



FILED

APR 28 2021

INSURANCE REGULATION
Docketed by:

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

SOUTHERN FIDELITY
INSURANCE COMPANY

CASE NO.: 280009-21-CO

CONSENT ORDER

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") by SOUTHERN FIDELITY INSURANCE COMPANY ("SOUTHERN FIDELITY" or "Company") for approval to nonrenew approximately 19,600 personal residential policies over the next 14 months. The filing contemplates the nonrenewal, at the current expiration date, of approximately 2,300 policies with less than the required statutory written notice, and the nonrenewal of the remainder of the policies with the advance written notice required by Section 627.4133(2)(b), Florida Statutes. Approval of such a request requires a finding by the OFFICE that the early nonrenewal 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 nonrenewal of some or all of its policies. The early 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 without the 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 subject matter and the parties herein.
2. SOUTHERN FIDELITY is a domestic property and casualty insurer authorized to transact property and casualty insurance in Florida through a subsisting Certificate of Authority issued by the OFFICE.
3. This order is the latest in a series of orders issued by the OFFICE designed to remediate the financial condition of SOUTHERN FIDELITY and to facilitate a long-term financial restructuring plan for the Company. This order follows prior orders that approved a rate increase for SOUTHERN FIDELITY, the merger of SOUTHERN FIDELITY with a sister company, the cancellation of an identified block of policies, and a capital contribution plan developed by the Company's new indirect owners.
4. Information filed by the Company in support of its request demonstrates that without the approval of this plan of nonrenewal, the Company would not be able to satisfy the surplus requirements of Section 624.408, Florida Statutes, nor to complete its long-term restructuring plan.

LEGAL ANALYSIS

5. Section 627.4133(2)(b), Florida Statutes, requires insurers writing personal residential property insurance policies in Florida to provide the first-named insured with at least 120 days advance written notice of nonrenewal. This same statute includes an exception to that requirement at Section 627.4133(2)(b)6., Florida Statutes, as follows:

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 interest 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.

6. SOUTHERN FIDELITY has represented to the OFFICE that it has identified over 19,600 policies that due to several factors are generating significant losses. SOUTHERN FIDELITY has requested to nonrenew approximately 19,600 personal residential policies over the next 14 months. The request contemplates the nonrenewal, at the current expiration date, of approximately 2,300 policies with less than the required statutory written notice, and the nonrenewal of the remainder of the policies with the advance written notice required by Section 627.4133(2)(b), Florida Statutes.

7. In response to the request from SOUTHERN FIDELITY, the OFFICE required the Company to provide additional pro forma financial projections to allow the OFFICE to evaluate both the potential impacts on the Company's financial condition as well as on its policyholders.

CONDITIONS OF APPROVAL

8. 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 nonrenewal plan filed by SOUTHERN FIDELITY is necessary to protect the best interests of its policyholders and the public. The approval of this plan is subject to compliance with the following provisions:

a. SOUTHERN FIDELITY must file with the OFFICE for review and approval its proposed nonrenewal notices to be sent to policyholders and any other policyholder communication as well as any communication to its agents.

b. SOUTHERN FIDELITY must actively facilitate placement of the policies to be nonrenewed through robust communication with its agents and by providing data to other insurers expressing interest in offering replacement coverage, subject to the execution of a confidentiality agreement.

c. SOUTHERN FIDELITY must have qualified and trained staff available to respond to policyholder inquiries about the nonrenewal and must provide to the OFFICE its customer service script for review and approval.

d. SOUTHERN FIDELITY must adhere to the representations made to the OFFICE in its plan of nonrenewal.

9. Paragraphs 33 through 35 of Consent Order 269310-20-CO required SOUTHERN FIDELITY to provide the OFFICE with an actuarial review of its homeowners programs to properly position its rates so as to avoid adverse selection and improve future loss ratios, and further required the company to make file and use rate filings on a prescribed schedule. Subsequent to the entry of that order, the acquisition of SOUTHERN FIDELITY was approved by Consent Order 272567-20-CO. Paragraphs 33 through 35 of Consent Order 269310-20-CO are deleted and replaced with the following language:

The next rate filing made by SOUTHERN FIDELITY may be filed on either a file and use basis or a use and file basis so long as it implements the recommendations of an actuarial review by a member of the Casualty Actuarial Society and combines the experience of its voluntary homeowners programs into one program and the experience of its takeout homeowners programs into a separate program. SOUTHERN FIDELITY acknowledges that, in accordance with Section 627.0629(6), Florida Statutes, the OFFICE will hold a public hearing if any rate filing exceeds 15%.

10. All other terms and conditions of the Consent Order 269310-20-CO remain unchanged.

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

12. SOUTHERN FIDELITY affirms that all representations made herein are true and that all requirements set forth herein are material to the issuance of this Consent Order.

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

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

15. The parties agree that 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 authorized representative of SOUTHERN FIDELITY, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SOUTHERN FIDELITY agrees that the signature of its authorized representative as affixed to this Consent Order shall be under the seal of Notary Public.

WHEREFORE, the agreement between SOUTHERN FIDELITY INSURANCE COMPANY and the FLORIDA OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is approved.

All terms and conditions contained herein are hereby ORDERED,

DONE and ORDERED this 28 day of April, 2021.



David Altmaier

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, SOUTHERN FIDELITY INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that they have the authority to bind SOUTHERN FIDELITY INSURANCE COMPANY to the terms and conditions of this Consent Order.

SOUTHERN FIDELITY INSURANCE
COMPANY

By: *Byron Wells*

Print Name: Byron Wells

Title: CO-CEO

Date: 4-23-21

STATE OF Florida

COUNTY OF Leon

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

or online notarization, this 23rd day of April 2021, by Byron Wells
(name of person)

as Co-CEO for Southern Fidelity Insurance Company
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Charlotte McClanahan
(Signature of the Notary)

Charlotte McClanahan
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification

Type of Identification Produced _____

My Commission Expires: April 5, 2022



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