FILED

FEB 29 2016

OFFICE OF
INSURANCE REGULATION
Docketed by:

OFFICE OF INSURANCE REGULATION

KEVIN MCCARTY
COMMISSIONER

IN THE MATTER OF: CASE NO.: 187267-16-CO

HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY
_____/

CONSENT ORDER

THIS CAUSE came on for consideration as a result of HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY's (hereinafter "HERITAGE") proposal to remove selected commercial and 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 or about February 1, 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, which the OFFICE adopted in Order No. 125161-12, providing the terms and conditions that serve as the basis for this Consent Order. HERITAGE shall abide by the terms

and conditions of the CITIZENS depopulation plan as a condition of issuance of this Consent Order.

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

5. On or about February 1, 2016, HERITAGE submitted a proposal to remove selected commercial and personal residential policies from CITIZENS. The proposal provides for an assumption to occur on or about May 17, 2016, of up to one thousand five hundred (1,500) commercial policies, consisting of one thousand three hundred (1,300) policies from CITIZENS' commercial lines account, along with two hundred (200) policies from CITIZENS' commercial coastal account. The proposal also provides for an assumption to occur on or about May 24, 2016, of up to fifty-five thousand (55,000) multi-peril, mobile home, and wind-only policies, consisting of thirty-three thousand two hundred (33,200) multi-peril and one thousand eight hundred (1,800) mobile home policies from CITIZENS' personal lines account, along with four thousand eight hundred (4,800) multi-peril, two hundred (200) mobile home, and fifteen thousand (15,000) wind-only policies from CITIZENS' coastal account.

6. HERITAGE understands that the selected policies to be removed from CITIZENS on May 17, 2016, and May 24, 2016, 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. HERITAGE shall enter into appropriate agreements with CITIZENS to provide the following:

a. HERITAGE, at its own expense, shall give at least thirty (30) days' advance written notice to affected policyholders informing them of the need to contact HERITAGE before the removal date if they desire to stay with CITIZENS. The notice to

personal residential policyholders shall include the estimated CITIZENS renewal premium and the estimated HERITAGE policy premium.

b. HERITAGE shall accumulate any objections and shall facilitate the return of any policyholder who desires to remain insured by CITIZENS if that policyholder executes an opt-out 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 or take any action other than to express the desire to remain with CITIZENS in writing or by electronic mail no later than 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 approved by CITIZENS and the OFFICE. HERITAGE agrees that once the policyholder notice required by paragraph 7a. above has been provided to affected policyholders, HERITAGE will honor the offer of coverage unless the policyholder opts out or the OFFICE approves termination of the offer for good cause shown.

8. HERITAGE must timely provide to CITIZENS all information required by the 2016 Assumption Calendar published by CITIZENS. HERITAGE 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 HERITAGE for removal from CITIZENS, as the availability of policies for removal may vary over time.

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

10. HERITAGE has submitted the proposed reinsurance documentation and financial projections for assumption of up to one thousand five hundred (1,500) commercial policies, consisting of one thousand three hundred (1,300) policies from CITIZENS' commercial lines account, along with two hundred (200) policies from CITIZENS' commercial coastal account and for an assumption of up to fifty-five thousand (55,000) multi-peril, mobile home, and wind-only policies, consisting of thirty-three thousand two hundred (33,200) multi-peril and one thousand eight hundred (1,800) mobile home policies from CITIZENS' personal lines account, along with four thousand eight hundred (4,800) multi-peril, two hundred (200) mobile home, and fifteen thousand (15,000) wind-only policies from CITIZENS' coastal account. The commercial and personal lines policies are expected to be assumed on or about May 17, 2016, and May 24, 2016, respectively, or on subsequent dates approved by the OFFICE and CITIZENS. Each additional assumption of CITIZENS policies by HERITAGE shall be subject to advance written approval by the OFFICE.

11. HERITAGE's acquisition of adequate reinsurance and maintenance of executed reinsurance agreements are material to the OFFICE's review and analysis of HERITAGE's proposal to remove selected policies from CITIZENS and to the OFFICE's approval of the proposal.

12. HERITAGE 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. HERITAGE 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, circuit or federal court action, or any appeal.

13. HERITAGE represents that 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 HERITAGE. However, all draft documents and non-executed agreements relating to HERITAGE'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 HERITAGE, or its authorized representative, notwithstanding the fact the copy was transmitted to the OFFICE electronically. HERITAGE 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 HERITAGE.

(B) The OFFICE approves the assumption of up to one thousand five hundred (1,500) commercial policies, consisting of one thousand three hundred (1,300) policies from CITIZENS'

commercial lines account, along with two hundred (200) policies from CITIZENS' commercial coastal account and for the assumption of up to fifty-five thousand (55,000) multi-peril, mobile home, and wind-only policies, consisting of thirty-three thousand two hundred (33,200) multi-peril and one thousand eight hundred (1,800) mobile home policies from CITIZENS' personal lines account, along with four thousand eight hundred (4,800) multi-peril, two hundred (200) mobile home, and fifteen thousand (15,000) wind-only policies from CITIZENS' coastal account, expected to be assumed on or about May 17, 2016, and May 24, 2016, respectively, in accordance with the proposal to remove selected policies from CITIZENS, any agreement(s) between HERITAGE and CITIZENS, and this Consent Order.

(C) Regarding all reinsurance matters, HERITAGE 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 remove selected policies from CITIZENS;

(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) HERITAGE shall participate annually in any examination of HERITAGE's reinsurance program as requested by the OFFICE. Based upon the OFFICE's review of the models and plans, HERITAGE 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) With respect to wind-only personal residential policies assumed from CITIZENS and subject to this Consent Order, HERITAGE shall offer to renew each assumed policy for a minimum of three years from its assumption date. For three years beginning May 17, 2016, HERITAGE's renewals of assumed policies shall be written on HERITAGE's policy forms, offering at least the same deductible and coverage options as CITIZENS' forms. For the first renewal of the assumed policies, the rate for the renewal will be the same as the rate that the applicable policy would have had if the policy were renewed by CITIZENS. For the second and third renewals of the assumed policies, the premium applicable to such policies will be determined based on rates approved by the OFFICE, and the annual rate change for such policies will be capped between zero percent (0%) and ten percent (10%) increase. These requirements apply unless otherwise approved by the OFFICE due to exigent circumstances or the policyholder voluntarily elects another policy form offered by HERITAGE and pays the manual premium for such coverage.

(F) Upon the expiration of the assumed CITIZENS policies, HERITAGE shall provide coverage substantially equivalent to that afforded by CITIZENS at approved rates, unless such policies are cancelled or nonrenewed by HERITAGE for a lawful reason.

(G) At the time HERITAGE removes any policy of insurance from CITIZENS, HERITAGE 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 HERITAGE chooses the former option, HERITAGE 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.

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

(I) Regarding required documentation to be maintained by HERITAGE relating to policies removed from CITIZENS:

(i) HERITAGE is required to track all agents, as well as the related policy information, that have declined to participate in the takeout process. This information shall be submitted to CITIZENS by the deadline published in the 2016 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 HERITAGE contact a potential policyholder without the agent's appointment.

(ii) HERITAGE 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 2016 Citizens Assumption Calendar.

(iii) HERITAGE 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, HERITAGE is required to provide each agent with the policy form to be used, appointment contract, and a copy of HERITAGE's most current available financial statement.

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

(i) HERITAGE must utilize email and at least one other method for contact, such as via facsimile or United States Postal Service.

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

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

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

(vi) HERITAGE 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) HERITAGE must provide a list of policies specific to the agent that it would like to assume.

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

(ix) HERITAGE must provide an overview of its strategy for handling catastrophe and non-catastrophe claims.

(K) Should the OFFICE determine HERITAGE 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, HERITAGE shall, upon receipt of notice of such material non-compliance, have sixty (60) days to cure its material non-compliance. In the event HERITAGE fails to cure any such material non-compliance within the sixty (60) day period, HERITAGE expressly agrees the OFFICE may enter an order directing it to immediately cease writing commercial and personal residential 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 proposal to remove up to one thousand five hundred (1,500) commercial policies, consisting of one thousand three hundred (1,300) policies from CITIZENS' commercial lines account, along with two hundred (200) policies from CITIZENS' commercial coastal account, and to remove up to fifty-five thousand (55,000) multi-peril, mobile home, and wind-only policies, consisting of thirty-three thousand two hundred (33,200) multi-peril and one thousand eight hundred (1,800) mobile home policies from CITIZENS' personal lines account, along with four thousand eight hundred (4,800) multi-peril, two hundred (200) mobile home, and fifteen thousand (15,000) wind-only policies from CITIZENS' coastal account, for the initial assumptions starting on or about May 17, 2016, and May 24, 2016, respectively, 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 29th day of February, 2016.

Kevin M. McCarty, Commissioner
Office of Insurance Regulation

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

HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY

[Corporate Seal]

Richard Widdicombe, President

STATE OF Florida

COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 26th day of February 2016,

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

for Heritage Property & Casualty Ins. Company (company name)

[Notary Seal]

CARRIE COHEN
Notary Public - State of Florida
My Comm. Expires Aug 22, 2016
Commission # EE 199581
Bonded Through National Notary Assn.

(Signature of the Notary)

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

Personally Known ✓ OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: _____

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