



the terms and conditions upon which this proposed Consent Order is predicated. TOWER HILL SELECT shall abide by the terms and conditions of the CITIZENS depopulation plan as a condition of issuance of this Consent Order.

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

5. On or about February 20, 2013, TOWER HILL SELECT submitted a proposal to remove selected personal residential policies from CITIZENS. The plan provides for an assumption of up to forty-three thousand, eight hundred and thirty-six (43,836) multiple peril policies from CITIZENS' personal lines account. TOWER HILL SELECT plans to assume the CITIZENS'S policies over a period of time, subject to the approval by the OFFICE.

6. TOWER HILL SELECT understands that the selected policies to be removed from CITIZENS on or about June 4, 2013, 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 2013 policy year, the bonus may be paid to TOWER HILL SELECT in accordance with that plan and agreements between TOWER HILL SELECT and CITIZENS. TOWER HILL SELECT shall enter into appropriate agreements with CITIZENS to provide the following:

a. TOWER HILL SELECT, 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 SELECT before the removal date if the policyholder desires to stay with CITIZENS.

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

7. TOWER HILL SELECT 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 SELECT for removal from CITIZENS, as the availability of policies for removal may vary over time.

8. TOWER HILL SELECT 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 SELECT'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 SELECT'S current in-force book of residential property policies, TOWER HILL SELECT'S projected voluntary market writings, and actual number of policies available in CITIZENS prior to the anticipated assumption date identified by TOWER HILL SELECT as satisfying its filed and approved underwriting guidelines.

9. TOWER HILL SELECT has submitted the proposed reinsurance documentation and financial projections for assumption of up to forty-three thousand, eight hundred and thirty-six (43,836) multiple peril policies, expected to be assumed on June 4, 2013 or on subsequent dates approved by the OFFICE and CITIZENS. Each additional assumption of CITIZENS policies by TOWER HILL SELECT shall be subject to advance written approval by the OFFICE.

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

11. TOWER HILL SELECT agrees to maintain the Guarantee Agreement from Tower Hill Prime Insurance Company (attached as exhibit "A" and hereby incorporated by reference) in full force and effect until such time as the OFFICE agrees in writing that the Guarantee Agreement may be terminated. The OFFICE shall authorize the termination of the Guarantee Agreement when the statutory surplus for TOWER HILL SELECT, as indicated on its annual or quarterly financial statements submitted to the OFFICE, is at or above thirty million U.S. Dollars (\$30,000,000).

12. TOWER HILL SELECT shall, prior to the ASSUMPTION DATE, demonstrate to the satisfaction of the OFFICE that it has infused two million, five hundred thousand U.S. Dollars (\$2,500,000) in additional capital into the Company.

13. In addition to the capital infusion required by paragraph twelve (12) above, TOWER HILL SELECT shall cause an additional two million, five hundred thousand U.S. Dollars (\$2,500,000) in capital to be infused into the company by reducing its approved MGA fee by 2.5% for the calendar year 2013.

14. The OFFICE has reviewed the overall financial position of the Tower Hill group of insurers, including TOWER HILL SELECT, Tower Hill Prime Insurance Company, Tower Hill Preferred Insurance Company, Tower Hill Signature Insurance Company, and Omega Insurance Company ("Tower Hill Group"). The combined surplus of the Tower Hill Group is \$146 million, an increase for the calendar year 2012 of more than \$7 million over the prior years' surplus.

15. TOWER HILL SELECT 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 SELECT agrees not to appeal or otherwise contest this Consent Order in any forum now, or in the future, available to it.

16. TOWER HILL SELECT 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 SELECT. However, all draft documents and non-executed agreements relating to TOWER

HILL SELECT'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.

17. 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 TOWER HILL SELECT, or its authorized representative, notwithstanding the fact the copy was transmitted to the OFFICE electronically. TOWER HILL SELECT agrees the signature of its representative as affixed to this Consent Order shall be under seal of a Notary Public.

18. 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 SELECT.

(B) The OFFICE approves the assumption of up to forty-three thousand, eight hundred and thirty-six (43,836) multiple peril policies, consisting of forty-three thousand, eight hundred and thirty-six (43,836) policies from the personal lines account, for the initial assumption starting on or about June 4, 2013, in accordance with the proposal to remove selected policies from CITIZENS, any agreement(s) between TOWER HILL SELECT 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 SELECT 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 SELECT'S reinsurance program. TOWER HILL SELECT 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 SELECT 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 SELECT 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 SELECT 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 SELECT 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 SELECT 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 SELECT shall provide coverage substantially equivalent to that afforded by CITIZENS. Any and all policies removed from CITIZENS by TOWER HILL SELECT, 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 SELECT'S policy form, unless such policies are canceled by TOWER HILL SELECT for a lawful reason;

(F) At the time TOWER HILL SELECT removes any policy of insurance from CITIZENS, TOWER HILL SELECT 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 SELECT chooses the latter option, TOWER HILL SELECT 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 SELECT 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 SELECT shall abide by the proposal to remove selected policies from CITIZENS in all material respects. Further, TOWER HILL SELECT shall abide by all terms and provisions of any agreement(s) entered into with CITIZENS; and;

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

(i) TOWER HILL SELECT 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.

(ii) TOWER HILL SELECT 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 2013 Assumption Calendar.

(iii) TOWER HILL SELECT 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 SELECT is required to provide each agent with the policy form to be used, appointment contract and a copy of TOWER HILL SELECT'S most currently available financial statement.

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

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

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

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

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

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

(vi) TOWER HILL SELECT 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 SELECT must provide a list of policies specific to the agent that it would like to assume;

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

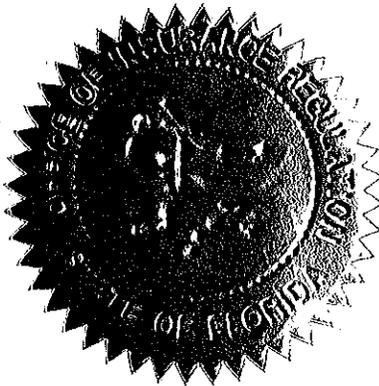
(ix) TOWER HILL SELECT must provide an overview of its strategy for handling claims (cat and non-cat);

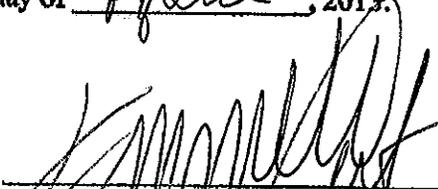
(J) Should the OFFICE determine TOWER HILL SELECT has failed to materially comply with the terms of this Consent Order, the proposal to remove selected policies from CITIZENS, including its attachments, and amendments thereto as submitted to the OFFICE, or terms of any agreement(s) with CITIZENS, TOWER HILL SELECT 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 SELECT fails to cure any such material non-compliance within the sixty (60) day period, TOWER HILL SELECT 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 forty-three thousand, eight hundred and thirty-six (43,836) multiple peril policies, consisting of forty-three thousand, eight hundred and thirty-six (43,836) policies from the personal lines account, for the initial assumption starting on or about June 4, 2013, subject to the terms and conditions of this Consent Order, are hereby APPROVED.

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

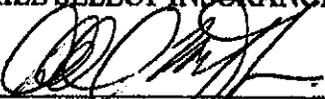
DONE and ORDERED this 4<sup>th</sup> day of April, 2013.



  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

By execution hereof, TOWER HILL SELECT 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 TOWER HILL SELECT INSURANCE COMPANY to the terms and conditions of this Consent Order.

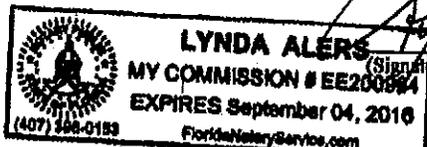
TOWER HILL SELECT INSURANCE COMPANY

  
\_\_\_\_\_  
Donald Carl Matz Jr., President

Corporate Seal

STATE OF FLORIDA  
COUNTY OF Alachua

The foregoing instrument was acknowledged before me this 4 day of April 2013,  
by DONALD MATZ as PRESIDENT  
(name of person) (type of authority .... e.g. officer, trustee attorney in fact)  
for TOWER HILL SELECT INSURANCE  
(company name)

  
Lynda Alers  
(Signature of the Notary)  
MY COMMISSION # EE200984  
EXPIRES September 04, 2016  
(407) 398-0153 FloridaNotaryService.com  
\_\_\_\_\_  
(Print, Type or Stamp Commissioned Name of Notary)

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

**COPIES FURNISHED TO:**

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## GUARANTY AGREEMENT

This Guaranty is made on the 25th day of April, 2013, by Tower Hill Prime Insurance Company (hereinafter "Guarantor"), a corporation formed and existing under the laws of Florida, and holding a certificate of authority issued by the Florida Office of Insurance Regulation.

Guarantor will provide this guaranty as set forth herein to Tower Hill Select Insurance Company (hereinafter "Select"), a corporation formed and existing under the laws of Florida, and holding a certificate of authority issued by the Florida Office of Insurance Regulation.

Guarantor and Select are affiliates and under common ownership and control within the same insurance holding company system.

Wherefore, Guarantor absolutely and unconditionally guarantees as follows:

1. This Guaranty is effective upon the initial approval by the Florida Office of Insurance Regulation (hereinafter "Office") for Select to participate in a policy assumption on June 4, 2013 of certain insurance policies issued by Citizens Property Insurance Corporation. This Guaranty shall continue until the earlier of (a) the Florida Insurance Commissioner ("Commissioner") acknowledges in writing that Guarantor is released from any and all duties and obligations under this Guaranty, or (b) upon Select's attaining surplus as to policyholders of \$30 million, as evidenced in an annual or quarterly financial statement that Select hereafter files with the Office.
2. This Guaranty is made in addition to all other requirements and obligations imposed on Guarantor and Select under the Florida Insurance Code and applicable to Florida domestic insurers.
3. Guarantor consents to the nonexclusive jurisdiction and venue of Leon County Circuit Court, State of Florida, for enforcement of this Guaranty and all other purposes related to this Guaranty.
4. Guarantor warrants that it has the capacity to and is authorized to make this Guaranty. Guarantor waives all defenses related to the capacity of and authority of any person concerning the making of this Guaranty.
5. This Guaranty may be amended only in writing as approved by the Office.
6. Except as herein stated, this Guaranty cannot be enforced by any third party other than the Office or the Florida Department of Financial Services, and is not intended to create rights in favor of any third party other than the Office.
7. Guarantor agrees that its excess surplus and assets, which are those assets that Guarantor possesses but which are not required for Guarantor to meet its financial obligations, including all insurance regulatory financial requirements under the Florida Insurance Code, may be



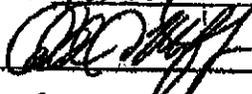
used under this Guaranty to meet the covered claims obligations of Select, in the event Select is unable to pay covered claims.

8. Prior to enforcement of this Guaranty by the Office, Guarantor and Select shall be given a notice and a 30 day opportunity to cure any condition giving rise to calling for the implementation of the Guaranty provided herein.
9. Subject to the notice and opportunity to cure set forth in section 8, Guarantor acknowledges that Guarantor's liability is absolute and unconditional and not dependent on the exercise of diligence by the Commissioner, or on the pursuit of any remedies or on the exercise of any authority against Select or any other person.
10. Other than the obligations stated in this Guaranty, there are no oral or written prior or contemporaneous agreements between Guarantor and the Commissioner or Select and the Commissioner.

Signed at GAINESVILLE, FLORIDA

on the 2<sup>ND</sup> day of APRIL, 2013

Guarantor: TOWER HALL PRIME INSURANCE Co.

by: 

its: PRESIDENT