

**INSURANCE CAPITAL BUILD-UP INCENTIVE PROGRAM
SURPLUS NOTE**

Amount \$7,000,000

Term: 20 years

Payment Dates: January 1, April 1, July 1, and October 1

Interest Rate Determination Date: The interest rate shall be determined two business days prior to the payment date in order to set the rate for the following quarter.

Day Count: actual days divided by 360 for the specified quarter.

This Surplus Note is executed this 27th day of June, 2007, by and between American Integrity Insurance Company of Florida, (NAIC #12841), an Insurer authorized to write residential property and casualty insurance in Florida ("Insurer"), and The State Board of Administration of Florida ("Board"), the parties. It is deemed to be in the best interest of the Insurer to increase its Surplus as to policyholders for the purpose of increasing the number of new residential policies covering the risk of hurricanes the Insurer writes in Florida.

The Insurer's application for this Surplus Note was received by the Board on May 25, 2007, and the Insurer has, on or before the date of this Surplus Note contributed \$7 million in New Capital, as defined below, to its Surplus.

For and in consideration of the mutual agreements as set forth, the Insurer hereby makes a contribution to Surplus in New Capital of \$7 million and covenants to meet the Minimum Writing Ratio of Net Written Premium to Surplus of at least 2:1 for the term of this Surplus Note or, for newly formed Insurers writing only manufactured housing policies, the ratio provisions provided in Section 624.4095, F.S.

DEFINITIONS APPLICABLE TO THIS SURPLUS NOTE:

- (a) "Applicant" means the Insurer making application under the Program.
- (b) "Approve," "Approving," "Approved," or "Approval" means the Insurer's application has been approved contingent upon a review and prioritization of all the applicants who may have applied for the limited funds available under the Program during the application periods specified in (4)(e), (f), or (g) of Rule 19-15.001, F.A.C. If the amount of the Surplus Notes requested does not exceed the funds available during these application periods, it will not be necessary for the Board to prioritize applicants prior to distributing funds, but in all cases the Insurer shall be required to contribute New Capital and provide verification of a deposit prior to the Board distributing the proceeds derived from the Surplus Note.
- (c) "Board" means the State Board of Administration of Florida.
- (d) "Cash" or "Cash Equivalents" means unencumbered cash or unencumbered cash equivalents as specified in Section 625.012(1), F.S. Cash Equivalents are short-term, highly liquid investments, with original maturities of 3 months or less, which are both

readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

(e) “Impair” or “Impaired” means the Insurer’s Surplus is below the Minimum Required Surplus as specified in Section 215.5595(2)(c), F.S.

(f) “Insurer” means an authorized insurance company seeking to participate in the Program.

(g) “Insurer writing only manufactured housing” includes an Insurer that 1. is a Florida domiciled insurer that begins writing personal lines residential manufactured housing policies in Florida after March 1, 2007, and that removes a minimum of 50,000 policies from Citizens Property Insurance Corporation without accepting a bonus, provided at least 25 percent of its policies cover manufactured housing. Such an insurer may count any funds above the minimum capital and surplus requirement that were contributed into the insurer after March 1, 2007, as new capital under this statute or 2. is a Florida domiciled insurer that writes at least 40 percent of its policies covering manufactured housing in Florida.

(h) “Minimum Capital Contribution” means, with respect to Insurers who apply to the Board by July 1, 2006, a contribution of New Capital to its Surplus which is at least equal to the amount of the Surplus Note. “Minimum Capital Contribution” means, with respect to all other applicants applying after July 1, 2006 and before June 1, 2007, a contribution to its Surplus that is twice the amount of the Surplus Note. For insurers writing only manufactured housing as defined in paragraph (3)(g), the New Capital Contribution is required to be equal to the amount of the Surplus Note amount subject to paragraph (3)(i), below.

(i) “Minimum Required Surplus” means, for purposes of this Program, that the Insurer’s total Surplus, after the issuance of the Surplus Note and New Capital contribution equals at least \$50 million or as to Insurers writing only manufactured housing policies, at least \$14 million.

(j) “Minimum Writing Ratio” means a 2:1 ratio of Net Written Premium to Surplus or, for newly formed Insurers writing only manufactured housing policies, the ratio provisions provided in Section 624.4095, F.S.

(k) “Net Written Premium” means direct Premium plus assumed Premium less ceded Premium.

(l) “New Capital” must be in the form of Cash or Cash Equivalents and be recorded as additional paid-in capital or new stock issued. New Capital does not include Citizens Property Insurance Corporation take-out bonuses pursuant to Section 627.3511, F.S. Except as provided below, a New Capital contribution does not constitute contributions by the Insurer made prior to the Insurer’s application date for the Surplus Note or any other funds contributed to the Insurer’s Surplus which are made for purposes other than in conjunction with the requirements of the Program. An insurer described in subparagraph (3)(g)1., above, may count any funds above the minimum capital and surplus requirement that were contributed into the insurer after March 1, 2007, as new capital.

(m) “Surplus Note” means the Surplus Note issued by the Insurer to the Board.

(n) “Office” means the Office of Insurance Regulation, which was created in Section 20.121(3), F.S.

- (o) "Premium" means premiums relating to residential property insurance in Florida including the peril of wind.
- (p) "Program" means the Insurance Capital Build-Up Incentive Program created by Section 215.5595, F.S.
- (q) "Substantial Impairment" or "Substantially Impair" means that the Commissioner of Insurance Regulation (Commissioner) has solvency concerns that the Insurer may not be able to meet the obligations of its policyholders and has provided the Board with a written explanation.
- (r) "Surplus" means the Insurer's admitted assets less the Insurer's liabilities and refers to the entire Surplus of the Insurer.

THIS SURPLUS NOTE IS SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:

- (1) No Prepayment Penalties: There is no penalty for pre-payment of this Surplus Note.
- (2) Surplus Note Proceeds: The Surplus Note proceeds will be distributed by the issuance of a check to the Insurer unless the Insurer provides a resolution passed by the Insurer's governing board, authorizing and requesting a wire transfer of the Note proceeds and providing wire transfer instructions.
- (3) Statutory Requirements:
 - (a) Minimum Required Surplus: Insurer represents, as a condition of obtaining this Surplus Note, that Insurer's Surplus, New Capital, and the Surplus Note, when added together, equals at least \$50 million or, as to Insurers writing only manufactured housing policies, equals at least \$14 million.
 - (b) Limit for Insurers and Insurer Groups: The Insurer represents that the Program proceeds to be made available to the Insurer under this Surplus Note, together with Program proceeds already received or applied for by other members of the Insurer group, when added together does not exceed \$50 million or, as to Insurers writing only manufactured housing policies, does not exceed \$7 million.
 - (c) New Capital Contributions to Surplus: The contribution to Surplus is made in the form of cash and meets or exceeds the Minimum Capital Contribution as defined above. This (These) asset(s) have been approved by the Office as found to be acceptable assets pursuant to Part II of Chapter 625, F.S.
 - (d) Depository Letter: Prior to the execution of this Surplus Note, Insurer has provided to the Board a letter from a depository institution which states the amount of unencumbered Cash or Cash Equivalents that have been deposited into the Insurer's account.
 - (e) Writing Ratio: The Insurer represents that it is now at the Minimum Writing Ratio and will maintain the Minimum Writing Ratio during the term of the Surplus Note. In the alternative, the Insurer may represent that it is not currently at the Minimum Writing Ratio, but it will meet that ratio within sixty days from the date the Surplus Note is executed and will maintain the Minimum Writing Ratio for the term of the Surplus Note.
 - (f) The Insurer represents that it will make all quarterly filings using Form SBA 15-3 to the Office. This Form is available on the Board's website, www.sbafla.com, under "Insurance Capital Build-Up Incentive Program".
- (4) Payment Conditions:
 - (a) Payment Address: Payments shall be quarterly and shall be remitted as follows:

The instructions for wiring funds for loan repayments are as follows:

*BANK OF AMERICA – TAMPA
ABA #026009593
CREDIT: STATE BOARD OF ADMINISTRATION OF FLORIDA
ACCOUNT #003660048119*

You will need to instruct your bank to wire the funds to our bank as named above. Please have your bank reference your NAIC number and your company name on all wires.

Send an email notice of your payment before 11:00 a.m. ET the day your money is coming to the Board. Notification should be sent to

ICBP@sbafla.com

and should include your NAIC number, company name, effective date of payment, and amount of payment. Indicate portion of payment allocated to principal and the portion allocated to interest. Failure to notify the SBA may result in a delay of credit for payment.

(b) Interest Rate: The Surplus Note shall accrue interest on the unpaid principal balance at a rate equivalent to the 10-year U.S. Treasury Bond rate. The rate will be adjusted quarterly for the term of the Surplus Note based on the 10-year Constant Maturity Treasury rate.

(c) Interest for the First Three Years: For the first three years of the Surplus Note, Insurer is required to pay interest only. However, principal payments can be made during this time. Interest payments shall begin to accrue from the date of this Surplus Note.

(d) Repayment Limitations: Any payment of principal or interest by the Insurer on this Surplus Note must be approved by the Commissioner, who shall approve the payment unless the Commissioner determines that such payment will Substantially Impair the financial condition of the Insurer. If such a determination is made, the Commissioner shall approve such payment that will not Substantially Impair the financial condition of the Insurer. The Board will seek approval of payments from the Commissioner and will notify any Insurer if a payment of principal and/or interest has been disapproved or, if a lower amount has been approved, the amount by which the usual payment is to be reduced. Interest shall continue to accrue until paid including during periods when payment approval has not been granted.

(5) Default: Conditions, Consequences, and Insurer Responsibilities.

(a) Conditions Resulting in Default:

1. Failure to reach the Minimum Writing Ratio within 60 days of an Insurer receiving the proceeds of the Surplus Note distributed by the Board or the failure to maintain the Minimum Writing Ratio once reached unless a supplemental agreement is provided for in the Surplus Note that allows the Insurer more time to reach the Minimum Writing Ratio due to financial considerations.

2. Failure to submit quarterly filings of Form SBA 15-3 to the Office.

3. Failure to maintain the Minimum Required Surplus except for situations involving the payment of losses resulting from a catastrophic event or a series of events resulting in catastrophic losses or where Minimum Required Surplus is reduced as a result of the accounting treatment for deferred acquisition costs or where the Minimum Required Surplus is reduced as a result of repayment of the principle or interest on this Surplus Note.

4. Misuse of Program Proceeds: The Surplus Note will be in default if proceeds received pursuant to the Surplus Note are converted into any asset not authorized under Part II of Chapter 625, F.S.

5. Failure to make a payment of interest and/or principal where the payment by the Insurer has been approved by the Office.

6. Failure to make a payment of interest and/or principal where the payment by the Insurer has not been approved by the Office, but alternative payments have been approved.

7. False or Misleading Statements. Any representations, including those made in the application and/or accompanying documentation, which is false or misleading.

8. When the Insurer pays any ordinary or extraordinary dividend when there are payments of principal or interest payments that are past due under the Surplus Note.

(b) Consequences of Default: For all defaults, the Board, in its sole discretion, may exercise any one of the following options:

1. Increase the interest rate to the maximum interest rate permitted by law;

2. Accelerate the repayment of principal and interest;

3. Shorten the term of the Surplus Note;

4. Call the Surplus Note and demand full repayment.

(c) Insurer responsibilities: The Insurer shall notify the Board when any of the above conditions resulting in default arises.

(6) Reorganization, Dissolution, or Liquidation: In the event of reorganization, dissolution, 100% reinsurance or liquidation of Insurer, pursuant to Section 215.5595(5), F.S., the Board shall be treated as a class 3 creditor pursuant to Section 631.271, F.S., for the unpaid principal and interest on this Surplus Note.

(7) Resolution by Governing Board: The Insurer's governing board has passed a resolution which authorizes Insurer to enter into this Surplus Note and to meet all the requirements contained in this Surplus Note.

(8) Governing Law: This Surplus Note is governed by the laws of the State of Florida, without giving effect to conflict of law provisions thereof. Any dispute or claim arising out of or in connection with this Surplus Note will be submitted exclusively to the Circuit Court for the Second Judicial Circuit, in and for Leon County, Florida for trial and determination by the court. The parties consent to the jurisdiction of such court and to service of process outside the State of Florida pursuant to the requirements of such court in any matter submitted to it.

(9) Supplemental Agreements:

(a) If the full payment of principal and interest are not received when due as a result of the Commissioner not approving the Insurer's repayment or repayments, the Board may lengthen the term of the Surplus Note and make any other adjustments with the Approval of the Commissioner that will be necessary to protect the state's interest in the repayment

of the Surplus Note. Interest will continue to accrue. The Insurer agrees to accept such terms and adjustments.

(b) Interest shall continue to accrue in any situation involving a default.

(c) A late fee in the amount of 5% of the invoiced amount may be charged if a payment is received five calendar days after the due date except such fee will not be charged if it results from a delay beyond the control of the insurer arising from the Office's disapproval of the payments or delay in issuing approval of the payment of interest or principal.

(d) Any other surplus notes not issued in conjunction with the Insurance Capital Incentive Build-Up Program will be subordinated to this Surplus Note.

(e) Consistent with the provisions of 19ER07-1 (9)(a)3., F.A.C., subparagraph (5)(a)3., above, is superseded and replaced with the following language: Failure to maintain the Minimum Required Surplus except for situations involving the payment of losses resulting from a catastrophic event or a series of events resulting in catastrophic losses or where Minimum Required Surplus is reduced as a result of the accounting treatment for deferred acquisition costs or where the Minimum Required Surplus is reduced as a result of repayment of the principle on this Surplus Note.

(f) The insurer agrees to maintain financial capacity to survive a 1-in-100 year probable maximum loss and to support the insurer's surplus in order to survive two hurricane losses during a season. Failure to maintain this level of financial security may result in a default condition.

(g) The insurer agrees to meet the definition in (g) in the **DEFINITIONS APPLICABLE TO THIS SURPLUS NOTE** section above for "Insurer writing only manufactured housing." Failure to meet this definition may result in a default condition.

(10) Entire Agreement: This Surplus Note contains the entire agreement between the above referenced parties. There are no other addendums or agreements with any other party which form a part of this contract.

IN WITNESS WHEREOF, this agreement has been executed as of the date above.

We are each, respectively, executive officers of the Insurer and are acting within our authority in executing this Surplus Note.

Attest to:

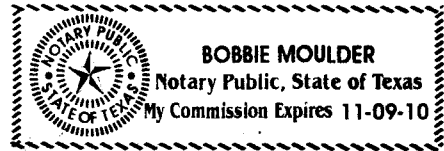
By: [Signature]
Name

DAVID CLARK, CHAIRMAN
Print Name & Title

STATE OF TEXAS }
COUNTY OF DALLAS }

The foregoing instrument was acknowledged before me by DAVID CLARK,
personally known to me or who presented as identification _____
this 25TH day of JUNE, 2007.

[Signature]
NOTARY PUBLIC
My Commission Expires:



Attest to:

By: _____
Name

Print Name & Title

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me by _____,
personally known to me _____ or who presented as identification _____,
this _____ day of _____, 20____.

NOTARY PUBLIC
My Commission Expires:

The State Board of Administration of Florida

By: _____
Coleman Stipanovich
Executive Director

Date

IN WITNESS WHEREOF, this agreement has been executed as of the date above.

We are each, respectively, executive officers of the Insurer and are acting within our authority in executing this Surplus Note.

Attest to:

By: _____
Name Print Name & Title

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me by _____,
personally known to me ___ or who presented as identification _____
this ____ day of _____, 20 ____.

NOTARY PUBLIC
My Commission Expires:

Attest to:

By: Robert C. Ritchie _____
Name Print Name & Title
ROBERT C. RITCHIE, CEO

STATE OF Florida }
COUNTY OF Hillsborough }

The foregoing instrument was acknowledged before me by Robert Ritchie,
personally known to me _____ or who presented as identification drivers license
this 25th day of June, 2007.

Tonya M. Clouchete

NOTARY PUBLIC
My Commission Expires:

TONYA M. CLOUCHETE
NOTARY PUBLIC - STATE OF FLORIDA
COMMISSION # DD437822
EXPIRES 6/6/2009
BONDED THRU 1-888-NOTARY1

The State Board of Administration of Florida

By: Coleman Stipanovich _____
Coleman Stipanovich Date
Executive Director 6-21-07