AGREEMENT OF ASSUMPTION

THIS AGREEMENT is made and entered into on this 18th day of May, 2005, by and between National Lloyds Insurance Company (hereinafter referred to as "**NLIC**") and Exchange Insurance Company (hereinafter referred to as "**EIC**").

RECITALS

WHEREAS, EIC wishes to transfer to **NLIC** and **NLIC** wishes to assume all of **EIC's** business, subject to the limitations in paragraph 2.01 herein and as more specifically described in Exhibit "A" attached hereto (hereinafter referred to as the "Insurance Business"); and

WHEREAS, under the respective Articles of Incorporation, By-Laws, and under applicable laws, **EIC** is authorized to cede through assumption, and **NLIC** is authorized and empowered to assume through said arrangement the Insurance Business and all liabilities, obligations, and rights arising out of or relating to the Insurance Business; and

WHEREAS, EIC is currently in Rehabilitation, and this Agreement will not become effective until and unless the Court (the "Court"), in *State of Tennessee, ex rel., Paula A. Flowers, Commissioner of Commerce and Insurance for the State of Tennessee v. Exchange Insurance Company, a Tennessee domiciled insurance company*, Chancery Court of the State of Tennessee, Twentieth Judicial District, Davidson County, Case No. 03-3731-IV, enters an Order approving this Agreement and granting EIC authority to perform pursuant to its terms; and

WHEREAS, it is the desire of the parties hereto that the terms and conditions pertaining to the bulk assumption of the **EIC** insurance contracts covered hereunder to be set forth in writing.

WITNESSETH

NOW, THEREFORE, for and in consideration of the mutual benefits to be received by the respective parties and the mutual agreements and undertakings herein set forth to be performed by the parties hereto, **EIC** and **NLIC** do hereby agree as follows:

Section 1. Assumption

1.01 **EIC** hereby cedes to **NLIC** and **NLIC** hereby assumes as direct obligations by assumption reinsurance, all the forms of insurance policies and certificates associated with the Insurance Business (hereinafter referred to as the ("Assumed Policies"), subject to the terms and conditions of this Agreement of Assumption (the "Agreement"). On the designated Assumption Date, as established below, **NLIC** shall be

EXHIBIT
Plan Exhibit
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the successor to **EIC** thereunder as to **EIC's** insureds, as if named in place of **EIC**, with respect to the Insurance Business matters, including all rights, obligations, privileges, and prerogatives previously held by **EIC** prior to the Assumption Date, as hereinafter defined.

1.02 The term "Assumption Date", as referenced herein, shall be the date that the Insurance Business subject to this Agreement is assumed by **NLIC**, and shall be as nearly as possible 12:01 a.m. Central Daylight Time on the 14th day after approval of this Agreement and of **EIC**'s performance hereunder by the Court.

Section 2. Assumed Policies

2.01 From and after the Assumption Date, **NLIC** as the replacing insurance carrier assumes all the liability under the Assumed Policies for all claims incurred prior to, on, or after the designated Assumption Date, including the liabilities for a block of Dwelling Fire, Homeowners, and Notary Bond business which was terminated in 2003 or has been non-renewed, excluding all oil and gas bonds issued by EIC and having the Tennessee Department of Oil and Gas as a beneficiary as designated on Exhibit A, with the exception of, and excluding any bad faith, deceptive practice, including gross negligence or extra contractual damage claims of any type arising out of the acts or omissions of **EIC** (as described herein "Assumed Claims"). **NLIC** shall pay one hundred percent (100%) of all losses and attendant expenses of whatever type incurred by **EIC** relating to any Assumed Claim incurred under any such Assumed Policy arising prior to, on, or after the designated Assumption Date.

2.02 **NLIC** shall have the sole and absolute right, at its own expense, and to the exclusion of **EIC** to investigate, settle, compromise, defend against or, otherwise deal with the Assumed Claims.

2.03 **EIC** shall participate and cooperate to the extent reasonably necessary and appropriate, including execution of appropriate documents, as determined by **NLIC**, in the resolution of any Assumed Claim.

2.04 **EIC** shall transfer all records and documents, electronic or otherwise, relating to the Insurance Business and all Assumed Claims to **NLIC**, as **NLIC** directs.

Section 3. Consideration

The consideration for NLIC assuming the Insurance Business under this Agreement is as follows:

> EIC will transfer to NLIC cash equal to current open case reserves as of the Assumption Date in addition to $90,000 which represents IBNR for Notary Bonds.

Section 4. Consents and Approvals.

NLIC shall obtain any consents and/or approvals of insurance regulatory authorities that are determined to be required with respect to this Agreement. **EIC** shall participate and cooperate to the extent reasonably necessary and appropriate, including execution of appropriate documents, as determined by **NLIC**, in the resolution of any Assumed Claim.

Section 5. No Right of Recapture

EIC has no right to recapture any of the Insurance Business ceded to NLIC under this Agreement.

Section 6. Term

This Agreement is unlimited in duration and may not be unilaterally cancelled or amended by either party.

Section 7. Notices

Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered by facsimile transmission, or sent by certified, registered, or express mail. Any such notice shall be deemed given when so delivered as follows:

If to EIC:
Exchange Insurance Company
6330 Torrington Road
Nashville, TN 37205
Attn: Martin Cohen

Copy to:
State of Tennessee Department of
Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243
Attn: Kathy Fussell

If to NLIC:
National Lloyds Insurance Company
PO Box 2650
Waco, Texas 76702
Attn: President

Copy to:
Fulbright Winniford
PO Box 7575
Waco, Texas 76714
Attn: Andy McSwain

Section 8. Non-Insurance Document Retention

All non-insurance related documents belonging to **EIC** will be relocated to a location in Tennessee reasonably specified by **EIC**, at the expense of National Lloyds.

Section 9. Entire Agreement

This document constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes all previous communications, representations, understandings, and agreements, either oral or written, between the parties or any official or representative thereof.

Section 10. Governing Law

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas; provided, however, that the insurance heretofore written by EIC and the insurance in force on the Assumption Date was written by a Tennessee insurance company, and the law of Tennessee will govern all issues concerning the enforceability, interpretation, legality, or other legal matters relating to such insurance policies.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

EXCHANGE INSURANCE COMPANY

By: Kathy Fussell

Name: Kathy Fussell

Title: Deputy Receiver

NATIONAL LLOYDS INSURANCE COMPANY

By: [illegible]

Name: Greg Vanek

Title: President & COO

EXHIBIT A – The Insurance Business

All insurance, including bonds, issued by EIC and still having claims or coverage outstanding; provided, however, that nothing contained in the Assumption Agreement shall obligate NLIC in any manner whatsoever with respect to oil and gas bonds issued by EIC and having the Tennessee Department of Oil and Gas as a beneficiary.