

3. On various dates as set out below SOUTHERN FIDELITY P & C submitted rate manual filings for their Homeowners Multi-Peril and Dwelling Property lines of business. The OFFICE approved the filings on the dates set out below.

4. On June 21, 2012, SOUTHERN FIDELITY P & C submitted filing 12-10678, a Homeowners Multi-Peril rate and rule filing, and filing 12-10684, a Dwelling Property filing. In those filings Rule 850, Equipment Breakdown Coverage, was added. The filings were approved with an effective date of October 1, 2012 for both new and renewal business. The rule on the stamped manual pages included the following language: “The endorsement is not available to any other policy form and will only be added to the policy at the request of the policyholder.”

5. In filing 14-07074, a File & Use filing submitted on April 8, 2014, SOUTHERN FIDELITY P & C added a rule for Identity Theft coverage. The explanatory memorandum states that Rule 850 (Equipment Breakdown) was revised for content and format. The Additional Rules Information states that “This filing introduces the optional coverage of identity theft. Other rules were revised for clarity. There is no rate effect.” That filing was approved with an effective date of August 1, 2014 for both new and renewal business.

6. Rather than clarify Rule 850, filing 14-07074 removed from Rule 850 the language “and will only be added to the policy at the request of the policyholder.” The filing never disclosed that such a change was occurring, and removing such language goes beyond a revision for clarity. In addition such change is not allowed in a “Rules Only” filing but should have been submitted via a “Rate/Rule filing.”

7. In filing 14-02915, a File & Use filing submitted on February 14, 2014, a voluntary Homeowners Program was established. The filing was approved with an effective date of July 1, 2014. This filing was a resubmission of 13-10763, which had been withdrawn. Filing 14-02915 references certain information provided in the original 13-10763 filing to show the comparison of the rules proposed for the voluntary program compared with the rules approved for the assumed program. For Rule 850 Equipment Breakdown, the comparison did not explicitly show that the language “will only be added to the policy at the request of the policyholder,” which was contained in the previously approved language for the assumed Homeowners program in filing 12-10678.

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

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

10. The addition of the coverage was automatically applied upon renewal, and was not applied at the request of the policyholder, contrary to the approved rating manuals, which is a violation of Section 627.062, Florida Statutes.

11. SOUTHERN FIDELITY P & C added an Equipment Breakdown Enhancement endorsement to forty-eight thousand two hundred ninety-two (48,292)

policies at a cost of fifty U. S. Dollars (\$50) per year for a total of two million four hundred fourteen thousand six hundred U. S. Dollars (\$2,414,600) in total premium. Currently forty-six thousand seven hundred ninety-three (46,793) policies include the endorsement, representing a large segment of the company's policyholders.

12. As a result of the above determinations, the OFFICE and SOUTHERN FIDELITY P & C expressly agree to the following terms and conditions:

a. SOUTHERN FIDELITY P & C 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 endorsement, and to send the policyholder a 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 P & C 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

policyholders how to contact SOUTHERN FIDELITY P & C, either directly or through their agent, to indicate their desire for the endorsement to remain a part of their policy.

d. SOUTHERN FIDELITY P & C 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 execution of this Consent Order SOUTHERN FIDELITY P & C agrees to compile a summary report of the refunds made pursuant to paragraph 12. The report shall include each policyholder's name, policy number, refund amount with interest, and payment date. In the event SOUTHERN FIDELITY P & C 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 P & C agrees to compile a report of escheated funds. The reports shall be made available for examination upon request.

f. SOUTHERN FIDELITY P & C agrees to pay an administrative fine in the amount of thirty-five thousand U.S. Dollars (\$35,000), together with 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.

g. SOUTHERN FIDELITY P & C agrees to make rule filings in the voluntary and assumed homeowners programs within thirty (30) days of the execution of

this Consent Order to include the “and will only be added to the policy at the request of the policyholder” language that was removed from Rule 850.

h. For a period of two years after the execution of this Consent Order SOUTHERN FIDELITY P & C agrees to submit an underline/strikethrough version of the manual pages that details every change that is made in the filing, as well as having a certification signed by an officer of the company that the only changes to the manual pages are as indicated by underline/strikethrough version.

13. SOUTHERN FIDELITY P & C further agrees to henceforth comply with all provisions of the Florida Insurance Code.

14. SOUTHERN FIDELITY P & C 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 P & C 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.

15. SOUTHERN FIDELITY P & C 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 P & C 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.

16. 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 P & C 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 PROPERTY AND CASUALTY, INC 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 PROPERTY AND CASUALTY, INC, to the terms and conditions of this Consent Order.

SOUTHERN FIDELITY PROPERTY AND CASUALTY, INC

Corporate Seal

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

Title: President & CEO

Date: 12/4/14

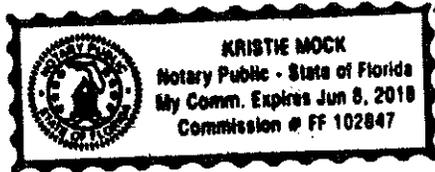
STATE OF FL

COUNTY OF Leon

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

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

For Southern Fidelity Property & Casualty
(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
2255 Killearn Center Boulevard
Tallahassee, FL 32309
jgraganella@pmains.com

Wes Strickland
Colodny Fass, P.A.
215 South Monroe Street, Suite 701
Tallahassee, FL 32301
wstrickland@colodnyfass.com

Sandra Starnes, Director
P & C Product Review
Larson Building
200 East Gaines Street
Tallahassee, FL 32399-0330

James Pafford, Director
Market Investigations
Larson Building
200 East Gaines Street
Tallahassee, FL 32399-4210

Amy Groszos, Financial Administrator
Market Investigations
Larson Building
200 East Gaines Street
Tallahassee, FL 32399-4210

Leonard Holton
Assistant General Counsel
Legal Services Office
Larson Building
200 East Gaines Street
Tallahassee, FL 32399-4206



OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY
COMMISSIONER

FINANCIAL SERVICES
COMMISSION

RICK SCOTT
GOVERNOR

JEFF ATWATER
CHIEF FINANCIAL OFFICER

PAM BONDI
ATTORNEY GENERAL

ADAM PUTNAM
COMMISSIONER OF
AGRICULTURE

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 Property & Casualty, Inc.
ADDRESS: 2255 Killearn Center Boulevard
CITY, STATE, ZIP: Tallahassee, FL 32309
FEIN #: 45-4180375
NAIC CO CODE: 14166
CASE #: 162157-14-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	