



FILED

DEC 4 2014

OFFICE OF INSURANCE REGULATION

OFFICE OF
INSURANCE REGULATION
Dictated by: 10/15

KEVIN M. MCCARTY
COMMISSIONER

IN THE MATTER OF:

Case No.: 162155-14-CO

SOUTHERN FIDELITY INSURANCE COMPANY
_____ /

CONSENT ORDER

THIS CAUSE came on for consideration upon the agreement by and between SOUTHERN FIDELITY INSURANCE COMPANY (hereinafter SOUTHERN FIDELITY), and the Office of Insurance Regulation (hereinafter "OFFICE" or "the OFFICE") concerning the above listed company's rate manual filings. The OFFICE, having considered said filings and being otherwise fully advised in the premises, hereby finds, and the OFFICE and SOUTHERN FIDELITY, hereby agree as follows:

1. The OFFICE has jurisdiction over SOUTHERN FIDELITY and the subject matter of this proceeding.

2. SOUTHERN FIDELITY is a property and casualty insurer, domiciled in Florida, and authorized to transact insurance in Florida. SOUTHERN FIDELITY has submitted rate manual filing for its Homeowners Multi-Peril and Dwelling Property lines of business.

3. The rate manual filings stated that an Equipment Breakdown Enhancement endorsement would be added to the policy only upon policyholder request. The OFFICE approved the filing.

4. In September 2013, SOUTHERN FIDELITY began adding the Equipment Breakdown Enhancement endorsement to Homeowners Multi-Peril and Dwelling Property policies using a Notice of Change in Policy Terms, which SOUTHERN FIDELITY believed was permitted under Section 627.43141, Florida Statutes.

5. SOUTHERN FIDELITY continued to add the Equipment Breakdown Enhancement endorsement to policies until it voluntarily ceased adding the endorsement in July 2014, when it became aware that its rate manual filing had not been amended.

6. The endorsement was added to thirty-two thousand one hundred seventy-seven (32,177) policies upon renewal, at a cost of fifty U.S. Dollars (\$50) per year for a total of one million six hundred eight thousand eight hundred fifty U.S. Dollars (\$1,608,850) in premium.

7. The additional coverage was automatically applied, upon renewal, and was not applied at the request of the policyholder, contrary to the approved rating manual and in violation of Florida Statute Section 627.062.

8. SOUTHERN FIDELITY continues to renew policies with the endorsement where the endorsement was previously automatically added to the policy.

9. Currently thirty thousand six hundred eighty (30,680) policies include the endorsement, representing a large segment of the company's policyholders.

10. As a result of the above, the OFFICE and SOUTHERN FIDELITY expressly agree to the following terms and conditions:

a. SOUTHERN FIDELITY agrees that within sixty (60) days of the execution of this Consent Order to refund premiums for all affected policyholders who have not had a claim paid under the Equipment Breakdown Enhancement endorsement, and to send the policyholders notice indicating the endorsement was added in error and that a refund has been made.

b. The notice shall inform the policyholder that the coverage provided by the endorsement is rescinded retroactively to the date it was added and will not be a part of the policy at future renewals unless requested by the policyholder. The notice shall state what coverage is included by the endorsement and shall also include that if the Equipment Breakdown Enhancement endorsement is requested to be reinstated by the policyholder SOUTHERN FIDELITY will reinstate the coverage with an effective date being the date it was added in error.

c. The notice will advise the affected policyholders they need to contact their agent or otherwise notify their insurer if they wish to add the Equipment Breakdown Enhancement endorsement to their policy. The notice shall advise the affected policyholder how to contact SOUTHERN FIDELITY, either directly or through their agent, to indicate their desire for the Equipment Breakdown Enhancement endorsement to remain a part of their policy.

d. SOUTHERN FIDELITY acknowledges that all refunds resulting from the automatic addition of the Equipment Breakdown Enhancement endorsement shall

be subject to twelve percent (12%) annual interest pursuant to Section 624.4211, Florida Statutes. The interest check shall be made payable to the policyholder.

e. Within sixty (60) days of the date of the execution of this Consent Order SOUTHERN FIDELITY agrees to compile a summary report of the refunds made pursuant to paragraph 10. The report shall include each policyholder's name, policy number, refund amount with interest, and payment date. In the event SOUTHERN FIDELITY is unable to locate former policyholders who are entitled to refunds, it shall submit the refunds to the State of Florida as unclaimed property. SOUTHERN FIDELITY agrees to compile a report of escheated funds. The reports shall be made available for examination upon request.

f. SOUTHERN FIDELITY agrees to pay an administrative fine in the amount of thirty-five thousand U.S. Dollars (\$35,000) and administrative costs of three thousand U.S. Dollars (\$3,000) within thirty (30) days of the execution of this Consent Order. The parties agree that failure to pay the administrative fine and costs in full within the specified time period, in accordance with the terms of the attached invoice hereby incorporated by reference, may result in further administrative action.

11. SOUTHERN FIDELITY further agrees to henceforth comply with all provisions of the Florida Insurance Code.

12. SOUTHERN FIDELITY acknowledges that the OFFICE shall have continuing jurisdiction to enforce the requirements and provisions of this Consent Order, and that in the event SOUTHERN FIDELITY fails to comply with any provision of this

Consent Order, the OFFICE in its sole discretion may impose such administrative penalties or other appropriate remedies as authorized by the Florida Insurance Code.

13. SOUTHERN FIDELITY expressly waives its right to any 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 they might be entitled by law or rules of the OFFICE. SOUTHERN FIDELITY hereby knowingly and voluntarily waives all rights to challenge or to contest the terms of this Consent Order in any forum now or in the future available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

14. Except as otherwise specifically provided for herein, each party to this action shall bear its own costs and attorney's fees.

WHEREFORE, the agreement between SOUTHERN FIDELITY and the Office, the terms and conditions of which are set forth above, is APPROVED.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE and ORDERED this 4th day of December, 2014.





Kevin M. McCarty, Commissioner
Office of Insurance Regulation

By execution hereof SOUTHERN FIDELITY 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 SOUTHERN FIDELITY INSURANCE COMPANY to the terms and conditions of this Consent Order.

SOUTHERN FIDELITY INSURANCE COMPANY

Corporate Seal

By: *James Groganella*
James Groganella
Print or Type Name

Title: President & CEO

Date: 12/4/14

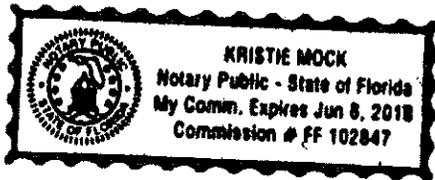
STATE OF FL

COUNTY OF Leon

The foregoing instrument was acknowledged before me this 4 day of December 2014.

By James Groganella as President & CEO
(Name of Person) (Type of Authority - e.g. officer, trustee, attorney-in fact)

For Southern Fidelity Insurance Co.
(Company Name)



Kristie Mock
(Signature of the Notary)

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

Personally Known OR Produced Identification

Type of Identification Produced _____

Copies to:

James Anthony Graganella
Chief Executive Officer
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Tallahassee, FL 32309
jgraganella@pmains.com

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FINANCIAL SERVICES
COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF
AGRICULTURE

OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
COMMISSIONER

INVOICE

In order to ensure that your payment is received and properly credited, please make your check payable to the Florida Department of Financial Services and **return this invoice with your payment to:**

Department of Financial Services
Revenue Processing Section
P.O. Box 6100
Tallahassee, Florida 32314-6100

REFERENCE

NAME: Southern Fidelity Insurance Company
ADDRESS: 2255 Killearn Center Boulevard
CITY, STATE, ZIP: Tallahassee, FL 32309
FEIN #: 20-2380774
NAIC CO CODE: 10136
CASE #: 162155-14-CO
ATTORNEY: Leonard Holton
SOURCE: Market Investigations

Fine Due: \$35,000.00
Costs Due: \$ 3,000.00
Total Amount Due: \$38,000.00

Amount Remitted:

OFFICIAL USE ONLY -- PLEASE DO NOT MARK BELOW THIS LINE

<u>B/T</u>	<u>T/C</u>	<u>F/T</u>	<u>AMOUNT</u>
C	1105 – Market Conduct	J	
C	1249 – Attorney’s fees	J	