



FILED

MAR 04 2024

INSURANCE REGULATION
Docketed by: *[Signature]*

OFFICE OF INSURANCE REGULATION

MICHAEL YAWORSKY
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 323637-24-CO

HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY

CONSENT ORDER

THIS CAUSE came on for consideration upon the request of HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY ("HERITAGE") to the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") to extend the term of its intercompany loan to HERITAGE INSURANCE HOLDINGS, INC. ("PARENT"). 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. HERITAGE is a licensed property and casualty insurer domiciled in Florida and authorized to transact insurance in this state through a subsisting Certificate of Authority issued by the OFFICE. HERITAGE is wholly owned by PARENT, a Delaware corporation.
3. On December 12, 2018, HERITAGE, PARENT, and the OFFICE executed Consent Order 237737-18-CO (attached as "Exhibit 1"), which approved HERITAGE's request to loan PARENT up to \$20,000,000. The final amount loaned to PARENT was \$19,200,000 at an interest rate of 5% per annum ("Original Parent Loan"). The Original Parent Loan required that

PARENT pay quarterly interest payments to HERITAGE for 5 years and repay 10% of the principal balance annually. The remaining principal was due at the maturity date of December 31, 2023.

4. The proceeds for the Original Parent Loan came from a loan secured by HERITAGE from Federal Home Loan Bank (“FHLB”) in the amount of \$19,200,000 at a London Inter-bank Offered Rate (“LIBOR”) base fixed rate of 3.094% with a maturity date of December 31, 2023 (“Original FHLB Loan”).

5. On December 19, 2023, HERITAGE notified the OFFICE that it extended the Original FHLB Loan into a new loan with a maturity date of March 28, 2025, at an interest rate of 5.09% (“2023 FHLB Loan”).

6. On December 19, 2023, HERITAGE requested approval of the OFFICE to extend the maturity date of the Original Parent Loan to be concurrent with the March 28, 2025, maturity date of the 2023 FHLB Loan, at an interest rate of 7.0% per annum, with quarterly interest payments due to HERITAGE and 10% of the principal balance repayable annually beginning in December 2023 (“2023 Parent Loan”). The principal balance of the 2023 Parent Loan as of December 31, 2023, is \$11,337,408.

7. HERITAGE and PARENT agree that approval of the 2023 Parent Loan by the OFFICE is subject to the following conditions:

a. HERITAGE agrees to provide the OFFICE with at least 30 days written notice of its intent to alter the 2023 FHLB Loan or execute any additional FHLB loan.

b. HERITAGE and PARENT agree that prior written approval must be obtained from the OFFICE before additional FHLB loan draws.

c. HERITAGE agrees that it will maintain Total Adjusted Capital of at least 300% of the Authorized Control Level Risk-Based Capital.

d. HERITAGE agrees to provide executed copies of the 2023 Parent Loan and documentation of any transfer of funds from HERITAGE to PARENT within 10 days of FHLB loan closings or execution of this Consent Order, whichever occurs second.

e. PARENT agrees that until all FHLB loans mature it will hold cash sufficient to make two quarterly interest payments to HERITAGE.

f. HERITAGE and PARENT agree that the 2023 Parent Loan will be secured by Managing General Agent ("MGA") commissions and that HERITAGE has the right to offset any amounts past due from PARENT by reducing the commissions paid to the MGA, which is wholly owned by PARENT.

g. Within 30 days of execution of this Consent Order, HERITAGE must provide the following information to the OFFICE:

- i. A list of each individual service provided to the insurer by the MGA;
- ii. Cost incurred by the MGA to provide each service as of years ended 2023 and 2022;
- iii. Dollar amount charged to insurer for each service as of years ended 2023 and 2022; and
- iv. Dollar amount of fees forgiven, waived, or reimbursed as of years ended 2023 and 2022.

h. Within 45 days of execution of this Consent Order, HERITAGE must provide to the OFFICE a strategic action plan (“Plan”) that includes, at a minimum:

- i. quarterly projections that include the key assumptions affecting the projections and the sensitivity of the projections to the assumptions for the years 2024, 2025, and 2026, provided on the UCAA pro forma financial statement template;
- ii. a formal description of HERITAGE’s access to capital;
- iii. a quantitative analysis of the ten most significant risks to HERITAGE it has identified;
- iv. planned operational changes;
- v. planned expense reductions or increases in expenses;
- vi. planned changes to rates;
- vii. planned changes to policy forms;
- viii. planned changes to product lines;
- ix. the quality of, and problems associated with, HERITAGE’s business, including, but not limited to, its assets, anticipated business growth and associated surplus strain, extraordinary exposure to risk, mix of business, and any use of reinsurance; and
- x. any specific issues that must be resolved to effectuate the Plan.

If the OFFICE determines that the Plan is unsatisfactory, the OFFICE will set forth the

reasons for the determination and may set forth proposed revisions. Upon notification from the OFFICE, HERITAGE must prepare a revised Plan, which may incorporate by reference any revisions proposed by the OFFICE and shall submit the revised Plan to the OFFICE within 30 days of notification by the OFFICE that the Plan is unsatisfactory.

i. HERITAGE agrees to provide the OFFICE with the full actuarial report of a mid-year reserve analysis, completed by its appointed actuary, by August 15th of each year.

j. HERITAGE agrees to use the same catastrophe model both for its rate making and for the OFFICE's Annual Reinsurance Data Call.

k. HERITAGE agrees that new agreements or modifications to existing intercompany agreements between PARENT and HERITAGE must receive prior written approval from the OFFICE.

l. HERITAGE and PARENT agree that all correspondence between FHLB and HERITAGE regarding any "Material Adverse Effect", as defined in the Advances and Security Agreement between the FHLB and HERITAGE, shall be provided to the OFFICE within 3 business days of such correspondence.

m. HERITAGE shall notify the OFFICE within 3 business days if at any time PARENT does not make a timely and complete interest or loan payment as provided for in the Advances and Security Agreement.

n. PARENT agrees to accelerate loan payments to HERITAGE if FHLB accelerates the repayment of the 2023 FHLB Loan.

8. HERITAGE and PARENT affirm and represent that all information, submissions,

explanations, representations, statements, and documents provided to the OFFICE regarding this matter, including all attachments and supplements thereto, are true and correct, material to the issuance of this Consent Order, and have been relied upon by the OFFICE in its determination to enter into this Consent Order.

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

10. HERITAGE and PARENT expressly waive 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 they may be entitled by law or rules of the OFFICE. HERITAGE and PARENT hereby knowingly and voluntarily waive all rights to challenge or to contest this Consent Order in any forum available to them, now or in the future, including the right to any administrative proceeding, state or federal court action, or any appeal.

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

12. 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 approval must be requested in writing prior to any proposed deviation from the terms of this Consent Order.

13. HERITAGE and PARENT affirm that all representations made herein are true and all requirements set forth herein are material to the issuance of this Consent Order.

14. HERITAGE and PARENT agree that, upon execution of this Consent Order, failure to adhere to one or more of the terms and conditions contained herein may result, without further proceedings, in the OFFICE suspending, revoking, or taking other administrative action as it deems appropriate upon HERITAGE's Certificate of Authority in this state, in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

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 notarized signatures of the authorized representatives of HERITAGE and PARENT.

WHEREFORE, subject to the terms and conditions set forth above, the 2023 Parent Loan contemplated herein, and the agreement between HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY, HERITAGE INSURANCE HOLDINGS, INC., and the FLORIDA OFFICE OF INSURANCE REGULATION is APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 4th day of March, 2024.





Michael Yaworsky, Commissioner
Office of Insurance Regulation

By execution hereof, HERITAGE 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 they have the authority to bind HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY to the terms and conditions of this Consent Order.

HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY

By: 

Print Name: Kirk Lusk

Title: CEO

Date: 2/29/24

[Corporate Seal]

STATE OF Florida
COUNTY OF Pinellas

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

or online notarization, this 29 day of February 2024, by Kirk Lusk
(name of person)

as CEO for HPCT
(type of authority; e.g., officer, trustee, attorney-in-fact) (company name)



Suzanne M Harrison
(Signature of the Notary)

Suzanne M Harrison
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: 3/2/2026

By execution hereof, HERITAGE INSURANCE HOLDINGS, INC., 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 they have the authority to bind HERITAGE INSURANCE HOLDINGS, INC., to the terms and conditions of this Consent Order.

HERITAGE INSURANCE HOLDINGS, INC.

By: [Signature]

[Corporate Seal]

Print Name: Kirk Lusk

Title: CEO

Date: 2/29/24

STATE OF Florida
COUNTY OF Pinellas

The foregoing instrument was acknowledged before me by means of physical presence
or online notarization, this 29 day of February 2024, by Kirk Lusk
(name of person)
as Cfo for HPCI
(type of authority; e.g., officer, trustee, attorney-in-fact) (company name)



Suzanne M Harrison
(Signature of the Notary)

Suzanne M Harrison
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known X OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: 3/2/2026

COPIES FURNISHED TO:

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EXHIBIT 1



FILED

DEC 12 2018

**OFFICE OF
INSURANCE REGULATION**
Doctated by:

OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 237737-18-CO

HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY

CONSENT ORDER

THIS CAUSE came on for consideration as a result of HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY's ("HERITAGE") proposal to enter into a transaction with HERITAGE INSURANCE HOLDINGS, INC. ("PARENT"), which was submitted to the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") for its review on or about November 16, 2018, pursuant to Section 625.012(13), Florida Statutes, and Rule 690-143.047, Florida Administrative Code. Following a complete review of the entire record, and upon consideration thereof, and being otherwise 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. HERITAGE is a licensed property and casualty insurer, legally domiciled in Florida, and authorized to transact insurance in this state through a subsisting Certificate of Authority issued by the OFFICE. HERITAGE is wholly owned by PARENT, a Delaware limited liability company.
3. On or about November 16, 2018, HERITAGE notified the OFFICE of its plan to secure a loan of up to \$64,000,000 U.S. Dollars ("USD") from FEDERAL HOME LOAN BANK

("FHLB") at a London Inter-bank Offered Rate ("LIBOR") based fixed rate that approximates 3.05% per annum interest ("Bank Loan"). After HERITAGE receives funds from FHLB, HERITAGE intends to transfer the funds received to PARENT. HERITAGE and PARENT submitted a proposal that would result in a loan of up to \$64,000,000 USD from HERITAGE to PARENT at a rate of 5% per annum interest ("Parent Loan"). PARENT will make quarterly interest only payments to HERITAGE for 5 years. Additionally, PARENT will repay 10% of the principal balance annually, with the first such payment due December 31, 2019. The remaining principal will be due at the maturity date of the Parent Loan.

4. HERITAGE represents that proceeds received from FHLB shall be utilized by PARENT to retire senior secured notes at the PARENT company level that have higher interest rates. PARENT represents that approval of this transaction will provide funding flexibility, interest savings, higher investment yields and increased funds available for investment into HERITAGE.

5. On or about December 4, 2018, HERITAGE provided confirmation that HERITAGE was eligible to secure a FHLB loan with current total credit availability in the amount of \$19,241,460 USD. HERITAGE represents that the remaining proposed Bank Loan amount, as contemplated by HERITAGE, will not be considered by FHLB until other conditions set by FHLB are met.

6. PARENT and HERITAGE acknowledge that the OFFICE, due to the current total credit availability identified above in paragraph 5. is only considering approval of an initial loan of up to \$20,000,000 USD ("Initial Loan") and that any other requests to utilize additional FHLB credit availability must receive prior written approval from the OFFICE.

7. PARENT and HERITAGE agree that approval of Initial Loan by the OFFICE is subject to the following conditions:

- a. HERITAGE agrees to provide the OFFICE with at least 30 days written notice of its intent to execute any additional FHLB loan.
- b. PARENT and HERITAGE agree that prior written approval must be obtained from the OFFICE before additional FHLB loan draws.
- c. HERITAGE agrees that it will maintain Total Adjusted Capital of at least 300% of the Authorized Control Level Risk-Based Capital.
- d. HERITAGE agrees to provide executed copies of Parent Loans and documentation of transfer of funds from HERITAGE to PARENT within 10 days of FHLB loan closings.
- e. PARENT agrees that until all FHLB loans mature it will hold cash sufficient to make two quarterly interest payments to HERITAGE.
- f. HERITAGE and PARENT agree that Parental Loan will be secured by Managing General Agent ("MGA") commissions and that HERITAGE has the right to offset any amounts past due from PARENT by reducing the commissions paid to the MGA, which is wholly owned by PARENT.
- g. HERITAGE agrees to use the same catastrophe model both for its rate making and for the OFFICE's Annual Reinsurance Data Call
- h. HERITAGE agrees that new agreements or modifications to existing intercompany agreements between the PARENT and HERITAGE must receive prior written approval from the OFFICE.
- i. HERITAGE and PARENT agree that all correspondence between FHLB and HERITAGE regarding any "Material Adverse Effect," as defined in the Advances and

Security Agreement between the FHLB and HERITAGE, shall be provided to the OFFICE within 3 business days of such correspondence.

j. HERITAGE shall notify the OFFICE within 3 business days if at any time PARENT does not make a timely and complete interest or loan payment as provided for in the Advances and Security Agreement.

i. PARENT agrees to accelerate loan payments to HERITAGE if FHLB accelerates the repayment of Bank Loan.

8. HERITAGE and PARENT affirm and represent that all information, submissions, explanations, representations, statements, and documents provided to the OFFICE regarding this matter, including all attachments and supplements thereto, are true and correct, material to the issuance of this Consent Order, and have been relied upon by the OFFICE in its determination to enter into this Consent Order.

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

10. HERITAGE and PARENT expressly waive 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 they may be entitled by law or rules of the OFFICE. HERITAGE and PARENT hereby knowingly and voluntarily waive all rights to challenge or to contest this Consent Order in any forum available to them, now or in the future, including the right to any administrative proceeding, state or federal court action, or any appeal.

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

12. The deadlines set forth in this Consent Order may be extended by written approval of the OFFICE. Approval of any deadline extension is subject to statutory or administrative regulation limitations. Additionally, the various reporting requirements and any other provision or requirement set forth in this Consent Order may be altered or terminated by written approval of the OFFICE.

13. HERITAGE and PARENT affirm that all representations made herein are true and all requirements set forth herein are material to the issuance of this Consent Order.

14. HERITAGE and PARENT agree that, upon execution of this Consent Order, failure to adhere to one or more of the terms and conditions contained herein may result, without further proceedings, in the OFFICE suspending, revoking, or taking other administrative action as it deems appropriate upon HERITAGE's Certificate of Authority in this state in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

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 signatures of the authorized representatives of HERITAGE and PARENT, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, HERITAGE and PARENT agree that the signatures of their authorized representatives as affixed to this Consent Order shall be under the seal of a Notary Public.

WHEREFORE, subject to the terms and conditions set forth above, the Initial Loan and Parent Loan contemplated above and the agreement between HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY, HERITAGE INSURANCE HOLDINGS, INC., and the FLORIDA OFFICE OF INSURANCE REGULATION is APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 12TH day of DECEMBER, 2018.



David Altmaier

David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, HERITAGE 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 or she has the authority to bind HERITAGE PROPERTY & CASUALTY INSURANCE COMPANY to the terms and conditions of this Consent Order.

HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY

By: [Signature]

Print name: RICHARD A WIDDOWSON

Title: PRESIDENT

Date: 12/12/2018

STATE OF Florida

COUNTY OF Pinellas

The foregoing instrument was acknowledged before me this 12th day of December 2018

by Richard Widdowson as President
(Name of Person) (Type of Authority – e.g. officer, trustee, attorney-in-fact)

for Heritage Property & Casualty Insurance Company.
(Company Name)



[Signature]
(Signature of the Notary)

Carrie Cohen
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires _____

By execution hereof, HERITAGE INSURANCE HOLDINGS, INC., 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 or she has the authority to bind HERITAGE INSURANCE HOLDINGS, INC. to the terms and conditions of this Consent Order.

HERITAGE INSURANCE HOLDINGS, INC.

By: [Signature]

Print name: RICHARD A WIDDICOMBE

Title: PRESIDENT

Date: DEC 12, 2018

STATE OF Florida

COUNTY OF Pinellas

The foregoing instrument was acknowledged before me this 12th day of December 2018

by Richard Widdicombe as President
(Name of Person) (Type of Authority - e.g. officer, trustee, attorney-in-fact)

for Heritage Insurance Holdings, Inc.
(Company Name)



[Signature]
(Signature of the Notary)

Carrie Cohen
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires _____

COPIES FURNISHED TO:

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