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OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY
DIRECTOR

OFFICE OF
INSURANCE REGULATION
Docketed by: SP

IN THE MATTER OF:

CASE NO.: 64923-02-CO

STATE NATIONAL SPECIALTY INSURANCE
COMPANY

2002 Property and Casualty Market Conduct Examination

CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between **STATE NATIONAL SPECIALTY INSURANCE COMPANY**, (hereinafter referred to as "**STATE NATIONAL**") and the **OFFICE OF INSURANCE REGULATION** of the **FINANCIAL SERVICES COMMISSION** within the **DEPARTMENT OF FINANCIAL SERVICES**, (hereinafter referred to as "**the OFFICE**"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the Director of the Office of Insurance Regulation, as head of the **OFFICE OF INSURANCE REGULATION**, hereby finds as follows:

1. The Director of the Office of Insurance Regulation, as head of the **OFFICE**, has jurisdiction over the subject matter of, and parties to, this proceeding.
2. **STATE NATIONAL** is a foreign property and casualty insurer authorized to transact insurance business in Florida and is subject to the jurisdiction and regulation of the **OFFICE** pursuant to the Florida Insurance Code.

3. The OFFICE conducted a property and casualty market conduct examination of STATE NATIONAL, pursuant to Section 624.3161, Florida Statutes in 2002, and as a result, it has been determined that STATE NATIONAL has violated the following provisions of the Florida Insurance Code and/or Florida Administrative Code, to wit:

Certificate of Authority

Section 624.430, F.S.-Failure to Notify the Department of Line of Business Discontinuance.

Private Passenger Automobile

Section 627.0651, F.S.-Failure to Follow Filed Rate, Rating Schedule, Rating Rule Underwriting Guideline (PPA): Incorrect Rating.

Cancellations

Section 627.728, F.S.-Failure to Provide Timely Notice of Cancellation.

4. The OFFICE and STATE NATIONAL expressly waive a hearing in this matter, and the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which the parties may be entitled by law. STATE NATIONAL hereby knowingly and voluntarily waive all rights to challenge or to contest this Order, in any forum now available, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

5. STATE NATIONAL agrees that upon the execution of this Consent Order it shall be subject to the following terms and conditions:

a. STATE NATIONAL shall pay a penalty of \$11,000 and administrative costs of \$1,500 on or before the 30th day after this Consent Order is executed.

b. **STATE NATIONAL** shall henceforth comply with all of the provisions of the Florida Insurance Code and the Florida Administrative Code, and implement policies and procedures that will preclude the recurrence of violations contained in this Examination Report. These policies and procedures shall be made available to the **OFFICE** for review upon request within 90 days after execution of this Consent Order, **STATE NATIONAL** shall both implement recommendations contained in the Report of Examination, and identified below, and submit confirmation, in writing, to the **OFFICE** that all directives contained in the Report of Examination have been met, including all refunds.

c. **STATE NATIONAL** is hereby placed on notice of the requirements of the above referenced sections of law and agrees that any future violations of these sections by **STATE NATIONAL** may be deemed willful, subjecting **STATE NATIONAL** to appropriate penalties.

6. **STATE NATIONAL** agrees that the failure to adhere to one or more of the above terms and conditions of this Order may constitute a violation of a lawful order of the **OFFICE**, and shall be subject to such administrative action as the Director of the Office of Insurance Regulation may deem appropriate.

7. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

8. **THEREFORE**, the agreement between **STATE NATIONAL** 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 3RD day of JULY, 2003.



KEVIN M. McCARTY, DIRECTOR
Office of Insurance Regulation

By execution hereof, STATE NATIONAL SPECIALTY INSURANCE COMPANY consents to entry of this 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 STATE NATIONAL SPECIALTY INSURANCE COMPANY to the terms and conditions of this Consent Order and has personal knowledge of the Application and the information provided therein.

STATE NATIONAL SPECIALTY
INSURANCE COMPANY

Corporate Seal

By: _____
Title: President
Date: May 28, 2003

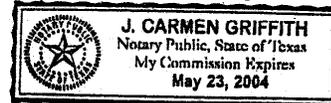
On May 28, 2003, before me, _____, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person or the entity upon whose behalf the person acted, executed the instrument.

Subscribed and sworn to before me this 28th day of May, 2003.

Signature _____
(Signature of Notary Public)

My Commission Expires: May 23, 2004

[NOTARIAL SEAL]



COPIES FURNISHED TO:

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