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INSURANCE REGULATION
Docketed by: ke



OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO: 303643-22-CO

UNITED PROPERTY & CASUALTY
INSURANCE COMPANY
_____ /

CONSENT ORDER FOR PUBLIC ADMINISTRATIVE SUPERVISION
AND APPROVAL OF RUNOFF PLAN

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) by UNITED PROPERTY & CASUALTY INSURANCE COMPANY (“UNITED” or “the Company”) for approval of a Plan of Runoff (the Plan). The goal of the Plan, which includes a number of different elements, is to facilitate a solvent run off of the liabilities of UNITED and to wind down its affairs in an orderly fashion.

INTRODUCTION

1. The OFFICE has jurisdiction over the parties and the subject matter of this proceeding.
2. UNITED 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. UNITED has experienced a significant decline in its underwriting results, with losses exceeding \$35 million in each of the past 5 years. The Company reported a net underwriting loss of \$169,803,628 on its third quarter 2022 financial statement filed with the OFFICE. The Company's surplus as regards policyholders reported on that statement was \$56,854,784.

4. UNITED's reported surplus as regards policyholders of \$56,854,784 as of September 30, 2022, is a decrease of \$112,389,997 from the surplus as regards policyholders of \$169,244,781 reported as of December 31, 2021. This surplus included a net loss of \$180,658,315, net underwriting loss of \$169,803,628 and capital contributions of \$76,000,000.

5. As a result of its deteriorating financial condition, UNITED took a number of steps to reduce its exposure, including ceasing to write new business, nonrenewing large numbers of policies, executing quota share reinsurance agreements and renewal rights agreements in various states, and instituting withdrawal plans in Florida and other states in which it does business. Notwithstanding these measures, the underwriting losses of UNITED have continued to increase to unsustainable levels.

6. On or about August 1, 2022, UNITED's rating was downgraded below that which is acceptable for the purposes of the secondary mortgage market and through an immediate final order issued by the OFFICE on August 2, 2022, UNITED was determined to be qualified to participate in the Temporary Market Stabilization Arrangement with Citizens Property Insurance Corporation. That Arrangement is set to expire on May 31, 2023.

7. On November 15, 2022, UNITED filed the Plan with the OFFICE. The Plan was thereafter modified and amended on November 18, 2022.

ELEMENTS OF THE PLAN OF RUNOFF

8. The Plan submitted by UNITED included three-year pro forma financial projections for 2022 through 2024 and included recognition of losses expected to be incurred from Hurricanes Ian and Nicole. The Plan projects that the Company's surplus will remain positive throughout the run off but anticipates an impairment of surplus and risk-based capital at the mandatory control level.

9. The duration of the runoff is likely to extend beyond the end of 2024. The Plan indicates that the Company intends to manage and fund its losses and loss adjustment expenses in 2024 and subsequent years through reinsurance recoveries, capital from the parent or other sources which the Company projects will provide sufficient liquidity to manage the runoff.

10. The Plan includes the approval of two agreements with affiliates: one related to UNITED's contract with its MGA and one related to its reinsurance allocation agreement with American Coastal Insurance Company. The amendment to UNITED's MGA contract reduces the fees paid by UNITED to its MGA and modifies the frequency of those payments. The reinsurance allocation agreement memorializes how the combined reinsurance tower is allocated between UNITED and American Coastal Insurance Company.

11. According to the Plan as filed with the OFFICE, UNITED has been unable to secure reinsurance commitments for the 2023 Hurricane Season. The Company has no rating acceptable to the secondary mortgage market and the Temporary Market Stabilization Arrangement in Florida terminates on May 31, 2023. The Plan therefore assumes that UNITED will have no policies in force in any state as of June 1, 2023¹. The Plan contemplates cancellation of all Florida policies remaining in force effective May 31, 2023, with 60 days' notice, and approval of midterm

¹ The 2023 Hurricane Season begins on June 1, 2023.

cancellations or transfer of policies in other states which will require regulatory approval in those states to further implement the Plan.

12. The Company's pro forma financial projections for 2023 include as an assumption that all unearned premiums for policies in all states to be canceled as of May 31, 2023, will be returned to all affected policyholders.

13. A subset of UNITED's policies in Florida and other states with renewal dates in November and December were not sent proper notice of renewal. The Plan contemplates that those policies in Florida and other affected states would be sent notices of renewal, and then notices of cancellation effective as of May 31, 2023 with 60 days' notice.

CONDITIONS FOR APPROVAL OF THE PLAN

14. The OFFICE has reviewed the Plan, the projections provided in support of the Plan, the assumptions used in the Plan as well as the factors that may materially affect the success of the Plan. The OFFICE finds that the Plan provides a reasonable basis to support an orderly and solvent runoff, with the following stipulations.

15. UNITED must be placed in public Administrative Supervision for the duration of the runoff, with an appointed Administrative Supervisor selected by the OFFICE and paid for by UNITED. The Administrative Supervision will be governed by the provisions of Section 624.81-87, Florida Statutes, and shall be administered so as to facilitate the payment of covered losses, reasonable loss adjustment expenses, the return of unearned premium and reasonable expenses to administer the Plan.

16. The OFFICE finds that the Reinsurance Allocation Agreement filed in connection with the Plan provides an equitable allocation of reinsurance expenses and recoveries between UNITED and American Coastal Insurance Company. UNITED must file annual audited financial

statements which include an audit of the allocations each year and a verification that the premiums were paid by the respective companies as represented to the OFFICE.

17. The OFFICE finds that the proposed changes to the MGA Agreement will facilitate the Plan, with the stipulation that the frequency of payments to the MGA be made weekly.

18. The OFFICE finds, based on the fact that UNITED has no rating acceptable to the secondary mortgage market, and has been unable to procure reinsurance for the 2023 Hurricane Season, that the early cancellation of policies effective May 31, 2023, is necessary to protect the best interests of policyholders and the public and is authorized by Section 627.4133(2)(b)6, Florida Statutes, which provides:

“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.”

19. Pursuant to a previously approved withdrawal plan filed with and approved by the OFFICE, UNITED was in the process of nonrenewing all of its Florida policies, which as of November 1, 2022 total approximately 142,785. However, approximately 70,287 of its Florida policies would remain in force on May 31, 2023. UNITED provided financial projections which demonstrated that absent the early cancellation of its remaining in force Florida policies and the cancellation or transfer of other out of state policies it will not be able to maintain surplus as to policyholders sufficient to meet the requirements of Section 624.408, Florida Statutes. As a condition of approval for the early cancellation of its policies in Florida that will not have been

nonrenewed prior to June 1, 2023, UNITED must provide affected policyholders in Florida with at least 120 days' notice of cancellation, instead of the 60 days' notice contemplated in the Plan. Additionally, UNITED must submit its cancellation notices, policyholder notices and agent notices to the OFFICE for approval.

20. The OFFICE finds that the Plan's proposal to renew those policies for which proper notice of renewal was not timely sent, followed by a cancellation, will create unnecessary confusion and consumer harm. The OFFICE therefore finds that the Plan must be modified to provide for nonrenewal of those policies for which proper notice of renewal was not sent and the extension of coverage and premium at the original rate for those policies for a period of 120 days, at which time the nonrenewal will become effective. Nonrenewal notices, and agent and policyholder notices must be submitted to the OFFICE for approval.

21. UNITED 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.

22. UNITED must adhere to the representations made to the OFFICE in the Plan for early cancellation.

23. UNITED must issue unearned premium payments to policyholders by no later than June 1, 2023.

24. UNITED must actively facilitate the placement of its policies with other insurers in the market by:

- a. Assisting in the replacement of these policies with its agency force;
- b. Promptly posting or providing its policy level data to insurers within 3 calendar days of the execution of a non-disclosure agreement; and

- c. Continuing to solicit policy replacement proposals from other insurers where necessary to implement the Plan in other states.

REQUIREMENTS DURING ADMINISTRATIVE SUPERVISION

25. UNITED may not conduct the following activities during the period of supervision, without prior approval by the OFFICE, as set forth in Section 624.83, Florida Statutes:

- 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, as defined in Section 631.011(1), Florida Statutes.

26. UNITED hereby knowingly and voluntarily waives the requirement of written notice under Section 624.81(1), Florida Statutes, and agrees that any timelines outlined in this Consent Order will be binding, notwithstanding any timelines provided for in Section 624.81, Florida Statutes.

27. UNITED shall not waste assets or expend funds in excess of \$10,000 United States Dollars (“USD”), other than in the ordinary course of business, without the prior written consent of the OFFICE. If, after approval of a transaction over \$10,000 has been granted by the OFFICE, the OFFICE becomes aware of additional facts or circumstances that materially affect such approval, the OFFICE reserves the right to require such corrective action as it may deem necessary or advisable. Transactions in the ordinary course of business shall include, but not be limited to, payment of claims or settlement of disputed or litigated claims. UNITED need not obtain prior written approval for payment of claims or settlement of disputed or litigated claims over the amount of \$10,000 USD; however, the OFFICE may retrospectively review such payments.

28. Within 5 business days of the execution of this Consent Order, UNITED shall provide a list of any known pending litigation in which UNITED is named as a party. UNITED agrees to provide the OFFICE with an updated list on a monthly basis.

29. The OFFICE may appoint a Deputy Supervisor pursuant to Section 624.87, Florida Statutes. Such Deputy Supervisor shall represent the OFFICE and shall be under the control of the OFFICE.

30. UNITED shall be responsible for administrative supervision expenses pursuant to Section 624.87, Florida Statutes, unless UNITED shows that payment of administrative

supervision expenses will have an adverse material impact on its financial condition and jeopardize its rehabilitation. Otherwise, UNITED shall reimburse the OFFICE for any reasonable expenses of supervision and will pay directly all contractors, including any Deputy Supervisor retained by the OFFICE, for assistance with the administrative supervision.

31. UNITED agrees that the OFFICE and the Department of Financial Services (“Department”) may have examiners or other designees present at the offices of UNITED to obtain independent information. Further, the OFFICE may have examiners or other designees to supervise activities, verify transactions, verify the conditions and status of UNITED and its progress in developing and complying with the Plan, and perform any other duty as designated by the OFFICE. UNITED shall cooperate with and facilitate the presence and work of such examiners or designees.

32. Administrative supervision is confidential as provided in Section 624.82, Florida Statutes, unless otherwise specified within that statute. The OFFICE finds, and UNITED agrees, that it is in the best interest of its policyholders and the public to make this Consent Order public pursuant to Section 624.82(4), Florida Statutes. This finding does not affect the confidentiality of any other orders, notices, correspondence, reports, records, or other information in the possession of the OFFICE relating to the administrative supervision of UNITED pursuant to Section 624.82(1), Florida Statutes.

GENERAL TERMS

33. UNITED 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 UNITED in this state, in accordance with Sections 120.569(2)(n)

and 120.60(6), Florida Statutes.

34. Any prior orders, consent orders, or corrective action plans that UNITED has entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for UNITED, 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.

35. 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.

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

37. UNITED 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 UNITED may be entitled, either by law or by rules of the OFFICE. UNITED 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.

38. UNITED 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 UNITED, 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 agreement between UNITED PROPERTY & CASUALTY

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 5th day of December 2022.



David Altmaier

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, UNITED 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 herein. The undersigned represents that he/she has the authority to bind UNITED PROPERTY & CASUALTY 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 UNITED PROPERTY & CASUALTY INSURANCE COMPANY.

UNITED PROPERTY & CASUALTY
INSURANCE COMPANY

By: Brooke Adler

Print Name: Brooke Adler

Title: General Counsel

Date: December 5, 2022

STATE OF Florida
COUNTY OF Pinellas

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

or online notarization, this 5 day of Dec. 2022, by Brooke Adler
(name of person)

as officer for United Property & Casualty
(type of authority; e.g., officer, trustee, attorney in fact) (company name) INS. Co.



KELLY HUMPHREY
Commission # GG 942579
Expires December 26, 2023
Bonded Thru Budget Notary Services

[Signature]
(Signature of the Notary)

Kelly Humphrey
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known X OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: _____

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