

SAMPLE

**SECURITY AGREEMENT
DEDUCTIBLE LIABILITY INSURANCE**

This Security Agreement is entered into by and between _____ singly or collectively, where appropriate, (“Policyholder”), and CAROLINA CASUALTY INSURANCE COMPANY, (“Carolina Casualty”), 4600 Touchton Rd. East, Building 100, Suite 400, Jacksonville, Florida 32246.

Carolina Casualty has issued to Policyholder, Liability Insurance Policy # _____ (the “Policy”), with a per accident deductible of \$ _____. Policyholder has agreed to reimburse Carolina Casualty for all damages paid under the Policy sustained in any one accident for which a claim is made against the Policyholder, up to the deductible amount.

Policyholder guarantees Carolina Casualty immediate reimbursement of all sums due as state in the monthly billing. This guarantee shall continue until all current and future obligations of the Policyholder to Carolina Casualty are satisfied.

Policyholder and Carolina Casualty have agreed that Policyholder shall deposit with Carolina Casualty in a form and amount satisfactory to Carolina Casualty, \$ _____ (the “Security”) so as to secure all reimbursements for deductible amounts due Carolina Casualty under the terms of the Policy. Policyholder will provide the Security so that at all times the amount of the Security shall be agreeable to Carolina Casualty. The Security deposit may be increased at any time as it must at all times cover all potential liability to Carolina Casualty should the Policyholder be unable or unwilling to meet its obligations under the terms of the Policy. These potential liabilities include but are not limited to:

1. Paid claims billed with reimbursement for deductible amounts yet to be collected by Carolina Casualty.
2. Paid claims not yet billed the Policyholder for reimbursement for deductible amounts.
3. Expected future reimbursements for deductible amounts based on claims incurred but not yet settled.

Policyholder shall indemnify and hold Carolina Casualty harmless from any and all liability, loss and expense, including reasonable collection agency fees and attorney’s fees, that Carolina Casualty may incur by reason of Policyholder’s failure to discharge its responsibilities and obligations pursuant to this Agreement. This indemnity and hold harmless provision shall be in addition to the Security.

Default Provisions

Policyholder’s default shall occur upon any one or more of the following:

1. Failure of the Policyholder to remit payment for past or expected future reimbursement of deductible amounts when requested.
2. Failure to maintain adequate security as required by Carolina Casualty
3. Dissolution, Reorganization, Merger or Consolidation – Termination of existence, Insolvency, levy, seizure or attachment or any assets or business failure of Policyholder; appointment of a receiver or trustee for any asset or assets or operations of Policyholder
4. Misrepresentation by Policyholder of any material fact upon which this Agreement is based or breach of any covenant, warranty or agreement contained herein or in the Policy.

The default of any Policyholder shall be deemed to be a “default of Policyholder”.

Consequences of Default

SAMPLE

Policyholder's Default:

In the event of Policyholder's default, Carolina casualty shall have the cumulative rights to draw or liquidate the Security and / or set off any amounts due Policyholder from Carolina Casualty against amounts due Carolina Casualty from Policyholder.

Security:

Carolina Casualty shall be entitled to make draws on the Security from time to time after Policyholder default. In addition, within thirty (30) business days prior to the expiration of any Security, if Carolina Casualty has not been satisfied that an acceptable substitute Security has been issued for the benefit of Carolina Casualty in order to replace the expiring Security, Carolina Casualty shall be entitled to draw the full amount of the expiring Security, regardless of whether or not default has occurred. When all liabilities and obligations of the Policyholder under this Agreement have been fully and completely discharged and all claims settled and liquidated in full, any amount remaining in any such account shall then be paid to the Policyholder.

Termination Provisions

This Agreement shall not terminate upon default of Policyholder or the cancellation or expiration of the Policy but shall continue until all obligations, responsibilities and duties set forth in the Agreement have been concluded, all claims settled, and any funds remaining in the Security, if any, transferred to its rightful owner.

This Agreement may terminate at any time by mutual understanding of the parties under such terms and conditions as are set forth in this Agreement, which shall be specifically set forth in writing, duly executed and acknowledged by the parties in the same manner as this document.

Subject to the default provisions, this Agreement may not be terminated by the single desire or action of either Policyholder or Carolina Casualty but it shall be terminated only in accordance with the provisions contained in this Agreement.

Upon termination of this Agreement, the Security shall continue in effect, and shall be used exclusively for the purpose of handling claims to the end of final liquidation. In the event of final liquidation of all claims and the Policyholder's fulfillment of all conditions of this Agreement, the Security shall be cancelled. If the Security has been converted, the amount remaining shall be paid to the Policyholder.

Miscellaneous Provisions

Entire Agreement:

This Agreement supersedes all others, either oral or in writing, between the parties with respect to reimbursement for deductible amounts under the Policy and Security and contains all of the covenants and understandings between the parties with respect to said subject.

Severability:

If any portion of this Agreement is declared Invalid, any remaining portion shall remain in force and effect as if it had been executed with the Invalid portion eliminated. It is the intention of the parties that they would have executed this Agreement without including any such portion, which may, for any reason, be declared invalid.

Parties Bound:

This Agreement shall be binding upon the parties specified and their respective legal representatives, successors and permitted assigns.

SAMPLE

Purposes of this Agreement:

Although the term "Policyholder" is defined collectively, each corporation and entity (including any individual which is listed or included as an insured on the Policy or endorsements or regulatory filings constitutes a "Policyholder". Each entity acknowledges and agrees that such corporations and entities are jointly and severally obligated to Carolina Casualty for any and all liabilities, indebtedness, claims and amounts which may now or hereafter be owed by, or the responsibility of, any Policyholder. Each Policyholder, shall execute this agreement to evidence such understanding. Each Policyholder recognizes and agrees that Carolina Casualty may exercise its rights against one or more Policyholders, as it deems appropriate. Without limiting in the foregoing, it is recognized and agreed that one or more corporations or entities constituting the Policyholder may cause to be issued security in favor of Carolina Casualty pursuant to the terms of this Agreement and that Carolina Casualty may draw against the security in order to satisfy the obligations of any one or more of the corporations or entities constituting the Policyholder, whether or not the parties whose liabilities and obligations to Carolina Casualty are satisfied with the proceeds from the security is the account party on the Security. Moreover, without limiting the foregoing, it is recognized and agreed by each Policyholder that the rights of offset granted to Carolina Casualty hereunder are joint and several and that Carolina Casualty may offset claims of any Policyholder against any and all liabilities and obligations of the Policyholder to Carolina Casualty.

Nonassignment of Rights:

No assignment of any right, duty or obligation contained in this Agreement shall be made, in whole or in part, by any party without the prior written consent of all other parties.

Cumulative Remedy:

The rights and remedies granted to either Policyholder or Carolina Casualty in the event of default are cumulative, and the exercise shall be without prejudice to the enforcement of any other right or remedy or duty or responsibility authorized by law or this Agreement.

Choice of Law:

This Agreement shall be deemed to have been made and to be performable in the County of Duval, State of Florida, and shall be governed by and resolved in accordance with the laws of the State of Florida.

Notice: Any notice to be given by any party to the other shall be in writing and be effected by certified mail, return receipt requested, postage prepaid. Notices to each party shall be sufficient if addressed to:

(a) Policyholder:

(b) Carolina Casualty:
Carolina Casualty Insurance Company
4600 Touchton Rd. East
Building 100, Suite 400
Jacksonville, FL 32246
Attn: President