



OFFICE OF INSURANCE REGULATION

KEVIN McCARTY  
COMMISSIONER

**FILED**

'AUG 5 2014

OFFICE OF  
INSURANCE REGULATION  
Docketed by:                     

IN THE MATTER OF:

CASE NO.: 158252-14-CO

TOWER HILL PREFERRED INSURANCE COMPANY

CONSENT ORDER

THIS CAUSE came on for consideration as a result of TOWER HILL PREFERRED INSURANCE COMPANY'S (hereinafter "TOWER HILL") proposal to remove selected personal residential policies from CITIZENS PROPERTY INSURANCE CORPORATION (hereinafter "CITIZENS"), which was submitted to the OFFICE OF INSURANCE REGULATION (hereinafter "OFFICE") for its review on July 7, 2014. 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 Legislature of the State of Florida has enacted Section 627.351(6)(q)3.a., Florida Statutes, to encourage and provide a means for the depopulation of CITIZENS. CITIZENS submitted and the OFFICE adopted by Order No. 125161-12 a plan of depopulation, the terms and conditions upon which this proposed Consent Order is predicated. TOWER HILL

shall abide by the terms and conditions of the CITIZENS depopulation plan as a condition of issuance of this Consent Order.

4. TOWER HILL is a Florida domiciled property and casualty insurance company authorized to transact insurance in the State of Florida.

5. On or about July 7, 2014, TOWER HILL submitted a proposal to remove selected personal residential policies from CITIZENS. The proposal provides for an assumption to occur on or about October 21, 2014, of up to twenty-two thousand two hundred forty-six (22,246) multiple peril policies from CITIZENS' personal lines account and coastal account. TOWER HILL plans to assume the CITIZENS' policies over a period of time, subject to the approval by the OFFICE.

6. TOWER HILL understands that the selected policies to be removed from CITIZENS on or about October 21, 2014, or at a later date approved by the OFFICE and CITIZENS, will not be subject to any incentive or bonus plan pursuant to Section 627.3511, Florida Statutes, unless and until the OFFICE approves such a plan for use by CITIZENS provided such plan would be retroactive to policies subject to this Consent Order. If the OFFICE approves a bonus plan for use by other take-out companies or for other transactions during the 2014 policy year, the bonus may be paid to TOWER HILL in accordance with that plan and agreements between TOWER HILL and CITIZENS.

7. TOWER HILL shall enter into appropriate agreements with CITIZENS to provide the following:

a. TOWER HILL, at its own expense, shall give at least thirty (30) days advance notice to affected policyholders, which notice will inform policyholders of the need to

contact TOWER HILL before the removal date if the policyholder desires to stay with CITIZENS.

b. TOWER HILL shall accumulate any objections, and shall facilitate the return of any policyholder who desires to stay in CITIZENS if that policyholder expresses the desire to stay in CITIZENS within the thirty (30) day notice period prior to the removal of the policy, or within thirty (30) days after the date of the policy removal. Policyholders shall not be required to make additional payments, nor take any action other than to express the desire to remain with CITIZENS in writing or by electronic mail on or before thirty (30) days following the date of their policy removal.

c. All communications with agents and policyholders regarding any policies to be removed from CITIZENS must be done in accordance with instructions by CITIZENS and the OFFICE. TOWER HILL shall obtain prior approval from the OFFICE of any letters sent to policyholders regarding any policies to be removed from CITIZENS. TOWER HILL agrees that once opt out notices have been mailed to consumers; TOWER HILL cannot terminate the offer of coverage for any reason other than a consumer opt out. TOWER HILL agrees that subsequent non-renewals of policies assumed via this assumption will be in accordance with the Florida Insurance Code.

d. TOWER HILL shall at all times submit to CITIZENS any information required by the published revised 2014 Assumption Calendar. This information shall at all times be submitted timely, in accordance with the deadlines published by CITIZENS.

8. TOWER HILL acknowledges neither approval by CITIZENS, nor entry into this Consent Order by the OFFICE, constitutes a guarantee the above referenced policies will

ultimately be available to TOWER HILL for removal from CITIZENS, as the availability of policies for removal may vary over time.

9. TOWER HILL shall limit its actual removal of policies from CITIZENS to the number and type of policies authorized by the OFFICE. The OFFICE will base its review on TOWER HILL'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 shall be based upon TOWER HILL'S current in-force book of residential property policies, TOWER HILL'S projected voluntary market writings, and actual number of policies available in CITIZENS prior to the anticipated assumption date identified by TOWER HILL as satisfying its filed and approved underwriting guidelines.

10. TOWER HILL has submitted the proposed reinsurance documentation and financial projections for assumption of up to twenty-two thousand two hundred forty six (22,246) multiple peril policies, expected to be assumed on October 21, 2014, or on subsequent dates approved by the OFFICE and CITIZENS. Each additional assumption of CITIZENS policies by TOWER HILL shall be subject to advance written approval by the OFFICE.

11. TOWER HILL'S acquisition of adequate reinsurance and maintenance of executed reinsurance agreements is material to the OFFICE'S review and analysis of TOWER HILL'S proposal to remove selected policies from CITIZENS and to the OFFICE'S approval of the proposal.

12. TOWER HILL expressly waives its rights 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. TOWER HILL agrees not to appeal or otherwise contest this Consent Order in any forum now or in the future

available to it, including their right to any administrative proceeding, circuit or federal court action, or any appeal.

13. TOWER HILL represents all explanations and documents made or submitted to the OFFICE as part of its proposal to remove selected policies from CITIZENS, including all attachments and supplements thereto, fully describe all transactions, agreements, and understandings relating to the removal of policies from CITIZENS by TOWER HILL. However, all draft documents and non-executed agreements relating to TOWER HILL'S plan shall not be deemed approved by this Consent Order until such time as executed agreements or final documents are submitted 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 signature of TOWER HILL, or its authorized representative, notwithstanding the fact the copy was transmitted to the OFFICE electronically. TOWER HILL 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 remove selected policies from CITIZENS, including its attachments, the OFFICE approves the proposal to remove selected policies from CITIZENS, subject to adherence to the terms and conditions of this Consent Order by TOWER HILL.

(B) The OFFICE approves the assumption of up to twenty-two thousand two hundred forty-six (22,246) multiple peril policies, consisting of seventeen thousand seven hundred ninety-seven (17,797) policies from the personal lines account and four thousand four hundred forty-

nine (4,449) policies from the coastal account, for the initial assumption starting on or about October 21, 2014, in accordance with the proposal to remove selected policies from CITIZENS, any agreement(s) between TOWER HILL and CITIZENS, and this Consent Order.

(C) Regarding all reinsurance matters relating to policies removed from CITIZENS, for a period of three (3) years immediately following the date of entry of this Consent Order, TOWER HILL shall:

(i) Maintain substantially the same reinsurance coverage as evidenced to the OFFICE in the proposal to remove selected policies from CITIZENS;

(ii) Submit to the OFFICE any and all replacement or additional reinsurance agreement(s), or amendment(s) to reinsurance agreement(s) that materially change the reinsurance coverage in (C)(i). The agreement(s), amendment(s) or plans shall be submitted to the OFFICE for review, and approval, sixty (60) days prior to the date of effectuation of any such agreement(s) or amendment(s);

(iii) 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;

(iv) Submit in writing to the OFFICE the proposed utilization of any substitute or additional reinsurers for the OFFICE'S review and approval sixty (60) days prior to the companies being utilized within TOWER HILL'S reinsurance program. TOWER HILL shall further immediately submit to the OFFICE all information as requested which the OFFICE deems necessary for the OFFICE to complete its review; and

(v) Cede reinsurance, or otherwise contract for reinsurance, only with reinsurers who are authorized and/or approved by the OFFICE, or such other reinsurers as may

be approved in advance and in writing by the OFFICE. TOWER HILL shall comply with the requirements of Section 624.610, Florida Statutes, with regard to all of its reinsurance arrangements.

(D) For the three (3) years immediately following the date of entry of this Consent Order, TOWER HILL shall file with the OFFICE, on an annual basis no later than June 1 of each year, a catastrophe loss model with probable maximum loss estimate amounts from a one hundred-year storm based upon the exposure information gathered from all of its policies in force as of April 15 of each year which would be affected by a catastrophe. TOWER HILL shall include in this filing an exposure management plan, which will identify the company's ability to provide satisfactory financial capacity to cover the company's exposure to catastrophic hurricane loss. The plan shall identify the reinsurance coverage and surplus levels being utilized to maintain a satisfactory financial capacity with regard to catastrophe exposure. TOWER HILL shall also include within the plan specific actions intended to limit catastrophic exposures to the company's financial capacity. Based upon the OFFICE'S review of the models and plans, TOWER HILL may be required at the OFFICE'S sole discretion to take corrective action to cure any overexposure identified by the OFFICE. Such action may also include obtaining additional amounts of reinsurance coverage as directed by the OFFICE or suspend writing of any additional business, including the CITIZENS policies.

(E) Any and all policies removed from CITIZENS by TOWER HILL shall provide coverage substantially equivalent to that afforded by CITIZENS. Any and all policies removed from CITIZENS by TOWER HILL, pursuant to its proposal to remove selected policies from CITIZENS, must be renewable by the policyholder at approved rates and upon the same terms at

the first such renewal onto TOWER HILL'S policy form, unless such policies are canceled by TOWER HILL for a lawful reason.

(F) At the time TOWER HILL removes any policy of insurance from CITIZENS, TOWER HILL 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 TOWER HILL chooses the latter option, TOWER HILL shall nevertheless be required to obtain a new policy application from each affected policyholder no later than twenty-four (24) months from the effective date of any policy of insurance removed from CITIZENS. TOWER HILL may not initiate any retrospective increase in rates or the premium or any retrospective decrease in coverage provided under the assumed CITIZENS policy (if applicable) as a result of the information obtained from or through the new policy applications.

(G) For a period of three (3) years immediately following the date of entry of this Consent Order, TOWER HILL shall abide by the proposal to remove selected policies from CITIZENS in all material respects. Further, TOWER HILL shall abide by all terms and provisions of any agreement(s) entered into with CITIZENS.

(H) Regarding required documentation to be maintained by TOWER HILL relating to policies removed from CITIZENS:

(i) TOWER HILL is required to track all agents, as well as the related policy information, who have declined to participate in the takeout process. This information shall be submitted to CITIZENS by the deadline published in the Citizens Assumption Calendar. CITIZENS will then mail out notices informing the policyholders of the agent's declination. This will allow the affected policyholders the opportunity to address the declination with their agent

and possibly receive their agent's approval in time to be included in the current takeout. At no time shall TOWER HILL contact a potential policyholder without the agent's appointment.

(ii) TOWER HILL is required to track all agents, as well as the related policy information, who after discussing with the policyholder, decide to participate in the takeout process and submit this information to CITIZENS by the deadline published in the revised 2014 Assumption Calendar.

(iii) TOWER HILL is required to keep a record of all agents who decline participation along with an explanation for the declination.

(iv) When contacting an agent regarding a potential takeout policy, TOWER HILL is required to provide each agent with the policy form to be used, appointment contract and a copy of TOWER HILL'S most currently available financial statement.

(I) TOWER HILL is required to comply with the following requirements when soliciting an agent's permission to participate in the assumption process:

(i) TOWER HILL must utilize email and at least one other method for contact (i.e. call, fax or regular mail).

(ii) TOWER HILL must send out a direct solicitation to the agent of record and copy the agency principal.

(iii) TOWER HILL must provide all agents a minimum of fourteen (14) days to review the solicitation. This will allow agents adequate time to research the company and make an informed decision.

(iv) TOWER HILL must provide a copy of the appointment contract. TOWER HILL may opt to provide the agent a link to its website containing the required information.

(v) TOWER HILL must provide a copy of the policy form. TOWER HILL may opt to provide the agent a link to its website containing the required information.

(vi) TOWER HILL must provide a chart identifying any differences in coverage from CITIZENS, which will help both the agent and the policyholder in making an informed decision.

(vii) TOWER HILL must provide a list of policies specific to the agent that it would like to assume.

(viii) TOWER HILL must provide a contact number of qualified staff to answer agent's questions.

(ix) TOWER HILL must provide an overview of its strategy for handling claims (cat and non-cat).

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

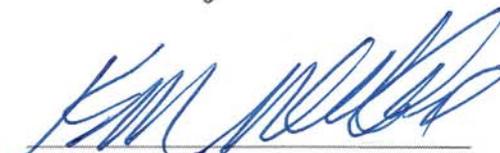
WHEREFORE, the proposal to remove up to twenty-two thousand two hundred forty-six (22,246) multiple peril policies, consisting of seventeen thousand seven hundred ninety-seven

(17,797) policies from the personal lines account and four thousand four hundred forty-nine (4,449) policies from the coastal account, for the initial assumption starting on or about October 21, 2014, 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 5<sup>th</sup> day of August, 2014.



  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

By execution hereof, TOWER HILL PREFERRED 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 or she has the authority to bind TOWER HILL PREFERRED INSURANCE COMPANY to the terms and conditions of this Consent Order.

TOWER HILL PREFERRED INSURANCE COMPANY

Joel P. Curran  
Title: Chief Underwriting Officer



Corporate Seal

STATE OF Florida  
COUNTY OF Alachua

The foregoing instrument was acknowledged before me this 5 day of August 2014,  
by Joel P. Curran as Chief Underwriting Officer  
(name of person) (type of authority; e.g., officer, trustee, attorney in fact)  
for Tower Hill Preferred Insurance Company.  
(company name)

Christine Fillmon  
(Signature of the Notary)

(Print, Type or Stamp)  CHRISTINE FILLMON  
Commission # EE 025118  
Expires October 18, 2014  
800-366-7019

Personally Known  OR Produced Identification \_\_\_\_\_  
Type of Identification Produced \_\_\_\_\_

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