondent, the Receiver, or the insured is a party defendant, commenced either prior to or subsequent to the order, without authorization of this Court;

except, however, in actions where Respondent is a nominal party, as in certain foreclosure actions, and the action does not affect a claim against or adversely affect the assets of Respondent, the Receiver may file appropriate pleadings in its discretion.

F. Commence and maintain all legal actions necessary, wherever necessary, for the proper administration of this receivership proceeding.

G. Collect all debts which are economically feasible to collect which are due and owing to Respondent.

H. Deposit funds and maintain bank accounts in accordance with Section 631.221, Florida Statutes.

I. 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 or otherwise best benefit the estate.

J. Apply to this Court for further instructions in the discharge of its duties as may be necessary.

H. For purposes of the Order, the term "affiliate" shall be defined in accordance with Section 631.011(1), Florida Statutes, and shall include, but not be limited to, National Promoters and Services, Inc., National Insurance Company, National Life Insurance Company, and Phoenix Insurance Underwriters, LLC.

IT IS FURTHER ORDERED AND DIRECTED:

7. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of Respondent's affairs or the affairs of its affiliates shall be required to fully cooperate with the Receiver, pursuant to Section 631.391, Florida Statutes. Any person who interferes with the instructions of the Receiver, may be excluded from the building where the Respondent's offices are located at the Receiver's discretion.

8. Title to all property, real or personal, all contracts, rights of action and all books and records of Respondent, wherever located, is vested in the Receiver pursuant to Sections 631.101 and 631.141, Florida Statutes.

9. The Receiver is granted all of the powers of the Respondent's directors, officers, and managers, whose authority shall be suspended, except as such powers are re-delegated in writing by the Receiver. The Receiver 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.

10. All attorneys employed by Respondent as of the date of the Order, within 10 days notice of the Order, are required to report to the Receiver on the name, company claim number and status of each file they are handling on behalf of the Respondent. Said report shall also include an accounting of any funds received from or on behalf of the Respondent. All attorneys employed by Respondent shall be discharged as of the date of the Order unless their services are retained by the Receiver. All attorneys employed by Respondent shall be advised that pursuant to

Section 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 shall be required to deliver such litigation files, material, documents or records intact and without purging to the Receiver, on request, notwithstanding any claim of a retaining lien which, if otherwise valid, shall not be extinguished by the delivery of these documents.

11. All agents, brokers or other persons having sold policies of insurance and/or collected premiums on behalf of the Respondent shall be required to account for and pay all premiums and commissions unearned due to cancellation of policies by the Order or in the normal course of business owed to the Respondent directly to Receiver within 30 days of demand by the Receiver or appear before this Court to show cause, if any they may have, as to why they shall not be required to account to the Receiver or be held in contempt of Court for violation of the provisions of the Order. No agent, broker, premium finance company or other person shall use premium monies owed to the Respondent for refund of unearned premium or for any purpose other than payment to the Receiver.

12. Any premium finance company which has entered into a contract to finance a premium for a policy which has been issued by the Respondent shall be required to pay any premium owed to the Respondent directly to the Receiver.

13. Reinsurance premiums due to or payable by Respondent shall be remitted to, or disbursed by, the Receiver. Reinsurance losses recoverable or payable by

Respondent shall be handled by the Receiver. All correspondence concerning reinsurance shall be between the Receiver and the reinsuring company or intermediary.

14. Upon request by the Receiver, any company providing telephonic services to Respondent shall be required to provide a reference of calls from the number presently assigned to Respondent to any such number designated by the Receiver or perform any other services or changes necessary to the conduct of the receivership.

15. Any bank, savings and loan association, or other financial institution which has on deposit, in its possession, custody or control any funds, accounts and any other assets of Respondent, shall be required to immediately transfer title, custody and control of all such funds, accounts and other assets to the Receiver. The Receiver 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 Receiver's control without the permission of this Court.

16. Any entity furnishing telephone, water, electric, sewage, garbage or trash removal services to Respondent shall be required to maintain such service and transfer any such accounts to the Receiver as of the date of the Order, unless instructed to the contrary by the Receiver.

17. Any data processing service, which has custody or control of any data processing information and records including but not limited to source documents, data processing cards, input tapes, all types of storage information, master tapes or any

other recorded information relating to Respondent shall be required to transfer custody and control of such records to the Receiver. The Receiver shall be authorized to compensate any such entity for the actual use of hardware and software which the Receiver finds to be necessary to this proceeding. Compensation shall be based upon the monthly rate provided for in contracts or leases with Respondent which was in effect when this proceeding was instituted, or based upon such contract as may be negotiated by the Receiver, for the actual time such equipment and software is used by the Receiver.

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

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

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

21. All affiliated companies and associations, including but not limited to National Promoters and Services, Inc., National Insurance Company, National Life Insurance Company, and Phoenix Insurance Underwriters, LLC shall make their books and records available to the Receiver, to include all records located in any premises occupied by said affiliate, whether corporate records or not, and to provide copies of any records requested by the Receiver whether or not such records are related to Respondent. The Receiver shall have title to all policy files and other records of, and relating to Respondent, whether such documents are kept in offices occupied by an

affiliate company or any other person, corporation, or association. The Receiver shall be authorized to take possession of any such records, files, and documents, and to remove them to any location in the Receiver's discretion. Any disputed records shall not be withheld from the Receiver's review, but shall be safeguarded and presented to this Court for review prior to copying and/or removal by the Receiver.

21. The Receiver shall have complete access to and administrative control of all information technology resources of the Respondent and its affiliates at all times including, but not limited to, Respondent's computer hardware, software and peripherals. Each affiliate shall be given reasonable access to such records for the purpose of carrying out its business operations.

22. Any person, firm, corporation or other entity having notice of the Order that fails to abide by its terms is directed to appear before this Court to show good cause, if any they may have, as to why they shall not be held in contempt of Court for violation of the provisions of this Order.

23. Pursuant to Sections 631.041(3) and (4), Florida Statutes, all persons, firms, corporations and associations within the jurisdiction of this Court, including, but not limited to, Respondent and its officers, directors, stockholders, members, subscribers, agents and employees, are enjoined and restrained from the further transaction of the insurance business of the Respondent; from doing, doing through omission, or permitting to be done any action which might waste or dispose of the books, records and assets of the Respondent; from in any means interfering with the Receiver or these proceedings; from the transfer of property and assets of Respondent without the consent of the Receiver; from the removal, concealment, or other disposition of

Respondent's property, books, records, and accounts; from the commencement or prosecution of any actions against the Respondent or the Receiver together with its agents or employees, the service of process and subpoenas, or the obtaining of preferences, judgments, writs of attachment or garnishment or other liens; and, from the making of any levy or execution against Respondent or any of its property or assets. Notwithstanding the provisions of this paragraph, the Receivers 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 Receiver stating that notice of the non-party production was appropriately issued and provided to the patient and that the patient was given the opportunity to object and either did not object to the non-party production, or objected and the Court overruled the objection, in which case a copy of the Court's ruling must be attached to the affidavit. The Receiver 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.

24. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with National Group Insurance Company agree to fully cooperate with the Receiver in the effort to rehabilitate National Group Insurance Company.

25. All subsidiaries, affiliates, parent corporations, ultimate parent corporations, and any other business entity affiliated with National Group Insurance Company having any interest in the building located at: 101 Almeria Avenue, Coral Gables, FL 33134-6008 or any other facility in which National Group Insurance Company may operate,

shall make available, at that location and at no charge to the Receiver or to National Group Insurance Company, office space, and related facilities (telephone service, copiers, computer equipment and software, office supplies, parking, etc.) to the extent deemed necessary by the Receiver in its sole discretion.

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

27. Except for contracts of insurance, all executory contracts to which the Respondent was a party should be cancelled and stand cancelled unless specifically adopted by the Receiver within ninety (90) days of the date of this Order or from the date of the Receiver's actual knowledge of the existence of such contract, whichever is later. "Actual Knowledge" means the Receiver has in its possession the original of a written contract to which the Respondent is a party, and the Receiver has notified the vendor in writing acknowledging the existence of the contract. **Any vendor, including but not limited to, any and all employees/contractors of insurer, claiming the existence of a contractual relationship with the insurer shall provide notice to the Receiver of such relationship.** This notice should include any and all documents and information regarding the terms and conditions of the contract, including a copy of the written contract between the vendor and the insurer, if any, what services or goods were provided pursuant to the contract, any current, future and/or past due amounts owing

under the contract, and any supporting documentation for third party services or goods provided. Failure to provide the required information may result in vendors' contractual rights not being recognized by the Receiver. The rights of the parties to any such contracts are fixed as of the date of the Order and any cancellation under this provision should not be treated as an anticipatory breach of such contracts.

CONTINUATION OF INVESTIGATION

28. The Receiver shall be authorized to conduct an investigation as authorized by Section 631.391, Florida Statutes, of Respondent and its affiliates, as defined above, to uncover and make fully available to the Court the true state of Respondent's financial affairs. In furtherance of this investigation, Respondent and its affiliate shall be required to make all books, documents, accounts, records, and affairs, which either belong to or pertain to Respondent, available for full, free and unhindered inspection and examination by the Receiver during normal business hours (8:00 a.m. to 5:00 p.m.) Monday through Friday, from the date of the Order. Respondent and the above specified entities shall be required to cooperate with the Receiver to the fullest extent required by Section 631.391, Florida Statutes. Such cooperation shall include, but not be limited to, the taking of oral testimony under oath of Respondent's officers, directors, managers, trustees, agents, adjusters, employees, or independent contractors of Respondent, its affiliates and any other person who possesses any executive authority over, or who exercises any control over, any segment of the affairs of Respondent in both their official, representative and individual capacities and the production of all documents that are calculated to disclose the true state of Respondent's affairs.

29. Any officer, director, manager, trustee, administrator, attorney, agent, accountant, actuary, broker, employee, adjuster, independent contractor, or affiliate of Respondent and any other person who possesses or possessed any executive authority over, or who exercises or exercised any control over, any segment of the affairs of Respondent or its affiliates shall be required to fully cooperate with the Receiver as required by Section 631.391, Florida Statutes, and as set out in the preceding paragraph. Upon receipt of a certified copy of the Order, any bank or financial institution shall be required to immediately disclose to the Receiver the existence of any accounts of Respondent and any funds contained therein and any and all documents in its possession relating to Respondent for the Receiver's inspection and copying.

30. In the event the Receiver determines that reorganization, consolidation, conversion, reinsurance, merger, or other transformation of the Respondent is appropriate, the Receiver should be directed to prepare a plan to effect such changes and submit the plan to this Court for consideration.

31. Upon petition by the Receiver stating that further efforts to rehabilitate Respondent would be useless, this Court will consider the entry of an order of liquidation of Respondent.

NOTICE OF AUTOMATIC STAY

32. Notice is hereby given that, pursuant to Section 631.041(1), Florida Statutes, the filing of the Department's initial petition herein operates as an automatic stay applicable to all persons and entities, other than the Receiver, which shall be permanent and survive the entry of this 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 judgment against the insurer or an affiliate, provided that such affiliate is owned by or constitutes an asset of Respondent, obtained either before or after the commencement of the delinquency proceeding;

C. Any act to obtain possession of property of the insurer;

D. Any act to create, perfect or enforce a lien against property of the insurer, except a secured claim as defined in Section 631.011(21), Florida Statutes;

E. Any action to collect, assess or recover a claim against the insurer, except claims as provided for under Chapter 631;

F. The set-off or offset of any debt owing to the insurer, except offsets as provided in Section 631.281, Florida Statutes.

33. All Sheriffs and all law enforcement officials of the state shall cooperate with and assist the Receiver in the implementation of this Order.

34. 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.

DONE and ORDERED in Chambers at the Leon County Courthouse in Tallahassee, Florida this 18th day of August, 2011.

A Certified Copy
Attest:

Bob Inzer

Clerk Circuit Court
Leon County, Florida



By _____

D.C. 8-1-11

CIRCUIT COURT JUDGE