

**FILED**

FEB 10 2021

INSURANCE REGULATION  
Docketed by:       



**OFFICE OF INSURANCE REGULATION**

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 275858-21-CO

WESTON INSURANCE COMPANY  
\_\_\_\_\_ /

CONSENT ORDER

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") by WESTON INSURANCE COMPANY ("WESTON" or "the Company") to approve the elements of a financial restructuring plan for the Company. The plan included an initial request to cancel or non-renew approximately 1,500 wind-only policies, which disproportionately increased the Company's probable maximum loss, average annual loss, and reinsurance cost and, thereby, threatens the Company's solvency and status as a going concern. Approval of a request for early termination of property insurance policies either by cancellation or nonrenewal requires a finding by the OFFICE that the early cancellation of some or all of the insurer's policies is necessary to protect the best interests of the public or policyholders. The early cancellation or nonrenewal of policies permitted by Section 627.4133(2)(b)6., Florida Statutes, is an extraordinary statutory remedy reserved to address insurers which are or may be in hazardous financial condition but for cancellation or nonrenewal of some or all of its policies. 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:

#### INTRODUCTION

1. The OFFICE has jurisdiction over the parties and the subject matter of this proceeding.

2. WESTON is a domestic property and casualty insurer authorized to transact insurance business in the state of Florida pursuant to a Certificate of Authority issued by the OFFICE pursuant to Chapter 624, Part III, Florida Statutes.

3. WESTON reported approximately 20,761 policies in force in Florida, as of September 30, 2020, which provide commercial residential, commercial property, and personal residential wind-only insurance coverage.

#### WESTON'S FINANCIAL CONDITION

4. WESTON reported increasing net losses of \$4.7 million, \$21.9 million, and \$31.7 million in financial statements filed with the OFFICE as of June 30, 2020; September 30, 2020; and October 31, 2020, respectively.

5. On July 17, 2020, pursuant to Consent Order 265450-20-CO, the OFFICE approved the indirect purchase of more than 50% of the outstanding voting securities of WESTON by HSCM BERMUDA FUND LTD. and HSCM Bermuda Special Opportunities Fund Ltd., two investment funds (collectively, the "Funds") that are managed, via investment management agreements, by Hudson Structured Capital Management Ltd. ("HSCM"). HSCM has discretionary investment authority over the Funds and, thereby, WESTON. Subsequent to the acquisition of the shares of WESTON, HSCM undertook a more comprehensive review and analysis of the Company. As a consequence of that review, HSCM concluded that it was

necessary to restructure the Company's reinsurance program to better position it for the future and reported those plans to the OFFICE.

6. HSCM has provided documentation to the OFFICE which demonstrates that without further timely remedial action the status of WESTON as of December 31, 2020, would reflect the following:

a. WESTON would not meet the minimum surplus requirements of Section 624.408, Florida Statutes;

b. As a result of continued reported catastrophic hurricane losses and the coverage provided by its reinsurance program, WESTON would have a risk-based capital that would fall in the mandatory control level as defined in Section 624.4085(1)(d), Florida Statutes; and

c. WESTON's risk-based capital after restructuring its reinsurance program would still require the Company to file and implement a Risk-Based Capital Plan ("RBC Plan") to further strengthen its financial condition.

7. HSCM has provided details of remedial actions to be included as part of a proposed RBC Plan required by Section 624.4085, Florida Statutes, with the following elements:

a. The restructuring of the Company's reinsurance program to include the replacement of the June 1, 2020, Net Property Quota Share agreement with two new reinsurance agreements acceptable to the OFFICE.

b. Additional actions will be undertaken to increase and maintain WESTON's surplus as to policyholders to at least \$15 million as of December 31, 2020;

c. Surplus as to policyholders would materially increase as of December 31, 2021;

d. The Company's risk-based capital would materially improve by December 31, 2021; and

e. The cancellation of approximately 520 commercial residential, personal residential, and commercial property wind-only policies (the "Wind-Only Block") that pose an inordinate risk to the financial condition of the Company.

#### ANALYSIS OF POLICIES FOR EARLY CANCELLATION

8. Section 627.4133(2)(b)6, Florida Statutes, provides in pertinent part:

Notwithstanding any other provision of law, an insurer may cancel or nonrenew a property insurance policy after at least 45 days' notice if the office finds that the early cancellation of some or all of the insurer's policies is necessary to protect the best interests of the public or policyholders and the office approves the insurer's plan for early cancellation or nonrenewal of some or all of its policies. The office may base such finding upon the financial condition of the insurer, lack of adequate reinsurance coverage for hurricane risk, or other relevant factors. The office may condition its finding on the consent of the insurer to be placed under administrative supervision pursuant to s. 624.81 or to the appointment of a receiver under chapter 631.

9. While WESTON's initial request was for the approval to reduce its policies in force by 1,500 policies through a combination of mid-term cancellation and non-renewal, it amended its financial restructuring plan to provide for the cancellation of the Wind-Only Block, as further described in paragraph 10 below, after the OFFICE evaluated both the potential impact to the Company's financial condition as well as its impact on policyholders. That analysis demonstrated that the cancellation of only this subset of policies would produce results which would provide significant improvement in the financial condition of WESTON as part of its RBC Plan. WESTON provided financial projections which demonstrated that, absent such action, WESTON would not be able to meet or continue to meet the requirements of Sections 624.408 and 624.4085, Florida Statutes, for minimum surplus as to policyholders and risk-based capital that would exceed action level requirements.

10. The Wind-Only Block requested to be cancelled by the Company consists of 129 personal residential policies, 142 commercial residential policies, and 249 commercial property policies. This includes 11 policies that were previously removed from Citizens Property Insurance Corporation in 2018 and 2019.

#### REQUIREMENTS FOR EARLY CANCELLATION

11. Based on the documentation provided to the OFFICE, its internal analysis, and after review of other available options, the OFFICE finds that a more limited early cancellation of only the subset of the Wind-Only Block is in the best interests of the public, policyholders of WESTON, and the Florida property insurance market. This finding is based on the inability of the Company to sustain further losses of the magnitude reported in 2020, the increased cost of catastrophe reinsurance coverage, the necessary restructuring of its reinsurance program, and the determination that this targeted cancellation is the best option available. WESTON's compliance with the corrective measures listed in paragraphs 12 through 18 below is required as a condition to the OFFICE's approval of this early cancellation. HSCM, on behalf of the FUNDS and other funds, commits to cause WESTON to complete the corrective actions in paragraphs 12-18 and acknowledges that such is material to the approval of this Consent Order.

12. WESTON must issue cancellation notices by no later than February 12, 2021, providing at least 60 days' notice of cancellation, with an effective date of the policy cancellations of April 15, 2021. The cancellation notices, agent and policyholder communications, and a listing of all policies being cancelled which includes the policy number, policy type, county, and producing agent were provided to the OFFICE for review and approval.

13. WESTON must implement processes and procedures to ensure that unearned premium is refunded to affected policyholders, their mortgage companies, or their premium

finance companies, as applicable, within 15 days after the effective date of each policy cancellation.

14. WESTON must actively facilitate the placement of the cancelled policies with other insurers in the market by working with its agency force, the OFFICE, and other parties.

15. WESTON may not rewrite any policy being cancelled pursuant to this Consent Order on a different policy form or by an affiliated insurer for a period of 3 years from the date of this Consent Order.

#### REMEDIAL MEASURES FOR CONTINUED OPERATIONS

16. WESTON must file monthly financial statements with the OFFICE until further notice beginning with the February 2021 monthly financial statement. Those financial statements will be in the NAIC monthly statement format and submitted no later than the 30th of the following month.

17. WESTON must file a formal RBC Plan with the OFFICE on or before March 1, 2021, that is consistent with the provisions enumerated in Section 624.4085, Florida Statutes, that includes all corrective actions within the RBC Plan required by the OFFICE, and that is consistent with the elements of the RBC Plan outlined in paragraph 7 of this Consent Order. WESTON must complete the RBC Plan as approved by the OFFICE.

18. WESTON may not pay any dividends or distributions prior to the successful completion of the RBC Plan, as determined by the OFFICE, unless the Company demonstrates that it will have a risk-based capital of at least 300% after the proposed dividend or distribution and the payment of such dividend or distribution complies with Section 628.371, Florida Statutes.

## GENERAL TERMS

19. WESTON agrees to be bound by the provisions of this Consent Order and acknowledges and agrees that failure to comply with any of the terms of this Consent Order would constitute an immediate danger to the public and the OFFICE may immediately suspend, revoke, or take other administrative action as it deems appropriate upon the Certificate of Authority of WESTON in this state, in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

20. To the extent that any provisions of prior orders, consent orders, or corrective action plans that WESTON has entered into with the OFFICE are inconsistent with this Consent Order, this Consent Order shall control and supersede those provisions of the prior orders, consent orders, or corrective action plans.

21. Any deadlines, reporting requirements, other provisions, or requirements set forth in this Consent Order may be altered or terminated by written approval of the OFFICE. Such written approval by the OFFICE is subject to statutory or administrative regulation limitations.

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

23. WESTON expressly waives its rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings to which WESTON may be entitled, either by law or by rules of the OFFICE. WESTON hereby knowingly and voluntarily waives all rights to challenge or to contest this Consent Order, in any forum now or in the future available to them, including the right to any administrative proceeding, state or federal court action, or any appeal.

24. WESTON agrees this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of

WESTON, or its authorized representative, under the seal of a notary public, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically.

WHEREFORE, the OFFICE finds that a more limited early cancellation of only the Wind-Only Block of policies is in the best interests of the public, policyholders of WESTON, and the Florida property insurance market. Therefore, the OFFICE hereby approves the early cancellation of the Wind-Only Block with at least 60 days' advance written notice to those policyholders. This approval permits the cancellation of those affected policies in the Wind Only Block, including, but not limited to, 11 policies that were previously removed from Citizens Property Insurance Corporation in 2018 and 2019. The agreement between WESTON INSURANCE COMPANY, HSCM BERMUDA FUND LTD., and the FLORIDA OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED.

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

DONE and ORDERED this 10 day of February 2021.



*David Altmaier*

David Altmaier, Commissioner  
Office of Insurance Regulation



By execution hereof, WESTON 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 herein. The undersigned represents that they have the authority to bind WESTON INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that they have provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for WESTON INSURANCE COMPANY.

WESTON INSURANCE COMPANY

By: *Deanne D Nixon*

Print Name: Deanne D. Nixon

Title: Chief Underwriting Officer

Date: February 9, 2021

STATE OF Florida

COUNTY OF Miami-Dade

The foregoing instrument was acknowledged before me by means of  physical presence

or  online notarization, this 9th day of February 2021, by Deanne D. Nixon

(name of person)

as Chief Underwriting Officer for Weston Insurance Company

(type of authority; e.g., officer, trustee, attorney in fact)

(company name)



*Bryan T. McCully*  
(Signature of the Notary)

Bryan T. McCully

(Print, Type or Stamp Commissioned Name of Notary)

Personally Known XX OR Produced Identification \_\_\_\_\_

Type of Identification Produced N/A

My Commission Expires: N/A

By execution hereof, HSCM Bermuda Fund Ltd., consents to entry of this Consent Order, agrees without reservation to all of the applicable above terms and conditions, and shall be bound by all applicable provisions herein. The undersigned represents that they have the authority to bind HSCM Bermuda Fund Ltd., to the terms and conditions of this Consent Order.

HSCM Bermuda Fund Ltd.

By: Hudson Structured Capital Management Ltd., its Manager

By: *Michael Millette*

Print Name: Michael Millette

Title: Managing Partner

Date: 2/9/21

STATE OF New York

COUNTY OF Queens

The foregoing instrument was acknowledged before me by means of  physical presence

or  online notarization, this 9<sup>th</sup> day of February 2021, by Michael Millette

as Manager for Hudson Structured Capital Management Ltd.  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

*E. Paliouras*  
(Signature of the Notary)

Ekaterini Paliouras  
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known X OR Produced Identification \_\_\_\_\_

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

My Commission Expires: January 29, 2022



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