

FILED

MAY 06 2021

INSURANCE REGULATION

Docketed by: *DF*



OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 280398-21-CO

GULFSTREAM PROPERTY AND CASUALTY
INSURANCE COMPANY

CONSENT ORDER

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) by GULFSTREAM PROPERTY AND CASUALTY INSURANCE COMPANY (“GULFSTREAM” or “the Company”) for approval to cancel approximately 20,311 personal residential 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. GULFSTREAM 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. GULFSTREAM reported surplus as regards policyholders of \$20,041,846 as of December 31, 2020, which is a decrease of \$5,237,231, from the surplus as regards policyholders of \$25,279,077, reported as of December 31, 2019. This surplus included a net loss of \$22,636,672, net underwriting loss of \$34,907,047 and capital contributions of \$17,100,000. Without these capital contributions, the Company would have a surplus as regards policyholders of less than the required minimum surplus of \$10,000,000 and would have been considered impaired.

4. GULFSTREAM has reported that as of June 1, 2021 it will no longer have risk on policies in any state outside of Florida, except for approximately 90 policies in Texas that are set to non-renew by June 20, 2021, as part of an ongoing renewal rights transaction and withdrawal from the state of Texas.

5. GULFSTREAM has approximately 56,000 policies in force in Florida as of March 1, 2021, which primarily provide personal residential insurance coverage. Given both catastrophe and non-catastrophe loss experience and significantly increased reinsurance costs, the Company has identified approximately 20,311 personal residential policies for early cancellation that would provide an immediate positive impact to the Company's financial position ("Cancelled Block") and facilitate the completion of a financial restructuring plan which

protects its policyholders and the public.

6. GULFSTREAM provided documentation to the OFFICE which reflects that without action on the Cancelled Block, the Company's financial condition will deteriorate to an unsustainable level by mid-2021.

7. GULFSTREAM has entered into a Letter of Intent with a new investor which would require the filing of a Form A with the OFFICE. The transaction contemplates the execution of a definitive agreement and the filing of the Form A with the OFFICE by May 15, 2021, which may be extended for 15 days, provided the investor is negotiating in good faith to close the transaction. The Letter of Intent further stipulates that cancellation of the selected policies must be effectuated as a condition of its investment. If the deadlines contemplated in the Letter of Intent are not met, or if the Form A is not approved, GULFSTREAM will consent to immediate administrative supervision for the purpose of conserving assets while GULFSTREAM develops a fully funded plan.

ANALYSIS OF POLICIES FOR EARLY CANCELLATION

8. 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.”

9. GULFSTREAM has identified approximately 20,311 personal residential policies for early cancellation with 45 days' notice to policyholders. In conjunction with the early

cancellation request, GULFSTREAM provided financial projections which demonstrated that absent such action, it will not be able to maintain surplus as to policyholders sufficient to meet the requirements of Section 624.408, Florida Statutes.

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

11. The 20,311 personal residential policies that GULFSTREAM requested to cancel consists primarily of a block of approximately 16,574 homeowners' (HO-3) policies but also includes approximately 47 tenant (HO-4) policies and 932 condominium unit owner (HO-6) policies and 2,758 dwelling fire (DP-1 and DP-3) policies.

COMPANY REQUIREMENTS FOR EARLY CANCELLATION

12. 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 GULFSTREAM is necessary to protect the best interests of its policyholders and the public. GULFSTREAM's compliance with the corrective measures listed in paragraphs 13 through 22 below is material to the OFFICE's approval of this early cancellation.

13. GULFSTREAM must issue cancellation notices, to be approved in advance by the OFFICE, for the cancellation of the 20,311 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.

14. GULFSTREAM 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.

15. GULFSTREAM must adhere to the representations made to the OFFICE in its plan for early cancellation.

16. GULFSTREAM must provide unearned premium payments to policyholders by no later than June 1, 2021.

17. GULFSTREAM 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. Concluding negotiations of specific replacement options with identified insurers referenced in its cancellation plan.

18. GULFSTREAM 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 21st of the following month. In addition, the Company will include in the monthly filing a listing of all policies in force by county and total insured value by county.

19. GULFSTREAM has voluntarily ceased writing new business. Should GULFSTREAM 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 GULFSTREAM 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

20. As a result of its recent operational results, GULFSTREAM must submit an updated business plan to the OFFICE by 5:00 p.m. (EDT), July 1, 2021. The updated business plan must demonstrate the Company's ability to generate successful operating results by the implementation of underwriting changes, rate adjustments, operational savings, capital management, and other significant modifications to its current business model. The updated business plan for the period of July 1, 2021 through December 31, 2024 must include all assumptions used in its preparation, pro forma projections, cash flow analysis, and must include a catastrophe reinsurance program acceptable to the OFFICE. The updated business plan must reflect the effects of the following:

- a. Changes to be made in underwriting procedures that would limit capacity for new business and properly price and underwrite all business written or renewed;
- b. Pending litigation in which GULFSTREAM is named as a party;
- c. Capital funding and access to capital for the immediate 12 months;
- d. Open claims and additional efforts that could be made to successfully resolve them;
- e. Any projected adverse loss development;
- f. Proposed contracts for services by vendors or affiliates;
- g. Any additional reinsurance costs required; and
- h. Any material items that would impact the financial condition of GULFSTREAM.

21. Upon execution of this consent order and through December 31, 2021, GULFSTREAM 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 GULFSTREAM to review all of the Company's direct and indirect expenses of its affiliates to determine if those expenses are fair and reasonable.

GENERAL TERMS

23. GULFSTREAM 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 GULFSTREAM 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 GULFSTREAM has entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for GULFSTREAM, 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. GULFSTREAM 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 GULFSTREAM may be entitled, either by law or by rules of the OFFICE. GULFSTREAM 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. GULFSTREAM 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

GULFSTREAM, 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 GULFSTREAM PROPERTY AND 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 6 day of May 2021.



David Altmaier
David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, GULFSTREAM PROPERTY AND 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 GULFSTREAM PROPERTY AND 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 GULFSTREAM PROPERTY AND CASUALTY INSURANCE COMPANY.

GULFSTREAM PROPERTY AND CASUALTY INSURANCE COMPANY

By: DocuSigned by: Ronald E Natherson, Jr.
98E7AD4B920D45B...

Print Name: Ronald E Natherson, Jr.

Title: President and CEO

Date: 5/4/2021

STATE OF Florida

COUNTY OF Sarasota

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

or online notarization, this 4 day of May 2021, by Ronald E. Natherson, Jr.

as President and CEO for Gulfstream Property and Casualty Insurance
(type of authority; e.g., officer, trustee, attorney in fact) (name of person) (company name)

NATALIE NANJARA SUPE
Notary Public-State of Florida
Commission # GG314036
Commission Expires 3/26/2023

DocuSigned by: Natalie Nanjara Supe
65BC9FFBE9194E5...
(Signature of the Notary)

Natalie Nanjara Supe
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known x OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: 3/26/2023

COPIES FURNISHED TO:

WES STRICKLAND, ESQ.

Colodny Fass
119 East Park Avenue
Tallahassee, FL 32301
E-Mail: wstrickland@colodnyfass.com
Telephone: (850)577-0398

RONALD E. NATHERSON, JR., PRESIDENT
Gulfstream Property and Casualty Insurance Company
5240 Paylor Lane
Sarasota, FL 34240

VIRGINIA CHRISTY, DIRECTOR
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399
E-Mail: virginia.christy@flor.com

ROBERT RIDENOUR, FINANCIAL ADMINISTRATOR
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

KYLE LYNCH, FINANCIAL EXAMINER
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

ANOUSH ARAKALIAN BRANGACCIO, GENERAL COUNSEL
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, FL 32399
Telephone: (850) 413-4116
Facsimile: (850) 922-2543
E-Mail: Anoush.Brangaccio@flor.com