FILED
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OFFICE OF
INSURANCE REGULATION
Docketed by:

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF: CASE NO.: 200569-16-CO

SOUTHERN OAK INSURANCE COMPANY
_____/

CONSENT ORDER

THIS CAUSE came on for consideration as a result of SOUTHERN OAK INSURANCE COMPANY's (hereinafter "SOUTHERN OAK") proposal to assume selected Personal Lines policies from CITIZENS PROPERTY INSURANCE CORPORATION (hereinafter "CITIZENS"), which was submitted to the OFFICE OF INSURANCE REGULATION (hereinafter "OFFICE") for its review on or about November 4, 2016. After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and of the parties herein.

2. CITIZENS has been established in accordance with the provisions of Section 627.351(6), Florida Statutes, as amended, to provide insurance for residential and commercial property qualified risks under circumstances specified in the statute.

3. The Florida Legislature has enacted Section 627.351(6)(q)3.a., Florida Statutes, to encourage and provide a means for the depopulation of CITIZENS. CITIZENS submitted a plan of depopulation titled "Citizens Property Insurance Corporation Personal Residential and Commercial Lines Non-Bonus Depopulation Plan" (hereinafter "Plan"), which the OFFICE

adopted in Order No. 199206-16 and approved on November 30, 2016. The Plan, attached as Exhibit A, provides the terms and conditions that serve as the basis for this Consent Order. SOUTHERN OAK shall abide by the terms and conditions of the Plan as a condition of issuance of this Consent Order.

4. SOUTHERN OAK is a Florida-domiciled property and casualty insurance company authorized to transact insurance in the state of Florida.

5. On or about November 4, 2016, SOUTHERN OAK submitted a proposal to assume selected policies from CITIZENS. The policies are expected to be assumed on or about February 21, 2017, in accordance with the OFFICE's approved assumptions, determined after careful consideration of the proposal. The approval provides for an assumption to occur on or about February 21, 2017, of up to fifteen thousand (15,000) multi-peril and mobile home policies, consisting of nine thousand five hundred (9,500) multi-peril and five hundred (500) mobile home policies from CITIZENS' personal lines account, along with four thousand five hundred (4,500) multi-peril and five hundred (500) mobile home policies from CITIZENS' coastal account.

6. SOUTHERN OAK understands that the selected policies to be assumed from CITIZENS on February 21, 2017, or at a later date approved by the OFFICE and CITIZENS, will not be subject to any incentive or bonus plan, whether statutory or otherwise.

7. SOUTHERN OAK is responsible for ensuring that it has entered or will enter into appropriate agreement(s) with CITIZENS to effectuate the assumption of policies as authorized by this Consent Order. By entering into this Consent Order, SOUTHERN OAK represents that it will comply with any such agreement(s) between it and CITIZENS

8. SOUTHERN OAK must timely provide to CITIZENS all information required by the 2017 Assumption Calendar published by CITIZENS. SOUTHERN OAK acknowledges that

neither approval by CITIZENS nor entry into this Consent Order by the OFFICE constitutes a guarantee that the above-referenced policies will ultimately be available to SOUTHERN OAK for assumption from CITIZENS, as the availability of policies for assumption may vary over time.

9. SOUTHERN OAK shall limit its actual assumption of policies from CITIZENS to the number and type of policies authorized by the OFFICE in this Consent Order. The OFFICE based its review on SOUTHERN OAK's reinsurance program, catastrophe modeling, and financial statement projections, as well as the impact on policyholders. Such reinsurance program, catastrophe modeling, and financial statement profiles were based upon SOUTHERN OAK's current in-force book of property policies, SOUTHERN OAK's projected voluntary market writings, and the actual number of policies available in CITIZENS prior to the anticipated assumption date identified by SOUTHERN OAK as satisfying its filed and approved underwriting guidelines.

10. SOUTHERN OAK submitted the proposed reinsurance documentation and financial projections for the assumption of up to the number and types of CITIZEN's policies as set forth in paragraph five (5) above. Each additional assumption of CITIZENS policies by SOUTHERN OAK shall be subject to advance written approval by the OFFICE.

11. SOUTHERN OAK's acquisition of adequate reinsurance and maintenance of executed reinsurance agreements are material to the OFFICE's review and analysis of SOUTHERN OAK's proposal to assume selected policies from CITIZENS and to the OFFICE's approval of assumptions in the proposal.

12. SOUTHERN OAK 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 other and further proceedings herein to which it may be entitled by law or by rules of the OFFICE. SOUTHERN

OAK agrees not to appeal or otherwise contest this Consent Order in any forum now or in the future available to it, including its right to any administrative proceeding, state or federal court action, or any appeal.

13. SOUTHERN OAK represents that all explanations and documents made or submitted to the OFFICE as part of its proposal to assume selected policies from CITIZENS, including all attachments and supplements thereto, fully describe all transactions, agreements, and understandings relating to the assumption of policies from CITIZENS by SOUTHERN OAK. However, all draft documents and non-executed agreements relating to SOUTHERN OAK's plan shall not be deemed approved by this Consent Order until such time as executed agreements or final documents are submitted to and approved by the OFFICE.

14. The parties agree this Consent Order will be deemed executed when the OFFICE has signed a copy of this Consent Order bearing the signature of SOUTHERN OAK, or its authorized representative, notwithstanding the fact the copy was transmitted to the OFFICE electronically. SOUTHERN OAK agrees the signature of its representative as affixed to this Consent Order shall be under seal of a Notary Public.

15. Each party to this action shall bear its own costs and attorney fees.

IT IS THEREFORE ORDERED that:

(A) Upon consideration of the proposal to assume selected policies from CITIZENS, including its attachments, the OFFICE approves the assumption of selected policies from CITIZENS, subject to adherence to the terms and conditions of this Consent Order by SOUTHERN OAK.

(B) The OFFICE approves the assumption of CITIZEN's policies up to the amounts set forth above in paragraph five (5), in accordance with any agreement(s) between SOUTHERN OAK and CITIZENS, and this Consent Order.

(C) Regarding all reinsurance matters, SOUTHERN OAK shall:

(i) Maintain catastrophe reinsurance at such levels that are acceptable to the OFFICE but in no event less than that evidenced to the OFFICE in the proposal to assume selected policies from CITIZENS; and

(ii) Notify the OFFICE of any termination of any of its reinsurance agreements. The notification shall be made to the OFFICE in writing sixty (60) days prior to the effective date of any such termination; and

(iii) Comply with the requirements of Section 624.610, Florida Statutes, with regard to all of its reinsurance arrangements.

(D) SOUTHERN OAK shall participate annually in any examination of the SOUTHERN OAK's reinsurance program as requested by the OFFICE. Based upon the OFFICE's review of the models and plans, SOUTHERN OAK may be required at the OFFICE's sole discretion to take corrective action to cure any overexposure identified by the OFFICE. Such action may include obtaining additional amounts of reinsurance coverage as directed by the OFFICE or suspending writing of any additional business, including the CITIZENS policies.

(E) Upon the expiration of the assumed CITIZENS policies and for a period of three years following the expiration, SOUTHERN OAK shall provide comparable coverage to that afforded by CITIZENS at approved rates, unless such policies are cancelled or nonrenewed by SOUTHERN OAK as permitted by the Plan. SOUTHERN OAK shall abide by the assumption of selected policies from CITIZENS in all material respects. SOUTHERN OAK shall abide by all

terms of this Consent Order, all provisions of any agreement(s) entered into with CITIZENS, and all provisions of the Plan.

(F) At the time SOUTHERN OAK assumes any policy of insurance from CITIZENS, SOUTHERN OAK shall either obtain a new policy application from each affected policyholder or maintain in its files a copy of the policyholder's application on file with CITIZENS. If SOUTHERN OAK chooses the former option, SOUTHERN OAK may not initiate any retroactive increase in rates or premium or any retroactive decrease in coverage provided under the assumed CITIZENS policy (if applicable) as a result of the information obtained from or through the new policy application.

(G) Should the OFFICE determine SOUTHERN OAK has failed to materially comply with terms of this Consent Order, the proposal to assume selected policies from CITIZENS, including its attachments and amendments thereto as submitted to the OFFICE, or terms of any agreement(s) with CITIZENS, SOUTHERN OAK shall, upon receipt of notice of such material non-compliance, have sixty (60) days to cure its material non-compliance. In the event SOUTHERN OAK fails to cure any such material non-compliance within the sixty (60) day period, SOUTHERN OAK expressly agrees the OFFICE may enter an order directing it to immediately cease writing personal lines or other lines of insurance within the state of Florida, imposing such other sanctions authorized by statute or rule, or imposing other restrictions as may be deemed appropriate by the OFFICE.

WHEREFORE, the assumption by SOUTHERN OAK INSURANCE COMPANY of up to fifteen thousand (15,000) multi-peril and mobile home policies, consisting of nine thousand five hundred (9,500) multi-peril and five hundred (500) mobile home policies from CITIZENS' personal lines account, along with four thousand five hundred (4,500) multi-peril and five hundred (500) mobile home policies from CITIZENS' coastal account, for the initial assumption starting on or about February 21, 2017, subject to the terms and conditions of this Consent Order, is hereby APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 1st day of December, 2016.

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, SOUTHERN OAK 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 therein. The undersigned represents that he has the authority to bind SOUTHERN OAK INSURANCE COMPANY to the terms and conditions of this Consent Order.

SOUTHERN OAK INSURANCE COMPANY

[Corporate Seal]

Tony Loughman

Tony Loughman, President

STATE OF FL

COUNTY OF St Johns

The foregoing instrument was acknowledged before me this 1 day of December 2016,

by Tony Loughman (name of person) as President (type of authority; e.g., officer, trustee, attorney in fact)

for Southern Oak Insurance Company. (company name)

[Notary Seal]

Restie Tamares

(Signature of the Notary)

RESTIETAMARES
Notary Public, State of Florida
My Comm. Expires June 7, 2017
Commission No. FF 4759

RESTIE TAMARES

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

Personally Known X OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: 6-7-2017

COPIES FURNISHED TO:

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INSURANCE REGULATION
Docketed by: DGS

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF: Case No.: 199206-16

CITIZENS PROPERTY INSURANCE CORPORATION
_____/

ORDER APPROVING CITIZENS PROPERTY INSURANCE CORPORATION'S PERSONAL RESIDENTIAL AND COMMERCIAL LINES NON-BONUS DEPOPULATION PLAN

TO: Barry Gilway, President
Citizens Property Insurance Corporation
2101 Maryland Circle
Tallahassee, Florida 32303

THIS MATTER came before the Office of Insurance Regulation (hereinafter referred to as the "OFFICE") for consideration upon the filing by Citizens Property Insurance Corporation (hereinafter referred to as "CITIZENS") for the OFFICE's approval of the Personal Residential and Commercial Lines Non-Bonus Depopulation Plan (hereinafter referred to as the "Depopulation Plan"). The OFFICE, having considered the provisions of the Depopulation Plan, and being fully advised in the premises, hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and the subject matter of these proceedings.

2. Pursuant to Section 627.351(6)(q)3a., Florida Statutes, CITIZENS shall adopt one or more programs for the reduction of both new and renewal writings in the corporation. The programs are subject to approval by the OFFICE.

EXHIBIT
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3. The Board of Governors of CITIZENS at its duly noticed and convened meeting of September 28, 2016, approved the Depopulation Plan. On or about October 27, 2016, CITIZENS submitted to the OFFICE for approval, the Depopulation Plan, attached hereto as Exhibit A.

4. CITIZENS has developed the Depopulation Plan and process pursuant to Section 627.351(6)(ii), Florida Statutes, to maximize policyholder options and encourage increased participation by insurers and agents.

5. Approval of this Depopulation Plan shall not constitute the OFFICE's approval of any specific insurance company depopulation plans subject to the OFFICE's review.

IT IS THEREFORE ORDERED:

Subject to the terms and conditions outlined above, the Personal Residential and Commercial Lines Non-Bonus Depopulation Plan approved by the CITIZENS Board of Governors on September 28, 2016, is APPROVED and shall apply to assumptions that take place on or after January 1, 2017.

DONE AND ORDERED this 30th day of November, 2016.

David Altmaier

David Altmaier
Commissioner
Office of Insurance Regulation

NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes, and Rule Chapter 28-106, Florida Administrative Code (F.A.C.), you may have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes may apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one may be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts which are the basis for this agency's action you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and contain:

a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;

b) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;

c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and

d) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.

These proceedings are held before a State Administrative Law Judge of the Division of Administrative Hearings. Unless the majority of witnesses are located elsewhere, the Office will request that the hearing be conducted in Tallahassee.

In some instances, you may have additional statutory rights than the ones described herein.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of this ORDER was sent by Certified Mail to Barry Gilway, President, Citizens Property Insurance Corporation, 2101 Maryland Circle, Tallahassee, Florida 32303, this 30 day of November, 2016.

Rachić A. Glover
Assistant General Counsel
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200 East Gaines Street
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(850) 413-4121

COPIES FURNISHED TO:

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CITIZENS PROPERTY INSURANCE CORPORATION
PERSONAL RESIDENTIAL AND COMMERCIAL LINES
NON-BONUS DEPOPULATION PLAN

I. PURPOSE

A. Pursuant to Section 627.351(6)(q)3., Florida Statutes, Citizens is required to adopt one or more programs, subject to the approval of the Office of Insurance Regulation (Office) for the reduction of both new and renewal writings in the corporation. Citizens may consider any prudent and not unfairly discriminatory approach to reducing Citizens' writings.

B. Pursuant to Section 627.351(6)(ii), Florida Statutes, Citizens shall revise any program previously adopted pursuant to Section 627.351(6)(q)3.a., Florida Statutes, for personal lines residential policies to maximize policyholder options and encourage increased participation by insurers and agents.

C. This Plan of Depopulation (Plan) sets forth the program required by both Sections 627.351(6)(q)3. and Section 627.351(6)(ii), Florida Statutes.

II. EFFECTIVE DATE

A. Once effective, this Plan will replace and supersede all previous depopulation plans.

B. This Plan will be effective upon approval by order of the Office, but in no event prior to January 1, 2017.

III. DEFINITIONS

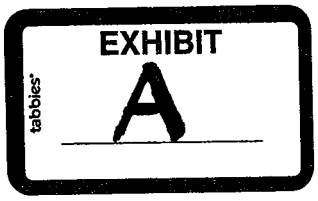
"Assumed Policy" refers to any policy that has been assumed, removed, or taken-out from Citizens pursuant to this Plan by an Insurer.

"Assumed Premium" refers to unearned premium on the Assumed Policies less all taxes, fees, or surcharges invoiced for collection on such policies as determined by Citizens.

"Assumption" refers to any take-out or removal of policies from Citizens by an Insurer in accordance with this Plan.

"Assumption Agreement" refers to an agreement between an Insurer and Citizens which sets forth the mutual obligations, consistent with this Plan and all applicable laws, of Citizens and the Insurer regarding policies to be assumed.

"Assumption Date" refers to the date on which policies are to be assumed by an Insurer.



"Assumption Offer" refers to an Insurer's offer to assume the coverage and liabilities of a policyholder's policy as articulated in a Policyholder Notice or as otherwise set forth in this Plan during a given Depopulation Cycle.

"Assumption Period" refers to the period from the Assumption Date of an Assumed Policy to the date upon which the underlying Citizens policy expires.

"Assumption Term" refers to the term during which an Insurer retains obligations relating to Assumed Policies. Unless otherwise specified by the Office or the terms of an Assumption Agreement, the Assumption Term is three years from the Assumption Date, for all Assumed Policies.

"Commercial Lines Selection Process" refers to a process for the selection and assumption of commercial lines policies that may differ from the process for the selection and assumption of personal lines policies.

"Coverage Worksheet" refers to a worksheet that accompanies a Policyholder Notice and provides information regarding the coverage offered by Citizens or the coverage offered by an Insurer making an Assumption Offer, which may be used by the policyholder to compare such coverages. Coverage worksheets will be provided on all personal lines policies for which Assumption Offers are extended.

"Depopulation Cycle" refers to the process for selecting and removing policies from Citizens in accordance with this Plan, including the relevant dates pertaining thereto, starting with the Office Approval and concluding with the end of the Assumption Period of all Assumed Policies.

"Insurer" refers to any insurer holding a certificate of authority issued by the Office and seeking to assume policies in accordance with this Plan.

"Insurer Selection List" refers to the list of policies provided by the Insurer to Citizens reflecting those policies that the Insurer wishes to assume.

"Office Approval" refers to an order or directive of the Office or other agency action authorizing an Insurer to select a specified number and type of policies for assumption from Citizens.

"Policyholder Notice" refers to a written notice, approved by the Office, from Citizens to a policyholder regarding all Insurers requesting to assume the policy and regarding the policyholder's option to accept an Assumption Offer or to reject any Assumption Offers and remain with Citizens.

"Returned Policies" refers to policies that are returned to Citizens after the Assumption Date by the Insurer in accordance with this Plan.

IV. DEPOPULATION CYCLES

A. In accordance with Section 627.351(6)(ii), Florida Statutes (2016), Citizens will publish each Depopulation Cycle on its website no less than three months prior to the beginning of such Depopulation Cycle.

B. Prior to being allowed to extend any Assumption Offers in a Depopulation Cycle, an Insurer must obtain Office Approval authorizing the assumption of policies for the specified Depopulation Cycle.

C. Each Depopulation Cycle published by Citizens must identify all of the critical due dates for an Insurer to participate in the Depopulation Cycle, including the due date for obtaining Office Approval, the due date for submitting the Insurer Selection List to Citizens, the due date upon which the Insurer must provide a description of coverage and the estimated premium, the date upon which Policyholder Notices will be sent, and the Assumption Date.

D. The Insurer Selection List must include a description of the coverage offered and an estimated premium and must be submitted to Citizens in a form and manner that Citizens will prescribe.

V. ASSUMPTION AGREEMENTS

A. Prior to assuming any policies from Citizens, an Insurer must enter into an Assumption Agreement which will pertain to all Assumptions that occur during the calendar year during which the Assumption Agreement is entered into. An Insurer must enter into an Assumption Agreement each calendar year it assumes policies from Citizens.

B. Each time an Insurer assumes policies in accordance with this Plan, the obligations of the Assumption Agreement regarding such Assumed Policies will last for the duration of the Assumption Term.

C. Each time an Insurer assumes policies under an Assumption Agreement, an exhibit will be added to the Assumption Agreement identifying the Assumption Date of such policies, the Assumption Term, and a general description of the policies assumed.

D. The Assumption Agreement may incorporate this Plan and any order(s) of the Office.

E. The Assumption Agreement may include a minimum number of policies or a minimum amount of exposure that the Insurer must select for Assumption in any given Depopulation Cycle or in multiple Depopulation Cycles during the life of the Assumption Agreement.

VI. POLICYHOLDER NOTICES AND POLICYHOLDER CHOICE FOR PERSONAL LINES RESIDENTIAL POLICIES

A. Citizens will maintain and make available to the agent of record, for any personal lines residential policyholder whose policy has been selected by one or more Insurers, a list of all Insurers making Assumption Offers during a Depopulation Cycle. The list will include a description of the coverage offered and the estimated premium for each request to assume the policy.

B. For any personal lines residential policyholder whose policy has been selected by one or more Insurers, Citizens will provide the Policyholder Notice so that it is received no later than 30 days prior to the Assumption Date. Section 627.351(6)(ii)3.a.-c., Florida Statutes (2016), requires that the following be provided:

1. The amount of the estimated premium;

2. A description of the coverage;

3. A comparison of the estimated premium and coverage offered by the Insurer to the estimated premium and coverage provided by Citizens.

In fulfilling its obligations per Section 627.351(6)(ii)3.c., Florida Statutes (2016), Citizens will, with each Policyholder Notice sent pursuant to this section, provide Coverage Worksheets. The Coverage Worksheets may be used to compare the coverage offered by the Insurer to the coverage offered by Citizens. The information relating to the coverage offered by the Insurer will be provided by that Insurer. The Insurer will be responsible for ensuring that all of the information, relating to the coverage it offers, is accurate.

C. A personal lines residential policyholder whose policy has been selected by one or more carriers will receive only one Policyholder Notice per Depopulation Cycle..

D. The policyholder may elect coverage from among any of the Assumption Offers provided in the Policyholder Notice by selecting one of the Assumption Offers and advising Citizens of such selection in the form and manner set forth by Citizens in the Policyholder Notice. If the policyholder selects an Assumption Offer, the policyholder's policy will be scheduled to be assumed by the Insurer making that Assumption Offer on the Assumption Date.

E. Additionally, at any time prior to the Assumption Date, if the policyholder does not select from among the Assumption Offers, the policyholder may elect to remain with Citizens by advising Citizens of such election in a manner set forth in the Policyholder Notice.

F. If the policyholder does not make a selection from among the Assumption Offers set forth in the Policyholder Notice, and does not elect to remain with Citizens in the manner set forth in the Policyholder Notice, the policyholder's policy may be assumed by one of the Insurers making an Assumption Offer as set forth in the Policyholder Notice, based on an objective methodology established by Citizens.

G. A policyholder who wishes to remain with Citizens must elect to remain with Citizens each time Assumption Offers are extended to the policyholder. A policyholder who wishes to remain with Citizens shall not be required to take any action other than to express the desire to remain with Citizens, in the prescribed format prior to the Assumption Date. The policyholder may not provide a standing election to remain with Citizens through multiple Depopulation Cycles.

VII. COMMERCIAL LINES SELECTION PROCESS

A. If approved by the Office, an Insurer may select commercial lines policies for Assumption.

B. Citizens may utilize one of two options for the Commercial Lines Selection Process:

1. The Commercial Lines Selection Process may be in the same form and manner as the process for selection of personal lines as described in Section VI, with the exception that a commercial lines non-residential policyholder may not elect for such commercial non-residential policy to remain with Citizens, or

2. Alternatively the Commercial Lines Selection Process may be as follows:

a. For commercial lines residential policies:

i. If multiple Insurers have selected a commercial lines residential policy for Assumption in any given Depopulation Cycle, Citizens will determine which Insurer may make an Assumption Offer based on an objective methodology established by Citizens.

ii. An Insurer which is allowed to make an Assumption Offer to commercial lines residential policyholders will be responsible for providing, at the Insurer's expense, notice at least 30 days prior to the Assumption Date to each such policyholder. The notice must advise the policyholder of his or her ability to elect to remain with Citizens.

iii. A commercial lines residential policyholder who has received a notice reflecting an Assumption Offer on the commercial residential policy may elect to remain with Citizens by providing, to the Insurer making the Assumption Offer, a notice of such election within the 30 days prior to the Assumption Date or 30 days after the Assumption Date. A commercial residential policyholder who desires not to accept the Assumption Offer from an Insurer offering to

assume the commercial residential policy shall not be required to make any additional payments beyond the premium applicable to the Citizens' policy, or take any action other than to express the desire to remain with Citizens, in the prescribed format, no later than 30 days after the Assumption Date.

iv. All notices of an Assumption Offer sent pursuant hereto must be approved by Citizens and the Office.

v. The Insurer making such Assumption Offers must accumulate all such elections to remain with Citizens and must facilitate the return of any such policies to Citizens that were assumed as of the Assumption Date. Such policies will be regarded as Returned Policies.

b. For commercial lines non-residential policies:

i. If multiple Insurers have selected a commercial lines non-residential policy for Assumption in any given Depopulation Cycle, Citizens will determine which Insurer may assume the policy based on an objective methodology established by Citizens.

ii. An Insurer which is allowed to assume commercial lines non-residential policyholders will be responsible for providing, at the Insurer's expense, notice at least 30 days prior to the Assumption Date to each such policyholder.

iii. A commercial lines non-residential policyholder may not elect for such commercial non-residential policy to remain with Citizens upon being notified of the Assumption.

iv. All notices of the Assumption sent pursuant hereto must be approved by Citizens and the Office.

C. Except as set forth in Section VII.B.2. (above) relating to the selection of commercial lines policies, all other requirements of this Plan apply equally to the assumption of commercial lines and personal lines policies.

VIII. PRODUCING AGENTS AND ASSUMING INSURER

A. Pursuant to Section 627.351(6)(q)3.a., when Citizens enters into an Assumption Agreement, the producing agent of record of any Citizens policy selected for Assumption is entitled to retain any unearned commission on such policy, if the policy is assumed, and the Insurer shall either:

1. Pay to the producing agent of record of the policy, for the first year, an amount which is the greater of the Insurer's usual and customary commission for the type of policy written or a policy fee equal to the usual and customary commission of Citizens; or

2. Offer to allow the producing agent of record of the policy to continue servicing the policy for a period of not less than 1 year and offer to pay the agent the Insurer's usual and customary commission for the type of policy written. If the producing agent is unwilling or unable to accept appointment by the new insurer, the new insurer shall pay the agent in accordance with Section VIII.A.1. (above).

B. Pursuant to Section 627.3517, Florida Statutes, nothing herein shall be construed to impair the right of any Citizens policyholder, upon receipt of an Assumption Offer, to retain his or her current agent, so long as the agent is duly licensed and appointed by Citizens or otherwise authorized to place business with Citizens. This right cannot be canceled, suspended, impeded, abridged, or otherwise compromised by this Plan.

C. If the policyholder's current agent is unable or unwilling to be appointed with an Insurer making an Assumption Offer, the policyholder shall not be disqualified from participation in Citizens because of an offer of coverage in the voluntary market.

D. When entering into the Assumption Agreement and selecting policies for Assumption, the Insurer must certify that any agents of record for policies so sought for Assumption are appointed by the Insurer or have otherwise entered into an agreement that allows the producing agent of record to continue servicing the policy in accordance with Section 627.351(6)(q)3.a., Florida Statutes.

IX. LIABILITIES ON ASSUMED POLICIES

A. Any Assumed Policy is, as of the Assumption Date, direct insurance issued by the insurer and not by Citizens, even if Citizens continues to service the policies.

B. With respect to Assumed Policies, commencing on the Assumption Dates pertaining to such Assumed Policies, the Insurer shall be responsible for all insurer obligations related to the Assumed Policies, except with regard to routine servicing of Assumed Policies during the Assumption Periods thereof, or for claims incurred on Returned Policies as set forth herein.

C. With regard to losses occurring on Assumed Policies on or after the Assumption Date, Citizens shall give notice promptly to the Insurer of any claim or the commencement of any legal proceedings against Citizens with respect to such claim.

D. Citizens shall have the exclusive right to control the defense of any claim for loss occurring prior to the Assumption Date and the Insurer shall have the exclusive right to control the defense of any claim for loss occurring on or after the Assumption Date, other than for Returned Policies.

E. Insurer is solely responsible for the payment and servicing of claims for losses occurring on or after the Assumption Date for all Assumed Policies, except for Returned Policies as set forth herein.

F. For each Assumed Policy, Citizens shall remain liable for all losses occurring prior to the Assumption Date.

X. RETURNED POLICIES

A. It is the obligation of an Insurer assuming policies pursuant to this Plan to thoroughly review and carefully consider the data provided to it prior to making its policy selections. Accordingly, except as provided in this Plan for commercial policies that are returned to Citizens after the Assumption Date pursuant to Section VII.B.2., after the Assumption Date, but in no instance after the Assumption Period, an Assumed Policy may be returned to Citizens, and become a Returned Policy, only if:

1. There is a condition (or there are conditions) which were unknown to the Insurer as of the Assumption Date that make the continued coverage of the Assumed Policy by the Insurer impossible or otherwise contrary to law or order of the Office; or

2. There is, as of the Assumption Date, a mutual mistake between Citizens and the Insurer which, if it had been known, would have rendered the policy ineligible for coverage under the Insurer's underwriting guidelines; or

3. An order of the Office necessitates that the policies be returned to Citizens.

B. The occurrence of a claim on or after the Assumption Date is not a basis for returning a policy to Citizens.

C. Citizens is responsible for claims incurred on Returned Policies. Insurer shall immediately notify Citizens of any claims on Returned Policies and immediately communicate all policy and claim information to Citizens. To the extent that Insurer has incurred loss adjustment expenses on claims for Returned Policies, Citizens will reimburse Insurer for such expenses only to the extent and amount that Citizens would have paid for such expenses.

XI. FORMS, RATES, AND RENEWALS

A. Commencing on the Assumption Date of an Assumed Policy:

1. Until the end of the Assumption Period for each Assumed Policy, Citizens will process endorsements and cancellations and provide other routine policy services. However, the Insurer will be responsible for extending an offer of coverage and for the adjustment and payment of claims.

2. The Insurer shall offer and process offers of coverage with respect to Assumed Policies, and shall be solely responsible for all servicing activities as of its first policy term.

B. An Insurer that has assumed policies in accordance with this Plan shall offer coverage to each Assumed Policy, for a minimum of three years from its Assumption Date. All offers of coverage and renewals thereof shall be issued utilizing forms and rates approved by the Office.

C. The coverage provided on Assumed Policies must be substantially equivalent to the coverage provided by Citizens.

D. An Insurer may cancel or nonrenew an Assumed Policy for material misstatement, nonpayment of premium, failure to comply within 90 days of the date of effectuation of the coverage with underwriting requirements of the Insurer, substantial change in the risk, or fraud. An Insurer may not cancel or nonrenew an Assumed Policy for exposure management or for any underwriting reason that the Insurer knew or should have known of at the Assumption Date.

XII. ASSUMED PREMIUMS

A. Citizens will direct the release of Assumed Premium relating to Assumed Policies to the Insurer that has assumed such policies within 20 days of the Assumption Date.

B. The Insurer shall return to Citizens all unearned premiums received on such Returned Policies to Citizens in a manner acceptable to Citizens.

C. At recurring times established by Citizens, a true-up of Assumed Premium will be performed. During this true-up, Citizens will review premium transaction activity on Assumed Policies that are in the Assumption Period, as well as Returned Policies. Based on the results of this true-up, Citizens and the Insurer will coordinate making appropriate adjustments to the Assumed Premium resulting from any Assumed Policies that are cancelled or endorsed during the Assumption Period, as well as coordinate the return of any outstanding unearned premiums received on Returned Policies.

D. Within 15 days of the true-up date at which it is determined that Insurer owes Citizens Assumed Premium paid for Assumed Policies, Insurer will pay the determined amount.

XIII. NO TAKE-OUT BONUSES ARE APPROVED

A. No take-out bonuses authorized by Section 627.3511, Florida Statutes or otherwise are approved under this Plan. Any proposal for such bonuses must be pursuant to a separate plan.