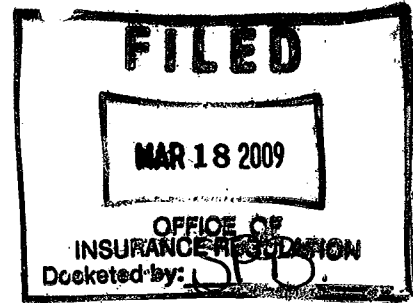




OFFICE OF INSURANCE REGULATION

KEVIN M. McCARTY  
COMMISSIONER



IN THE MATTER OF:

PEOPLE'S TRUST INSURANCE COMPANY  
2009 Market Conduct Examination

CASE NO.:103029-09

CONSENT ORDER

THIS CAUSE came on for consideration upon the agreement between PEOPLE'S TRUST INSURANCE COMPANY (hereinafter referred to as "PEOPLE'S TRUST") and the OFFICE OF INSURANCE REGULATION (hereinafter referred to as the "OFFICE"). 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 of, and parties to, this proceeding.
2. PEOPLE'S TRUST is a domestic Property and Casualty insurer licensed to transact Homeowners' Multi Peril insurance business in Florida and is subject to the jurisdiction and regulation of the OFFICE pursuant to the Florida Insurance Code.
3. The OFFICE conducted a market conduct examination of PEOPLE'S TRUST on February 1, 2009 through February 20, 2009 pursuant to Section 624.3161, Florida Statutes. PEOPLE'S TRUST has fully cooperated with the OFFICE during and after the examination and PEOPLE'S TRUST has voluntarily implemented numerous changes to address the OFFICE'S findings. As a result of such examination, however, the OFFICE has determined that PEOPLE'S

TRUST has violated the following provisions of the Florida Insurance Code and the Florida Administrative Code:

- a. Section 627.062(2)(a), Florida Statutes – Failure to follow its filed rating plan, rating schedule, or rating rule by engaging in the following activity:
  - (1) Failure to obtain a fully completed, signed and dated application as required by Rule 5(a)(2) of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (2) Failure to obtain a property inspection report to confirm replacement cost values and/or insurability as required by Rule 5(2) of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (3) Failure to inspect property which may include videotaping exterior and interior of structure as required by Rule 5(3)(a) of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (4) Failure to obtain evidence of prior insurance as required by Rule 7(a) of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (5) Failure to obtain proof of installation of protective devices as required by Rule 18(f) of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (6) Failure to obtain proof of compliance documentation supporting wind mitigation credits for homes built prior to 2002 as required by Rule 902 of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (7) Failure to obtain proof of compliance documentation supporting wind mitigation credits for homes built on or after 2002 as required by Rule 902 of PEOPLE'S TRUST filed Rules of Practice Manual.

- (8) Application of Building Code Effectiveness Grading (hereinafter referred to as "BCEG") credits to properties built prior to 1996 that are ineligible for BCEG credits.
  - (9) Use of unfiled rates.
  - (10) Failure to obtain from insureds an Election to Not Buy Flood Insurance form as required by Rule 6(f) of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (11) Failure to obtain form PTIC E008 when insureds request contents exclusion as required by Rule 515(c) of PEOPLE'S TRUST filed Rules of Practice Manual.
  - (12) Failure to comply with Rule 515(a) of PEOPLE'S TRUST filed Rules of Practice Manual that states content coverage may be increased up to 50% of Coverage A.
  - (13) Failure to accurately rate policies as Superior construction.
- b. Section 627.70131(1)(a), Florida Statutes and Rule 69O-166.024, Florida Administrative Code – Failure to acknowledge submission of a claim within fourteen (14) calendar days and to maintain sufficient documentation to indicate there was communication with the insured regarding the status of the claim.
  - c. Section 627.70131(3), Florida Statutes – Failure to commence an investigation within ten (10) working days after receiving proof of loss statements.
  - d. Section 627.7015(2), Florida Statutes – Failure to notify the insureds of the right to participate in a mediation program to resolve a dispute regarding settlement offers made by PEOPLE'S TRUST.

- e. Section 627.318, Florida Statutes – Failure to maintain reasonable records and documentation during the claims handling process.
- f. Section 626.877, Florida Statutes – Failure to adjust a claim in accordance with the terms and conditions of the contract.
- g. Section 626.9541(1)(b), Florida Statutes – Making, publishing, disseminating, circulating, or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated, or placed before the public in marketing materials an advertisement, statement containing any assertion, representation, or statement with respect to the business of insurance, which may be misleading.

4. During the OFFICE'S examination, potential procedural deviations were noted relating to PEOPLE TRUST'S managing general agent (hereinafter referred to as "MGA"). These issues are being addressed by the Department of Financial Services through an Order to Show Cause which was issued against the MGA on March 5, 2009. This Order is not intended to, nor shall it be construed to address or resolve those matters.

5. PEOPLE'S TRUST expressly waives a hearing in this matter, the making of Findings of Fact and Conclusions of Law by the OFFICE, and all further proceedings to which the parties may be entitled by law or rules of the OFFICE. PEOPLE'S TRUST hereby knowingly and voluntarily waives all rights to challenge or to contest this Consent Order, in any forum now or in the future available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

6. Upon the execution of this Consent Order, PEOPLE'S TRUST shall be subject to the following terms and conditions:

- a. PEOPLE'S TRUST shall pay an administrative penalty of one hundred fifty thousand dollars (\$150,000) and administrative costs in the amount of five thousand dollars (\$5,000) within thirty (30) days of the execution of this Consent Order.
- b. PEOPLE'S TRUST shall deposit five hundred thousand dollars (\$500,000) with the Bureau of Collateral Management within thirty (30) days of the execution of this Consent Order. After this deposit, PEOPLE'S TRUST will have a total of eight hundred thousand dollars (\$800,000) on deposit with the Bureau of Collateral Management.
- c. PEOPLE'S TRUST shall, within thirty (30) days of the execution of this Consent Order, provide to the OFFICE a certification signed by an officer of the Company that the corrective actions set out in the examination report have been implemented.
- d. PEOPLE'S TRUST shall immediately employ persons with significant insurance industry experience as officers to fill the roles of President, Vice President, Chief Financial Officer, and Underwriting Manager or similarly titled positions.
- e. PEOPLE'S TRUST shall only use licensed insurance agents and customer service representatives that meet the requirements of the Florida Insurance Code for the solicitation and transaction of insurance and insurance applications.
- f. PEOPLE'S TRUST shall, within thirty (30) days of the execution of this Consent Order provide the OFFICE with a copy of the procedures implemented to ensure future compliance with the Florida Insurance Code and the Florida Administrative Code.

- g. PEOPLE'S TRUST shall, within seventy-five (75) days of the execution of this Consent Order provide the OFFICE with proof that reinsurance has been purchased to a probable maximum loss level of at least a 1 in 100 year event. PEOPLE'S TRUST shall maintain that level of reinsurance at all times. PEOPLE'S TRUST shall at all times limit its net retention for a 1 in 100 year event to no more than 25% of its surplus as regards policyholders. PEOPLE'S TRUST shall maintain and have in place at all times one pre-paid reinstatement of its reinsurance program.
- h. In the pro-forma financial statements filed with the OFFICE as part of the licensing of PEOPLE'S TRUST, PEOPLE'S TRUST indicated its direct premium written for 2008 would be \$17,658,000 and for 2009 would be \$21,812,000. PEOPLE'S TRUST reported, in its 2008 Annual Statement, \$22,650,683 in direct premium written in 2008. The OFFICE has not authorized PEOPLE'S TRUST to exceed the amount of direct premium identified in its pro-forma financial statements. PEOPLE'S TRUST shall not further exceed the amount of direct premium written. PEOPLE'S TRUST shall not have more than \$27,933,000 in direct premium written for calendar year 2010. Therefore, PEOPLE'S TRUST shall not write any new business until it has complied with all provisions of this Consent Order and received written approval from the OFFICE to resume writing new business.

7. PEOPLE'S TRUST is hereby placed on notice of the requirements of the above referenced sections of statutes and rules, and agrees that any future violations of these statutes

and rules by PEOPLE'S TRUST may be deemed willful, subjecting PEOPLE'S TRUST to penalties and administrative action as the OFFICE may deem appropriate.

8. PEOPLE'S TRUST agrees that the failure to adhere to one or more of the above terms and conditions of this Consent Order shall constitute a violation of a lawful order of the OFFICE, and shall subject PEOPLE'S TRUST to such administrative action as the OFFICE may deem appropriate.

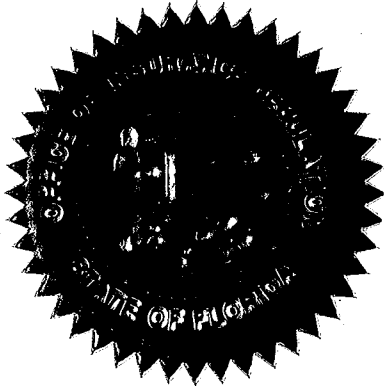
9. This Order is subject to modification by agreement of the parties as the requirements of this Order are implemented by PEOPLE'S TRUST.

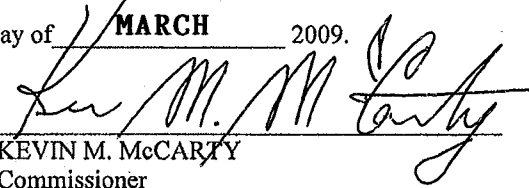
10. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

THEREFORE, the agreement between PEOPLE'S TRUST and the OFFICE, the terms and conditions of which are set forth above, is APPROVED.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE AND ORDERED this 18<sup>th</sup> day of MARCH 2009.



  
\_\_\_\_\_  
KEVIN M. McCARTY  
Commissioner  
Office of Insurance Regulation

By execution hereof, PEOPLE'S TRUST INSURANCE COMPANY, consents to entry of this 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 PEOPLE'S TRUST INSURANCE COMPANY to the terms and conditions of this Consent Order.

PEOPLE'S TRUST INSURANCE COMPANY

Corporate Seal

By: Steph L. Redda  
Title: Chief Financial Officer  
Date: March 17, 2009

STATE OF FL. )  
COUNTY OF Polk )

The foregoing instrument was acknowledged before me this 17 day of March, 2009,  
by \_\_\_\_\_ as \_\_\_\_\_ for  
(Name of person) (Type of authority.... e.g. officer, trustee,  
attorney in fact)

\_\_\_\_\_  
(Company name)

Personally Known  or Produced Identification \_\_\_\_\_

Type of Identification Produced \_\_\_\_\_

[Signature]  
(Signature of the Notary)



Notaria

\_\_\_\_\_  
(Print, Type or Stamp Commissioned Name of Notary)

My Commission Expires:



COPIES FURNISHED TO:

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