

FILED

SEP 01 2023

INSURANCE REGULATION
Docketed by: AD



OFFICE OF INSURANCE REGULATION

MICHAEL YAWORSKY
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 315285-23-CO

LOGGERHEAD RECIPROCAL
INTERINSURANCE EXCHANGE

CONSENT ORDER

THIS CAUSE came on for consideration as a result of **LOGGERHEAD RECIPROCAL INTERINSURANCE EXCHANGE**'s ("**LOGGERHEAD**") proposal to assume selected personal lines policies from **CITIZENS PROPERTY INSURANCE CORPORATION** ("**CITIZENS**"), which was submitted to the **FLORIDA OFFICE OF INSURANCE REGULATION** ("**OFFICE**") for its review on or about July 28, 2023. Following 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 titled "**Citizens Property Insurance Corporation Personal Residential and Commercial Lines Non-Bonus Depopulation Plan**" ("**Plan**"), which the **OFFICE** adopted in Order No. 199206-16 and approved on November 30, 2016 and amended on December 2, 2016. In

December 2022, the Florida Legislature added Section 627.351(6)(ii)3., Florida Statutes, through ch. 2022-271(8), Laws of Florida¹. As a result of this statutory change, which applies to take-out offers that are part of an application to participate in depopulation submitted to the OFFICE on or after January 1, 2023, the Plan will conflict with Florida law. The Plan provides the terms and conditions that serve as the basis for this Consent Order except where the Plan conflicts with Section 627.351(6)(ii)3., Florida Statutes, as added by ch. 2022-271(8), Laws of Florida; the Florida Statutes in effect at the time of the assumption will control. LOGGERHEAD shall abide by the terms and conditions of the Plan and Section 627.351(6)(ii)3., Florida Statutes, as added by ch. 2022-271(8), Laws of Florida, as a condition of issuance of this Consent Order.

4. LOGGERHEAD is a Florida-domiciled property and casualty reciprocal insurer authorized to transact insurance in the state of Florida.

5. On or about July 28, 2023, LOGGERHEAD submitted a proposal to assume selected policies from CITIZENS. The policies are expected to be assumed on or about November 21, 2023, and the proposal provides for an assumption of up to 6,000 policies, consisting of 6,000 personal residential policies from CITIZENS' Personal Lines Account.

6. LOGGERHEAD understands that the selected policies to be assumed from CITIZENS on November 21, 2023, 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. LOGGERHEAD is responsible for ensuring that it has entered or will enter into appropriate agreements with CITIZENS to effectuate the assumption of policies as authorized by

¹ If a policyholder receives a take-out offer from an authorized insurer, the risk is no longer eligible for coverage with the corporation unless the premium for coverage from the authorized insurer is more than 20 percent greater than the renewal premium for comparable coverage from Citizens. This applies to take-out offers that are part of an application to participate in depopulation submitted to the Office on or after January 1, 2023. Ch. 2022-271(8), Laws of Florida.

this Consent Order. By entering into this Consent Order, LOGGERHEAD represents that it will comply with any such agreements between it and CITIZENS.

8. LOGGERHEAD must timely provide to CITIZENS all information required by the 2023 Assumption Calendar published by CITIZENS. LOGGERHEAD 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 LOGGERHEAD for assumption from CITIZENS, as the availability of policies for assumption may vary over time.

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

10. LOGGERHEAD submitted the reinsurance documentation and financial projections for the assumption of up to the number and types of CITIZENS' policies as set forth in paragraph five (5) above. Each additional assumption of CITIZENS policies by LOGGERHEAD shall be subject to advance written approval by the OFFICE.

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

12. **LOGGERHEAD** understands that it must send communication to selected **CITIZENS** policyholders that, at minimum, describes the purpose and function of a reciprocal and how a reciprocal differs from a property and casualty insurer, explains that the estimated renewal premium includes a 10% surplus contribution, and defines the surplus contribution and under what circumstances a subscriber would or would not receive a return of the surplus contribution.

13. **LOGGERHEAD** agrees that any policyholder communication related to the assumption of **CITIZENS** policies on November 21, 2023, must be submitted to and receive approval by the **OFFICE** prior to being sent to selected **CITIZENS** policyholders, unless such policyholder communication has previously been approved by the Office.

14. **LOGGERHEAD** 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**. **LOGGERHEAD** 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.

15. **LOGGERHEAD** represents that all explanations and documents made or submitted to the **OFFICE** as part of its proposal to assume selected policies from **CITIZENS**, including all attachments and supplements thereto, fully describe all transactions, agreements, and understandings relating to the assumption of policies from **CITIZENS** by **LOGGERHEAD**. However, all draft documents and non-executed agreements relating to **LOGGERHEAD**'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**.

16. The parties agree this Consent Order will be deemed executed when the **OFFICE** has signed and docketed a copy of this Consent Order bearing the signature of the authorized

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

17. 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 assume selected policies from CITIZENS, including its attachments, the OFFICE approves the assumption of selected policies from CITIZENS, subject to adherence to the terms and conditions of this Consent Order by LOGGERHEAD.

(B) The OFFICE approves the assumption of CITIZENS' policies up to the amounts set forth above in paragraph five, in accordance with any agreements between LOGGERHEAD and CITIZENS, and this Consent Order.

(C) Regarding all reinsurance matters, LOGGERHEAD 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 assume 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 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) LOGGERHEAD shall participate annually in any examination of LOGGERHEAD's reinsurance program as requested by the OFFICE. Based upon the OFFICE's

review of the models and plans, LOGGERHEAD 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, LOGGERHEAD shall provide coverage substantially equivalent to that afforded by CITIZENS at approved rates, unless such policies are cancelled or nonrenewed by LOGGERHEAD for a lawful reason.

(F) At the time LOGGERHEAD assumes any policy of insurance from CITIZENS, LOGGERHEAD 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 LOGGERHEAD chooses the former option, LOGGERHEAD 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 years immediately following the date of entry of this Consent Order, LOGGERHEAD shall abide by the proposal to assume selected policies from CITIZENS in all material respects. Further, LOGGERHEAD shall abide by all terms of this Consent Order and all provisions of any agreements entered into with CITIZENS.

(H) Should the OFFICE determine LOGGERHEAD has failed to materially comply with terms of this Consent Order, the proposal to assume selected policies from CITIZENS, including its attachments and amendments thereto as submitted to the OFFICE, or terms of any agreements with CITIZENS, LOGGERHEAD shall, upon receipt of notice of such material non-compliance, have 60 days to cure its material non-compliance. In the event LOGGERHEAD fails

to cure any such material non-compliance within the 60-day period, LOGGERHEAD expressly agrees the OFFICE may enter an order directing it to immediately cease writing personal lines 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 assumption of up to 6,000 policies, consisting of 6,000 personal residential policies from CITIZENS' Personal Lines Account, for the initial assumption starting on or about November 21, 2023, 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 1st day of September, 2023.



A handwritten signature in blue ink, appearing to read "Michael Yaworsky".

Michael Yaworsky, Commissioner
Office of Insurance Regulation

By execution hereof, **LOGGERHEAD RECIPROCAL INTERINSURANCE EXCHANGE** 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 they have the authority to bind **LOGGERHEAD RECIPROCAL INTERINSURANCE EXCHANGE** to the terms and conditions of this Consent Order.

**LOGGERHEAD RECIPROCAL
INTERINSURANCE EXCHANGE**

[Corporate Seal]



James Santo, Chief Executive Officer
Loggerhead Reciprocal Interinsurance Exchange

STATE OF Florida

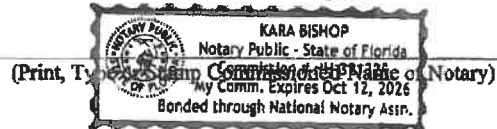
COUNTY OF Hillsborough

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

or online notarization, this 1 day of September 2023, by James Santo
(name of person)

as Officer for Loggerhead Risk Management, LLC
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Kara C Bishop
(Signature of the Notary)



Personally Known OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: October 12, 2026

COPIES FURNISHED TO:

Judy Grunewald, Depopulation-FMAP Manager
Citizens Property Insurance Corporation
2101 Maryland Circle
Tallahassee, FL 32303
Judy.Grunewald@citizensfla.com

James Santo, Chief Executive Officer
Loggerhead Reciprocal Interinsurance Exchange
3903 Northdale Boulevard, Suite 100E
Tampa, FL 33624
Jim.Santo@loggerhead.insurance

Jane Nelson, Director
Office of Insurance Regulation
P&C Financial Oversight
200 East Gaines Street
Tallahassee, FL 32399
Jane.Nelson@flor.com

Bradley Trim, Chief Analyst
P&C Financial Oversight
Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399
Bradley.Trim@flor.com

Courtney A. Colston-Hayes
Assistant General Counsel
Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399
Courtney.Colston-Hayes@flor.com