

**FILED**

MAY 13 2022

INSURANCE REGULATION  
Docketed by: AB



**OFFICE OF INSURANCE REGULATION**

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 295625-22-CO

FEDNAT INSURANCE COMPANY,  
MAISON INSURANCE COMPANY, and  
MONARCH NATIONAL INSURANCE COMPANY.

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CONSENT ORDER

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") by FEDNAT INSURANCE COMPANY ("FEDNAT"), MAISON INSURANCE COMPANY ("MAISON"), and MONARCH NATIONAL INSURANCE COMPANY ("MONARCH") (collectively "the Companies") for approval to cancel approximately 56,500 of FEDNAT's Florida in-force personal residential policies, approximately 8,400 of MONARCH's Florida in-force personal residential policies, and all of MAISON's Florida in-force personal residential policies, approximately 3,300 policies, with 45 days' notice. Approval of such a request 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 and the OFFICE approves the insurer's plan for early cancellation of some or all of its policies. The early cancellation 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 without the cancellation 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. FEDNAT 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. MAISON is a foreign 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. MONARCH 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. FEDNAT, MAISON, and MONARCH are part of the same holding company system, FEDNAT HOLDING COMPANY.

3. FEDNAT has approximately 140,000 in force policies in Florida as of May 12, 2022, which primarily provide personal residential insurance coverage. Given both catastrophe and non-catastrophe loss experience, FEDNAT has identified approximately 56,500 personal residential policies for early cancellation that would provide an immediate positive impact to its financial position ("Cancelled Block") and facilitate the completion of a financial strategic plan which protects its policyholders and the public.

4. FEDNAT, MAISON and MONARCH entered into Consent Order 294507-22-CO

on April 21, 2022, requiring the Companies to provide a strategic plan to the OFFICE due to recent operational results and FEDNAT's downgrade of its financial strength rating. The filed strategic plan includes additional capital coming into MONARCH through an acquisition, the assumption by MONARCH of approximately 83,000 of FEDNAT's policies, and documentation to support FEDNAT's ability to run off its liabilities and wind down the operation of FEDNAT. In addition, the plan also contemplates the cancellation of approximately 8,400 MONARCH in-force personal residential policies, and all of MAISON's approximately 3,300 Florida in-force personal residential policies.

5. MONARCH has entered into an agreement with a new investor that would provide capital to MONARCH. A Form A, filed with the OFFICE on May 9, 2022 and currently under review, stipulates that cancellation of the Cancelled Block for the Companies must be effectuated as a condition of its investment and as part of its plan for reinsurance.

#### ANALYSIS OF POLICIES FOR EARLY CANCELLATION

6. Section 627.4133(2)(b)6, Florida Statutes, provides the following regarding the early cancellation of a property insurance policy:

"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."

7. FEDNAT has identified approximately 56,500 personal residential policies for early cancellation with 45 days' notice to policyholders. In conjunction with the early

cancellation request, FEDNAT provided financial projections which demonstrated that absent such action, it will not be able secure adequate reinsurance coverage for hurricane risk for the 2022-2023 season and maintain surplus as to policyholders sufficient to meet the requirements of Section 624.408, Florida Statutes.

8. MONARCH has identified approximately 8,400 personal residential policies for early cancellation with 45 days' notice to policyholders. MONARCH provided financial projections which demonstrated that absent such action, it will not be able secure adequate reinsurance coverage for hurricane risk for the 2022-2023 season and maintain surplus as to policyholders sufficient to meet the requirements of Section 624.408, Florida Statutes.

9. MAISON has identified approximately 3,300 personal residential policies for early cancellation with 45 days' notice to policyholders. MAISON has represented that absent such action, it will not be able secure adequate reinsurance coverage for hurricane risk for the 2022-2023 season and maintain surplus as to policyholders sufficient to meet the requirements of Section 624.408, Florida Statutes.

10. The Companies provided the OFFICE with a number of additional pro forma financial projections to allow the OFFICE to evaluate both the potential impacts to the Companies' financial condition as well as its impact on policyholders.

11. The approximately 56,500 personal residential policies that FEDNAT requested to cancel consists primarily of a block of approximately 35,800 homeowners' (HO-3) policies but also includes approximately 850 renters' (HO-4) policies and 12,200 condominium unit owner (HO-6) policies and approximately 7,500 dwelling fire (DP-1 and DP-3) policies.

12. The approximately 8,400 personal residential policies that MONARCH requested to cancel consists primarily of a block of approximately 7,100 homeowners' (HO-3) policies but

also includes approximately 1,300 condominium unit owner (HO-6) policies.

13. The approximately 3,300 personal residential policies that MAISON requested to cancel consists primarily of a block of approximately 2,560 homeowners' (HW-2) policies but also includes approximately 770 condominium unit owner (HW-6) policies and approximately 10 mobile home (MH-3) policies.

#### COMPANY REQUIREMENTS FOR EARLY CANCELLATION

14. After review of the information filed in support of this request, and considering all of the attendant facts and circumstances, the OFFICE finds that approval of the early cancellation plan filed by the Companies is necessary to protect the best interests of its policyholders and the public. The Companies' compliance with the corrective measures listed in paragraphs 15 through 20 below is material to the OFFICE's approval of this early cancellation. This approval is specific to the early policy cancellations and is not an approval of the strategic plan as filed and referenced above in paragraph 4 or the Form A referenced above in paragraph 5.

15. The Companies must issue cancellation notices, to be approved in advance by the OFFICE, for the cancellation of the approximately 56,500 FEDNAT policies, 8,400 MONARCH policies and the 3,300 MAISON policies, providing at least 45 days' notice of cancellation to the policyholders. In addition, notices to the agents must be provided to the OFFICE for approval.

16. The Companies must have qualified and trained staff available to respond to policyholder inquiries about the cancellation and must provide to the OFFICE its customer service script for review and approval.

17. The Companies must adhere to the representations made to the OFFICE in its plan for early cancellation.

18. The Companies must mail unearned premium refunds to affected policyholders by no later than July 1, 2022.

19. FEDNAT and MONARCH must continue to file monthly financial statements with the OFFICE until further notice. Those financial statements will be in the NAIC monthly statement format and submitted no later than the 21<sup>st</sup> of the following month. In addition, MONARCH will include in the monthly filing a listing of all policies in force by county and total insured value by county.

20. FEDNAT has voluntarily ceased writing new business. Should FEDNAT desire to resume writing new business, it must do so consistent with a revised business plan filed with and approved by the OFFICE. No policies from the Cancelled Block of policies may be rewritten on a different FEDNAT policy form or by an affiliated insurer for a period of three years from the date such policies are cancelled.

#### REMEDIAL MEASURES FOR CONTINUED OPERATIONS

21. Upon execution of this consent order and through December 31, 2022, FEDNAT may not, without the prior approval of the OFFICE:

- a. Dispose of, convey, or encumber any of its assets;
- b. Lend any of its funds;
- c. Invest any of its funds except in accordance with its established investment policies in the ordinary course of business;
- d. Transfer any of its property other than in the ordinary course of business;
- e. Incur any debt, obligation, or liability other than in the ordinary course of business;
- f. Merge or consolidate with another company;

- g. Terminate, surrender, forfeit, convert, or lapse any insurance policy, certificate, or contract of insurance, except as permitted in accordance with its approved underwriting guidelines and rules in the ordinary course of business;
- h. Release, pay, or refund premium deposits, accrued cash or loan values, unearned premiums, or other reserves on any insurance policy or certificate, except as permitted in accordance with its approved underwriting guidelines and rules in the ordinary course of business;
- i. Make any material change in management or provide bonus or severance packages to any employee;
- j. Pay any dividends; or
- k. Enter into any new or amend any existing agreements with affiliates.

22. The OFFICE reserves the right to retain an individual or entity at the expense of FEDNAT to review all of the its direct and indirect expenses of its affiliates to determine if those expenses are fair and reasonable.

#### GENERAL TERMS

23. The Companies acknowledge and agree 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 the Companies in this state, in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

24. Any prior orders, consent orders, or corrective action plans that the Companies have entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for the Companies, except where provisions of such orders, consent

orders, or corrective action plans have expired; have been superseded by subsequent orders, consent orders, or corrective action plans; or are inconsistent with this Consent Order.

25. 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.

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

27. The Companies 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 the Companies may be entitled, either by law or by rules of the OFFICE. The Companies hereby knowingly and voluntarily waive 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.

28. The Companies agree 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 the Companies, or its authorized representatives, under the seal of a notary public, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically.



WHEREFORE, the agreement between FEDNAT INSURANCE COMPANY, MAISON INSURANCE COMPANY, and MONARCH NATIONAL INSURANCE COMPANY 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 13<sup>th</sup> day of May 2022.



*David Altmaier*

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David Altmaier, Commissioner  
Office of Insurance Regulation

By execution hereof, FEDNAT 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 he/she has the authority to bind FEDNAT INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for FEDNAT INSURANCE COMPANY.

FEDNAT INSURANCE COMPANY

By: [Signature]

Print Name: Michael Braun

Title: President

Date: 5/13/22

STATE OF FLORIDA

COUNTY OF BROWARD

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

or  online notarization, this 13th day of May 2022, by MICHAEL BRAUN

as PRESIDENT for FEDNAT INSURANCE COMPANY  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

[Signature]  
(Signature of the Notary)

CHRISTIAN ALEXANDER RODRIGUEZ  
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known \_\_\_\_\_ OR Produced Identification ✓

Type of Identification Produced FLORIDA DRIVERS LICENSE

My Commission Expires: MAY 4, 2024



CHRISTIAN ALEXANDER RODRIGUEZ  
Commission # HH 219658  
Expires May 4, 2024

By execution hereof, MAISON 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 he/she has the authority to bind MAISON INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for MAISON INSURANCE COMPANY.

MAISON INSURANCE COMPANY

By: [Signature]

Print Name: J.G. JENNINGS ET

Title: SECRETARY

Date: 5/13/2022

STATE OF FLORIDA

COUNTY OF BROWARD

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

or  online notarization, this 13<sup>TH</sup> day of MAY 2022, by J.G. JENNINGS

as SECRETARY for MAISON INSURANCE COMPANY  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

[Signature]

(Signature of the Notary)

CHRISTIAN ALEXANDER RODRIGUEZ

(Print, Type or Stamp Commissioned Name of Notary)

Personally Known \_\_\_\_\_ OR Produced Identification ✓

Type of Identification Produced FLORIDA DRIVERS LICENSE

My Commission Expires: MAY 4, 2024



CHRISTIAN ALEXANDER RODRIGUEZ  
Commission # HH 213658  
Expires May 4, 2024

By execution hereof, MONARCH NATIONAL 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 he/she has the authority to bind MONARCH NATIONAL INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for MONARCH NATIONAL INSURANCE COMPANY.

MONARCH NATIONAL INSURANCE COMPANY

By: [Signature]  
Print Name: Michael Braun  
Title: President  
Date: 5/13/22

STATE OF FLORIDA  
COUNTY OF BROWARD

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

or  online notarization, this 13<sup>TH</sup> day of MAY 2022, by MICHAEL BRAUN  
(name of person)  
as PRESIDENT for MONARCH NATIONAL INSURANCE COMPANY  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

[Signature]  
(Signature of the Notary)  
CHRISTIAN ALEXANDER RODRIGUEZ  
(Print, Type or Stamp Commissioned Name of Notary)

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

Type of Identification Produced FLORIDA DRIVERS LICENSE

My Commission Expires: MAY 4, 2026



CHRISTIAN ALEXANDER RODRIGUEZ  
Commission # HH 213658  
Expires May 4, 2026

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