

**FILED**

SEP 30 2016

OFFICE OF  
INSURANCE REGULATION  
Docketed by:                     



OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 197996-16-CO

SOUTHERN FIDELITY INSURANCE COMPANY  
\_\_\_\_\_ /

CONSENT ORDER

THIS CAUSE came on for consideration as a result of SOUTHERN FIDELITY INSURANCE COMPANY's (hereinafter "SOUTHERN FIDELITY INS. CO.") proposal to remove selected personal lines 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 September 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. SOUTHERN FIDELITY INS. CO. shall

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

4. SOUTHERN FIDELITY INS. CO. is a Florida-domiciled property and casualty insurance company authorized to transact insurance in the state of Florida.

5. On or about September 1, 2016, SOUTHERN FIDELITY INS. CO. submitted a proposal to remove selected personal lines residential policies from CITIZENS. The proposal provides for an assumption to occur on or about December 20, 2016, of up to twenty-six thousand one hundred seventy-four (26,174) multi-peril policies from CITIZENS' personal lines account.

6. SOUTHERN FIDELITY INS. CO. understands that the selected policies to be removed from CITIZENS on December 20, 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. SOUTHERN FIDELITY INS. CO. shall enter into appropriate agreements with CITIZENS to provide the following:

a. SOUTHERN FIDELITY INS. CO., at its own expense, shall give at least thirty (30) days advance written notice to affected policyholders informing them of the need to contact SOUTHERN FIDELITY INS. CO. before the removal date if they desire to stay with CITIZENS. The notice shall include the estimated CITIZENS renewal premium and the estimated SOUTHERN FIDELITY INS. CO. policy premium.

b. SOUTHERN FIDELITY INS. CO. 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. SOUTHERN FIDELITY INS. CO. agrees that once the policyholder notice required by paragraph 7a. above has been provided to affected policyholders, SOUTHERN FIDELITY INS. CO. will honor the offer of coverage unless the policyholder opts out or the OFFICE approves termination of the offer for good cause shown.

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

9. SOUTHERN FIDELITY INS. CO. 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 SOUTHERN FIDELITY INS. CO.'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 SOUTHERN FIDELITY INS. CO.'s current in-force book of property policies, SOUTHERN FIDELITY INS. CO.'s projected voluntary market writings, and the actual number of policies available in CITIZENS prior to the anticipated assumption date identified by SOUTHERN FIDELITY INS. CO. as satisfying its filed and approved underwriting guidelines.

10. SOUTHERN FIDELITY INS. CO. has submitted the proposed reinsurance documentation and financial projections for assumption of up to twenty-six thousand one hundred seventy-four (26,174) multi-peril policies from CITIZENS' personal lines account, expected to be assumed on or about December 20, 2016, or on subsequent dates approved by the OFFICE and CITIZENS. Each additional assumption of CITIZENS policies by SOUTHERN FIDELITY INS. CO. shall be subject to advance written approval by the OFFICE.

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

12. SOUTHERN FIDELITY INS. CO. 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. SOUTHERN FIDELITY INS. CO. 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, state or federal court action, or any appeal.

13. SOUTHERN FIDELITY INS. CO. 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 SOUTHERN FIDELITY INS. CO. However, all draft documents and non-executed agreements relating to SOUTHERN FIDELITY INS. CO.'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 SOUTHERN FIDELITY INS. CO., or its authorized representative, notwithstanding the fact the copy was transmitted to the OFFICE electronically. SOUTHERN FIDELITY INS. CO. 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 SOUTHERN FIDELITY INS. CO.

(B) The OFFICE approves the assumption of up to twenty-six thousand one hundred seventy-four (26,174) multi-peril policies from CITIZENS' personal lines account, expected to be assumed on or about December 20, 2016, in accordance with the proposal to remove selected policies from CITIZENS, any agreement(s) between SOUTHERN FIDELITY INS. CO. and CITIZENS, and this Consent Order.

(C) Regarding all reinsurance matters, SOUTHERN FIDELITY INS. CO. 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) SOUTHERN FIDELITY INS. CO. shall participate annually in any examination of SOUTHERN FIDELITY INS. CO.'s reinsurance program as requested by the OFFICE. Based upon the OFFICE's review of the models and plans, SOUTHERN FIDELITY INS. CO. 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) Upon the expiration of the assumed CITIZENS policies, SOUTHERN FIDELITY INS. CO. shall provide coverage substantially equivalent to that afforded by CITIZENS at approved rates, unless such policies are cancelled or nonrenewed by SOUTHERN FIDELITY INS. CO. for a lawful reason.

(F) At the time SOUTHERN FIDELITY INS. CO. removes any policy of insurance from CITIZENS, SOUTHERN FIDELITY INS. CO. 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 SOUTHERN FIDELITY INS. CO. chooses the former option, SOUTHERN FIDELITY INS. CO. 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.

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

(H) Regarding required documentation to be maintained by SOUTHERN FIDELITY INS. CO. relating to policies removed from CITIZENS:

(i) SOUTHERN FIDELITY INS. CO. 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 SOUTHERN FIDELITY INS. CO. contact a potential policyholder without the agent's appointment.

(ii) SOUTHERN FIDELITY INS. CO. 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) SOUTHERN FIDELITY INS. CO. 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, SOUTHERN FIDELITY INS. CO. is required to provide each agent with the policy form to be

used, appointment contract, and a copy of SOUTHERN FIDELITY INS. CO.'s most current available financial statement.

(I) SOUTHERN FIDELITY INS. CO. is required to comply with the following requirements when soliciting an agent's permission to participate in the assumption process:

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

(ii) SOUTHERN FIDELITY INS. CO. must send out a direct solicitation to the agent of record and copy the agency principal.

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

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

(vi) SOUTHERN FIDELITY INS. CO. 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) SOUTHERN FIDELITY INS. CO. must provide a list of policies specific to the agent that it would like to assume.

(viii) SOUTHERN FIDELITY INS. CO. must provide a contact number of qualified staff to answer the agent's questions.

(ix) SOUTHERN FIDELITY INS. CO. must provide an overview of its strategy for handling catastrophe and non-catastrophe claims.

(J) Should the OFFICE determine SOUTHERN FIDELITY INS. CO. 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, SOUTHERN FIDELITY INS. CO. shall, upon receipt of notice of such material non-compliance, have sixty (60) days to cure its material non-compliance. In the event SOUTHERN FIDELITY INS. CO. fails to cure any such material non-compliance within the sixty (60) day period, SOUTHERN FIDELITY INS. CO. expressly agrees the OFFICE may enter an order directing it to immediately cease writing personal lines 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 twenty-six thousand one hundred seventy-four (26,174) multi-peril policies from CITIZENS' personal lines account, for the initial assumption starting on or about December 20, 2016, 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 30<sup>th</sup> day of September, 2016.



*David Altmaier*  
David Altmaier, Commissioner  
Office of Insurance Regulation

By execution hereof, SOUTHERN FIDELITY 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 SOUTHERN FIDELITY INSURANCE COMPANY to the terms and conditions of this Consent Order.

SOUTHERN FIDELITY INSURANCE  
COMPANY

[Corporate Seal]

James A. Graganella, President & CEO

Keith Martin, Vice President & CEO

STATE OF FL  
COUNTY OF Leon

The foregoing instrument was acknowledged before me this 30 day of September 2016,  
by Keith Martin as Vice President & CEO  
(name of person) (type of authority; e.g., officer, trustee, attorney in fact)  
for Southern Fidelity Insurance Company.  
(company name)

[Notary Seal]



Kristie Mock  
(Signature of the Notary)

Kristie Mock  
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known  OR Produced Identification

Type of Identification Produced \_\_\_\_\_

My Commission Expires: 6/8/18

COPIES FURNISHED TO:

Judy Vick, Depopulation-FMAP Team Lead  
Citizens Property Insurance Corporation  
2312 Killearn Center Boulevard  
Tallahassee, FL 32309  
Judy.Vick@citizensfla.com

James A. Graganella, President & CEO  
Southern Fidelity Insurance Company  
2255 Killearn Center Blvd  
Tallahassee, FL 32309  
jgraganella@preferredmanaging.com

Anthony DiBuono, VP, Marketing, Product Development  
Southern Fidelity Insurance Company  
2255 Killearn Center Blvd  
Tallahassee, FL 32309  
tdibuono@pmains.com

Robert Ridenour, Director  
Office of Insurance Regulation  
Property & Casualty Financial Oversight  
200 East Gaines Street  
Tallahassee, FL 32399

Joel Meyer, Chief Analyst  
Office of Insurance Regulation  
Property & Casualty Financial Oversight  
200 East Gaines Street  
Tallahassee, FL 32399

Peter Kaplan, Financial Examiner/Analyst II  
Office of Insurance Regulation  
Property & Casualty Financial Oversight  
200 East Gaines Street  
Tallahassee, FL 32399  
Peter.Kaplan@flair.com

Jennifer A. Milam, Assistant General Counsel  
Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, FL 32399  
Telephone: (850) 413-4281  
Facsimile: (850) 922-2543  
jennifer.milam@flair.com