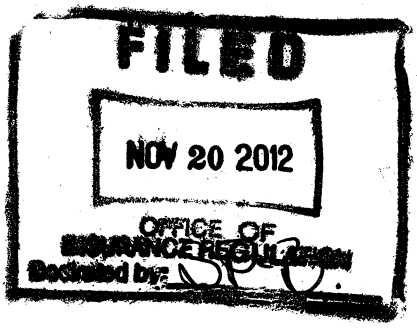
OFFICE OF INSURANCE REGULATION

KEVIN MCCARTY
COMMISSIONER



IN THE MATTER OF:

CASE NO.: 129962-12-CO

UNITED PROPERTY & CASUALTY
INSURANCE COMPANY
_____/

CONSENT ORDER

THIS CAUSE came on for consideration as a result of UNITED PROPERTY & CASUALTY INSURANCE COMPANY'S (hereinafter referred to as "UNITED PROPERTY & CASUALTY") proposal to remove selected personal residential policies from CITIZENS PROPERTY INSURANCE CORPORATION (hereinafter referred to as "CITIZENS"), which was submitted to the OFFICE OF INSURANCE REGULATION (hereinafter referred to as "OFFICE") for its review on November 1, 2012. 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 627.3511, 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. UNITED PROPERTY & CASUALTY shall abide by the terms and conditions of the CITIZENS depopulation plan as a condition of issuance of this Consent Order.

4. UNITED PROPERTY & CASUALTY is a Florida domiciled property and casualty insurance company authorized to transact insurance in the State of Florida.

5. On or about November 1, 2012, UNITED PROPERTY & CASUALTY submitted a proposal to remove selected personal residential policies from CITIZENS. The plan provides for an assumption of up to twenty thousand, nine hundred and ninety (20,990) multiple peril policies from CITIZENS' personal lines account. UNITED PROPERTY & CASUALTY plans to assume the CITIZENS' policies over a period of time, subject to the approval by the OFFICE.

6. UNITED PROPERTY & CASUALTY understands that the selected policies to be removed from CITIZENS on or about January 8, 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 2012 policy year, the bonus may be paid to UNITED PROPERTY & CASUALTY in accordance with that plan and agreements between UNITED PROPERTY & CASUALTY and CITIZENS. UNITED PROPERTY & CASUALTY shall enter into appropriate agreements with CITIZENS to provide the following:

a. UNITED PROPERTY & CASUALTY, 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 UNITED PROPERTY & CASUALTY before the removal date if the policyholder desires to stay with CITIZENS.

b. UNITED PROPERTY & CASUALTY 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. UNITED PROPERTY & CASUALTY shall obtain prior approval from the OFFICE of any letters sent to policyholders regarding any policies to be removed from CITIZENS.

7. UNITED PROPERTY & CASUALTY 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 UNITED PROPERTY & CASUALTY for removal from CITIZENS, as the availability of policies for removal may vary over time.

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

9. UNITED PROPERTY & CASUALTY has submitted the proposed reinsurance documentation and financial projections for assumption of up to twenty thousand, nine hundred and ninety (20,990) multiple peril policies, expected to be assumed on January 8, 2013 or on subsequent dates approved by the OFFICE and CITIZENS. Each additional assumption of CITIZENS policies by UNITED PROPERTY & CASUALTY shall be subject to advance written approval by the OFFICE.

10. UNITED PROPERTY & CASUALTY'S acquisition of adequate reinsurance and maintenance of executed reinsurance agreements is material to the OFFICE'S review and analysis of UNITED PROPERTY & CASUALTY'S proposal to remove selected policies from CITIZENS and to the OFFICE'S approval of the proposal.

11. UNITED PROPERTY & CASUALTY 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. UNITED PROPERTY & CASUALTY agrees not to appeal or otherwise contest this Consent Order in any forum now, or in the future, available to it, including the right to any administrative proceedings, circuit or federal court action, or any appeal.

12. UNITED PROPERTY & CASUALTY 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 UNITED PROPERTY & CASUALTY. However, all draft documents and non-executed agreements relating to UNITED PROPERTY & CASUALTY'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.

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

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

IT IS THEREFORE ORDERED that:

1. 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 UNITED PROPERTY & CASUALTY.

2. The OFFICE approves the assumption of up to twenty thousand, nine hundred and ninety (20,990) multiple peril policies, consisting of twenty thousand, nine hundred and ninety (20,990) policies from the personal lines account, for the initial assumption starting on or about January 8, 2013, in accordance with the proposal to remove selected policies from

CITIZENS, any agreement(s) between UNITED PROPERTY & CASUALTY and CITIZENS, and this Consent Order.

3. 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, UNITED PROPERTY & CASUALTY shall:

a. Maintain substantially the same reinsurance coverage as evidenced to the OFFICE in the proposal to remove selected policies from CITIZENS;

b. 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 3.a. 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);

c. 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;

d. 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 UNITED PROPERTY & CASUALTY'S reinsurance program. UNITED PROPERTY & CASUALTY shall further immediately submit to the OFFICE all information as requested which the OFFICE deems necessary for the OFFICE to complete its review; and

e. 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. UNITED PROPERTY & CASUALTY shall comply with the requirements of Section 624.610, Florida Statutes, with regard to all of its reinsurance arrangements.

4. For the three (3) years immediately following the date of entry of this Consent Order, UNITED PROPERTY & CASUALTY 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. UNITED PROPERTY & CASUALTY 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. UNITED PROPERTY & CASUALTY 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, UNITED PROPERTY & CASUALTY 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.

5. Any and all policies removed from CITIZENS by UNITED PROPERTY & CASUALTY shall provide coverage substantially equivalent to that afforded by CITIZENS. Any and all policies removed from CITIZENS by UNITED PROPERTY & CASUALTY, 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 UNITED PROPERTY & CASUALTY'S policy form, unless such policies are canceled by UNITED PROPERTY & CASUALTY for a lawful reason.

6. At the time UNITED PROPERTY & CASUALTY removes any policy of insurance from CITIZENS, UNITED PROPERTY & CASUALTY 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 UNITED PROPERTY & CASUALTY chooses the latter option, UNITED PROPERTY & CASUALTY 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. UNITED PROPERTY & CASUALTY 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.

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

8. Regarding required documentation to be maintained by UNITED PROPERTY & CASUALTY relating to policies removed from CITIZENS:

a. UNITED PROPERTY & CASUALTY 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;

b. UNITED PROPERTY & CASUALTY 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 2012 Assumption Calendar;

c. UNITED PROPERTY & CASUALTY is required to keep a record of all agents who decline participation along with an explanation for the declination; and

d. When contacting an agent regarding a potential takeout policy, UNITED PROPERTY & CASUALTY is required to provide each agent with the policy form to be used, appointment contract and a copy of UNITED PROPERTY & CASUALTY'S most currently available financial statement.

9. UNITED PROPERTY & CASUALTY is required to comply with the following requirements when soliciting an agent's permission to participate in the assumption process:

a. UNITED PROPERTY & CASUALTY must utilize email and at least one other method for contact (i.e. call, fax or regular mail);

b. UNITED PROPERTY & CASUALTY must send out a direct solicitation to the agent of record and copy the agency principal;

c. UNITED PROPERTY & CASUALTY 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;

d. UNITED PROPERTY & CASUALTY must provide a copy of the appointment contract. UNITED PROPERTY & CASUALTY may opt to provide the agent a link to its website containing the required information;

e. UNITED PROPERTY & CASUALTY must provide a copy of the policy form. UNITED PROPERTY & CASUALTY may opt to provide the agent a link to its website containing the required information;

f. UNITED PROPERTY & CASUALTY 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;

g. UNITED PROPERTY & CASUALTY must provide a list of policies specific to the agent that it would like to assume;

h. UNITED PROPERTY & CASUALTY must provide a contact number of qualified staff to answer agent's questions; and

i. UNITED PROPERTY & CASUALTY must provide an overview of its strategy for handling claims (cat and non-cat).

10. Should the OFFICE determine UNITED PROPERTY & CASUALTY 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, UNITED PROPERTY & CASUALTY shall, upon receipt of notice of such material non-compliance, have sixty (60) days to cure its material non-compliance. In the event UNITED PROPERTY & CASUALTY fails to cure any such material non-compliance within the sixty (60) day period, UNITED PROPERTY & CASUALTY 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 thousand, nine hundred and ninety (20,990) multiple peril policies, consisting of twenty thousand, nine hundred and ninety (20,990) policies from the personal lines account, for the initial assumption starting on or about January 8, 2012, 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 **20TH** day of **NOVEMBER**, 2012.

Kevin M. McCarty, Commissioner
Office of Insurance Regulation

By execution hereof, UNITED PROPERTY & CASUALTY 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 UNITED PROPERTY & CASUALTY INSURANCE COMPANY to the terms and conditions of this Consent Order.

UNITED PROPERTY & CASUALTY INSURANCE COMPANY

Melvin Atwood Russell Jr, President

Corporate Seal

STATE OF Florida
COUNTY OF Pinellas

The foregoing instrument was acknowledged before me this 19 day of Nov 2012,
by Melvin Atwood Russell Jr (name of person) as President (type of authority ..... e.g. officer, trustee attorney in fact)
for United Property + Casualty Ins Co. (company name)

(Signature of the Notary)

E CRAFT
Comm# DD0906815
Expires: 7/20/2013
Florida Notary Assn., Inc

(Print, Type or Stamp Commissioned Name of Notary)

Personally Known X OR Produced Identification _____
Type of Identification Produced _____

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