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OFFICE OF  
INSURANCE REGULATION

Decided by:                     

OFFICE OF INSURANCE REGULATION

KEVIN MCCARTY  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 122808-12-CO

SOUTHERN OAK INSURANCE COMPANY  
\_\_\_\_\_ /

CONSENT ORDER

THIS CAUSE came on for consideration as a result of SOUTHERN OAK INSURANCE COMPANY's (hereinafter "SOUTHERN OAK") proposal to remove selected personal residential policies from CITIZENS PROPERTY INSURANCE CORPORATION (hereinafter "CITIZENS"), which was submitted to the OFFICE OF INSURANCE REGULATION (hereinafter "OFFICE") for its review on December 13, 2011. 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:

1. The OFFICE has jurisdiction over the subject matter and of the parties herein.
2. CITIZENS has been established in accordance with the provisions of Section 627.351(6), Florida Statutes, as amended, to provide insurance for residential and commercial property qualified risks under circumstances specified in the Statute.
3. The Legislature of the State of Florida has enacted Section 627.3511, Florida Statutes, to encourage and provide a means for the depopulation of CITIZENS. CITIZENS submitted and the OFFICE adopted by Order No. 94539-08 a plan of depopulation, (attached as

exhibit "A" and hereby incorporated by reference), the terms and conditions upon which this proposed consent order is predicated. SOUTHERN OAK shall abide by the terms and conditions of the CITIZENS depopulation plan as a condition of issuance of this consent order.

4. SOUTHERN OAK is a Florida domiciled property and casualty insurance company authorized to transact insurance in the State of Florida.

5. On or about December 13, 2011, SOUTHERN OAK submitted a proposal to remove selected personal residential policies from CITIZENS. The plan provides for an assumption of up to ten thousand (10,000) multiple peril policies from CITIZENS' personal lines account and high risk multiple peril account. SOUTHERN OAK plans to assume the CITIZENS's policies over a period of time, subject to the approval by the OFFICE.

6. SOUTHERN OAK understands that the selected policies to be removed from CITIZENS on or about March 6, 2012, or at a later date approved by the OFFICE and CITIZENS, will not be subject to any incentive or bonus plan pursuant to Section 627.3511, Florida Statutes, unless and until the OFFICE approves such a plan for use by CITIZENS provided such plan would be retroactive to policies subject to this Consent Order. If the OFFICE approves a bonus plan for use by other take-out companies or for other transactions during the 2012 policy year, the bonus may be paid to SOUTHERN OAK in accordance with that plan and agreements between SOUTHERN OAK and CITIZENS. SOUTHERN OAK shall enter into appropriate agreements with CITIZENS to provide the following:

a. SOUTHERN OAK, at its own expense, shall give at least thirty (30) days advance notice to affected policyholders, which notice will inform policyholders of the need to contact SOUTHERN OAK before the removal date if the policyholder desires to stay with CITIZENS;

b. SOUTHERN OAK shall accumulate any objections, and shall facilitate the return of any policyholder who desires to stay in CITIZENS if that policyholder expresses the desire to stay in CITIZENS within the thirty (30) day notice period prior to the removal of the policy, or within thirty (30) days after the date of the policy removal. Policyholders shall not be required to make additional payments, nor take any action other than to express the desire to remain with CITIZENS in writing, by electronic mail, or by telephone on or before thirty (30) days following the date of their policy removal;

c. All communications with agents and policyholders regarding any policies to be removed from CITIZENS must be done in accordance with instructions by CITIZENS and the OFFICE. SOUTHERN OAK shall obtain prior approval from the OFFICE of any letters sent to policy holders regarding any policies to be removed from CITIZENS.

7. SOUTHERN OAK acknowledges neither approval by CITIZENS, nor entry into this Consent Order by the OFFICE, constitutes a guarantee the above referenced policies will ultimately be available to SOUTHERN OAK for removal from CITIZENS, as the availability of policies for removal may vary over time.

8. SOUTHERN OAK shall limit its actual removal of policies from CITIZENS to the number and type of policies authorized by the OFFICE. The OFFICE will base its review on SOUTHERN OAK'S reinsurance program, catastrophe modeling, and financial statement projections, as well as the impact on policyholders. Such reinsurance program, catastrophe modeling, and financial statement profiles shall be based upon SOUTHERN OAK'S current in-force book of residential property policies, SOUTHERN OAK'S projected voluntary market writings, and actual number of policies available in CITIZENS prior to the anticipated

assumption date identified by SOUTHERN OAK as satisfying its filed and approved underwriting guidelines.

9. SOUTHERN OAK has submitted the proposed reinsurance documentation and financial projections for assumption of up to ten thousand (10,000) multiple peril policies, expected to be assumed on March 6, 2012 or on subsequent dates approved by the OFFICE and CITIZENS. Each additional assumption of CITIZENS policies by SOUTHERN OAK shall be subject to advance written approval by the OFFICE.

10. SOUTHERN OAK'S acquisition of adequate reinsurance and maintenance of executed reinsurance agreements is material to the OFFICE'S review and analysis of SOUTHERN OAK'S proposal to remove selected policies from CITIZENS and to the OFFICE'S approval of the proposal.

11. SOUTHERN OAK expressly waive their rights to any hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all other and further proceedings herein to which the parties may be entitled by law or by rules of the OFFICE. SOUTHERN OAK agrees not to appeal or otherwise 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.

12. SOUTHERN OAK represents all explanations and documents made or submitted to the OFFICE as part of its proposal to remove selected policies from CITIZENS, including all attachments and supplements thereto, fully describe all transactions, agreements, and understandings relating to the removal of policies from CITIZENS by SOUTHERN OAK. However, all draft documents and non-executed agreements relating to SOUTHERN OAK'S

plan shall not be deemed approved by this Consent Order until such time as executed agreements or final documents are submitted and approved by the OFFICE.

13. The parties agree this Consent Order will be deemed executed when the agency head or his designee has signed a copy of this Consent Order bearing signature of SOUTHERN OAK, or its authorized representative; notwithstanding the fact the copy was transmitted to the OFFICE electronically. SOUTHERN OAK agrees the signature of their representative as affixed to this Consent Order shall be under seal of a Notary Public.

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

IT IS THEREFORE ORDERED that:

1. Upon consideration of the proposal to remove selected policies from CITIZENS, including its attachments, the OFFICE approves the proposal to remove selected policies from CITIZENS, subject to adherence to the terms and conditions of this Consent Order by SOUTHERN OAK.

2. The OFFICE approves the assumption of up to ten thousand (10,000) multiple peril policies, consisting of eight thousand five hundred (8,500) policies from the personal lines account and one thousand five hundred (1,500) policies from the high risk multiple peril account, for the initial assumption starting on or about March 6, 2012, in accordance with the proposal to remove selected policies from CITIZENS, any agreement(s) between SOUTHERN OAK and CITIZENS, and this Consent Order.

3. Regarding all reinsurance matters relating to policies removed from CITIZENS, for a period of three (3) years immediately following the date of entry of this Consent Order, SOUTHERN OAK shall:

a. Maintain substantially the same reinsurance coverage as evidenced to the OFFICE in the proposal to remove selected policies from CITIZENS;

b. Submit to the OFFICE any and all replacement or additional reinsurance agreement(s), or amendment(s) to reinsurance agreement(s) that materially change the reinsurance coverage in (c)(i). The agreement(s), amendment(s) or plans shall be submitted to the OFFICE for review, and approval, sixty (60) days prior to the date of effectuation of any such agreement(s) or amendment(s);

c. Notify the OFFICE of any termination of any of its reinsurance agreements. The notification shall be made to the OFFICE in writing sixty (60) days prior to the effective date of any such termination;

d. Submit in writing to the OFFICE the proposed utilization of any substitute or additional reinsurers for the OFFICE's review and approval sixty (60) days prior to the companies being utilized within SOUTHERN OAK'S reinsurance program. SOUTHERN OAK shall further immediately submit to the OFFICE all information as requested which the OFFICE deems necessary for the OFFICE to complete its review; and

e. Cede reinsurance, or otherwise contract for reinsurance, only with reinsurers who are authorized and/or approved by the OFFICE, or such other reinsurers as may be approved in advance and in writing by the OFFICE. SOUTHERN OAK shall comply with the requirements of Section 624.610, Florida Statutes, with regard to all of its reinsurance arrangements.

4. For the three (3) years immediately following the date of entry of this Consent Order, SOUTHERN OAK shall file with the OFFICE, on an annual basis no later than June 1 of each year, a catastrophe loss model with probable maximum loss estimate amounts from a one

hundred-year storm based upon the exposure information gathered from all of its policies in force as of April 15 of each year which would be affected by a catastrophe. SOUTHERN OAK shall include in this filing an exposure management plan, which will identify the company's ability to provide satisfactory financial capacity to cover the company's exposure to catastrophic hurricane loss. The plan shall identify the reinsurance coverage and surplus levels being utilized to maintain a satisfactory financial capacity with regard to catastrophe exposure. SOUTHERN OAK shall also include within the plan specific actions intended to limit catastrophic exposures to the company's financial capacity. Based upon the OFFICE's review of the models and plans, SOUTHERN OAK may be required at the OFFICE's sole discretion to take corrective action to cure any overexposure identified by the OFFICE. Such action may also include obtaining additional amounts of reinsurance coverage as directed by the OFFICE or suspend writing of any additional business, including the CITIZENS policies;

5. Any and all policies removed from CITIZENS by SOUTHERN OAK shall provide coverage substantially equivalent to that afforded by CITIZENS. Any and all policies removed from CITIZENS by SOUTHERN OAK, pursuant to its proposal to remove selected policies from CITIZENS, must be renewable by the policyholder at approved rates and upon the same terms at the first such renewal onto SOUTHERN OAK's policy form, unless such policies are canceled by SOUTHERN OAK for a lawful reason;

6. At the time SOUTHERN OAK removes any policy of insurance from CITIZENS, SOUTHERN OAK shall either obtain a new policy application from each affected policyholder or maintain in its files a copy of the policyholder's application on file with CITIZENS. If SOUTHERN OAK chooses the latter option, SOUTHERN OAK shall nevertheless be required to obtain a new policy application from each affected policyholder no later than twenty-four (24)

months from the effective date of any policy of insurance removed from CITIZENS. SOUTHERN OAK may not initiate any retrospective increase in rates or the premium or any retrospective decrease in coverage provided under the assumed CITIZENS policy (if applicable) as a result of the information obtained from or through the new policy applications;

7. For a period of three (3) years immediately following the date of entry of this Consent Order, SOUTHERN OAK shall abide by the proposal to remove selected policies from CITIZENS in all material respects. Further, SOUTHERN OAK shall abide by all terms and provisions of any agreement(s) entered into with CITIZENS; and;

8. Regarding required documentation to be maintained by SOUTHERN OAK relating to policies removed from CITIZENS:

a. SOUTHERN OAK is required to track all agents, as well as the related policy information, who have declined to participate in the takeout process. This information shall be submitted to Citizens by the deadline published in the Citizens Assumption Calendar. Citizens will then mail out notices informing the policyholders of the agent's declination. This will allow the affected policyholders the opportunity to address the declination with their agent and possibly receive their agent's approval in time to be included in the current takeout.

b. SOUTHERN OAK is required to track all agents, as well as the related policy information, who after discussing with the policyholder, decide to participate in the takeout process and submit this information to Citizens by the deadline published in the revised 2012 Assumption Calendar.

c. SOUTHERN OAK is required to keep a record of all agents who decline participation along with an explanation for the declination.



d. When contacting an agent regarding a potential takeout policy, SOUTHERN OAK is required to provide each agent with the policy form to be used, appointment contract and a copy of SOUTHERN OAK'S most currently available financial statement.

9. SOUTHERN OAK is required to comply with the following requirements when soliciting an agent's permission to participate in the assumption process:

a. SOUTHERN OAK must utilize email and at least one other method for contact (i.e. call, fax or regular mail);

b. SOUTHERN OAK must send out a direct solicitation to the agent of record and copy the agency principal;

c. SOUTHERN OAK must provide all agents a minimum of 14 days to review the solicitation. This will allow agents adequate time to research the company and make an informed decision;

d. SOUTHERN OAK must provide a copy of the appointment contract. SOUTHERN OAK may opt to provide the agent a link to its website containing the required information;

e. SOUTHERN OAK must provide a copy of the policy form. SOUTHERN OAK may opt to provide the agent a link to its website containing the required information;

f. SOUTHERN OAK must provide a chart identifying any differences in coverage from Citizens, which will help both the agent and the policyholder in making an informed decision;

g. SOUTHERN OAK must provide a list of policies specific to the agent that it would like to assume;

h. SOUTHERN OAK must provide a contact number of qualified staff to answer agent's questions;

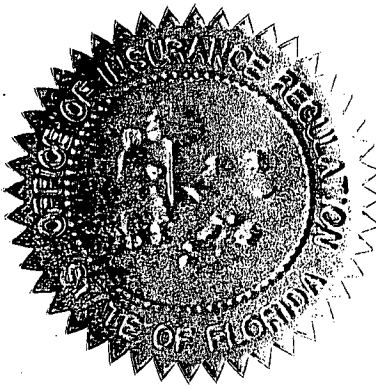
i. SOUTHERN OAK must provide an overview of its strategy for handling claims (cat and non-cat);

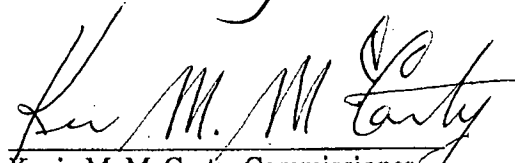
10. Should the OFFICE determine SOUTHERN OAK has failed to materially comply with terms of this Consent Order, the proposal to remove selected policies from CITIZENS, including its attachments, and amendments thereto as submitted to the OFFICE, or terms of any agreement(s) with CITIZENS, SOUTHERN OAK shall, upon receipt of notice of such material non-compliance, have sixty (60) days to cure its material non-compliance. In the event SOUTHERN OAK fails to cure any such material non-compliance within the sixty (60) day period, SOUTHERN OAK expressly agrees the OFFICE may enter an order directing it to immediately cease writing personal lines residential property coverage or other lines of insurance within the State of Florida, or imposing such other sanctions authorized by statute, rule or restrictions, as may be deemed appropriate by the OFFICE.

WHEREFORE, the proposal to remove up to ten thousand (10,000) multiple peril policies, consisting of eight thousand five hundred (8,500) policies from the personal lines account and one thousand five hundred (1,500) policies from the high risk multiple peril account, for the initial assumption starting on or about March 6, 2012, subject to the terms and conditions of this Order, are hereby APPROVED.

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

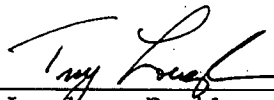
DONE and ORDERED this 17<sup>th</sup> day of January, 2012.



  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

By execution hereof, SOUTHERN OAK 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 therein. The undersigned represents that he has the authority to bind SOUTHERN OAK INSURANCE COMPANY to the terms and conditions of this Consent Order.


SOUTHERN OAK INSURANCE COMPANY

  
\_\_\_\_\_  
Tony Loughman, President

Corporate Seal

STATE OF Florida  
COUNTY OF Duval

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of January 2012,  
by Tony Loughman as CEO  
(name of person) (type of authority ..... e.g. officer, trustee attorney in fact)  
for Southern Oak Insurance Co  
(company name)

  
\_\_\_\_\_  
(Signature of the Notary)

Robin L. Parker  
\_\_\_\_\_  
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known  OR Produced Identification \_\_\_\_\_  
Type of Identification Produced \_\_\_\_\_

ROBIN L. PARKER  
Notary Public, State of Florida  
My comm. exp. July 21, 2012  
Comm. No. DD 807996

COPIES FURNISHED TO:

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Citizens Property Insurance Corporation  
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**FILED**

MAR 11 2008

OFFICE OF  
INSURANCE REGULATION  
Decided by: [Signature]

OFFICE OF INSURANCE REGULATION

KEVIN M. MCCARTY  
COMMISSIONER

IN THE MATTER OF:

Case No. 94539-08

CITIZENS PROPERTY INSURANCE CORPORATION

**ORDER APPROVING CITIZENS PROPERTY INSURANCE CORPORATION'S  
PERSONAL RESIDENTIAL AND COMMERCIAL RESIDENTIAL NON-BONUS  
TAKEOUT PLANS**

TO: Scott Wallace, President  
Citizens Property Insurance Corporation  
101 North Monroe Street, Suite 1000  
Tallahassee, Florida 32301

THIS MATTER came before the Office of Insurance Regulation (hereinafter referred to as the "OFFICE") for consideration upon the filing by Citizens Property Insurance Corporation (hereinafter referred to as "CITIZENS") for the OFFICE's approval of the Personal Residential and Commercial Residential Non-Bonus Takeout Plans (hereinafter referred to as the "Takeout Plans"). The OFFICE, having considered the provisions of the Takeout Plans, and being fully advised in the premises, hereby finds as follows:

1. The OFFICE has jurisdiction over the parties and the subject matter of these proceedings.
2. Pursuant to Section 627.351(6)(p)3.a., Florida Statutes, CITIZENS shall adopt one or more programs for the reduction of both new and renewal writings in the corporation. The programs are subject to approval by the OFFICE.



3. The Board of Governors of CITIZENS at its duly noticed and convened meeting of January 25, 2008, approved the Takeout Plans. On or about February 10, 2008, CITIZENS submitted to the OFFICE for approval, both the Personal Residential and the Commercial Residential Takeout Plans.

4. The Takeout Plans are attached hereto as Exhibits A and B.

5. CITIZENS has developed a takeout process that includes a required notification to policyholders by the takeout companies at least thirty (30) days in advance of a personal lines takeout so that CITIZENS can continue the effort to remove risk to the voluntary market while honoring a new statutory requirement that the policyholder has a right to stay in CITIZENS for a specified period of time, even if the policyholder receives an offer of coverage from the voluntary market. In furtherance of this effort, CITIZENS has been giving notice to takeout companies to avoid the selection of policies where the agent has categorically disapproved of policy removals. The notification is for the very practical purpose of saving the effort to de-select policies after the agent refuses a takeout. Because this process is done prior to policy selection, under current practice, the policyholder is unaware that their policy would have been a potential candidate for an offer of coverage from a voluntary insurer.

6. CITIZENS shall discontinue this notice so that the takeout companies will make their selections without categorically eliminating policies from eligibility for removal. Takeout companies will still notify agents as well as policyholders in advance of the proposed policy removal date, and will seek the approval of the agent for appointment. However, the agents should be required to decline appointment in each instance of a refusal to allow policies to be removed, and the affected policyholders should be notified by CITIZENS that a voluntary insurance company selected their policy for removal, but their agent refused.

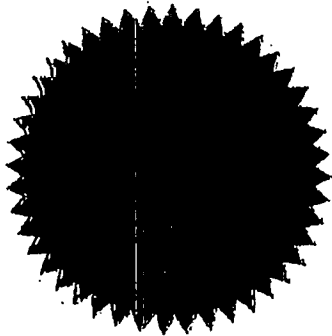
7. For assumptions occurring after May 1, 2008, CITIZENS must send notice to any policyholder whose policy has been selected for assumption by an assuming insurer, but whose agent is unable or unwilling to be appointed for the assuming insurer, that an offer of coverage was made which may have saved them premium dollars. The notice must also provide the policyholder with the offering insurer's contact information to permit the insured to contact the company directly to make a determination on their own of whether to seek coverage from the offering insurer.

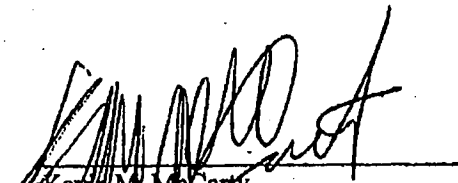
8. Approval of these Takeout Plans shall not constitute the OFFICE's approval of any specific insurance company depopulation plans subject to the OFFICE's review.

**IT IS THEREFORE ORDERED:**

Subject to the terms and conditions outlined above, the Personal Residential and the Commercial Residential Takeout Plans approved by the CITIZENS Board of Governors on January 25, 2008, are APPROVED.

DONE AND ORDERED this 11<sup>th</sup> day of March, 2008.



  
Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation



## NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes and Rule Chapter 28-106, Florida Administrative Code (F.A.C.), you may have a right to request a proceeding to contest this action by the Office of Insurance Regulation (hereinafter the "Office"). You may request a proceeding by filing a Petition. Your Petition for a proceeding must be in writing and must be filed with the General Counsel acting as the Agency Clerk, Office of Insurance Regulation. If served by U.S. Mail the Petition should be addressed to the Florida Office of Insurance Regulation at 612 Larson Building, Tallahassee, Florida 32399-4206. If Express Mail or hand-delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0300. The written Petition must be received by, and filed in the Office no later than 5:00 p.m. on the twenty-first (21) day after your receipt of this notice. Unless your Petition challenging this action is received by the Office within twenty-one (21) days from the date of the receipt of this notice, the right to a proceeding shall be deemed waived. Mailing the response on the twenty-first day will not preserve your right to a hearing.

If a proceeding is requested and there is no dispute of material fact the provisions of Section 120.57(2), Florida Statutes may apply. In this regard you may submit oral or written evidence in opposition to the action taken by this agency or a written statement challenging the grounds upon which the agency has relied. While a hearing is normally not required in the absence of a dispute of fact, if you feel that a hearing is necessary one may be conducted in Tallahassee, Florida or by telephonic conference call upon your request.

If you dispute material facts which are the basis for this agency's action you may request a formal adversarial proceeding pursuant to Sections 120.569 and 120.57(1), Florida Statutes. If you request this type of proceeding, the request must comply with all of the requirements of Rule Chapter 28-106.201, F.A.C., must demonstrate that your substantial interests have been affected by this agency's action, and contain:

- a) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;
- b) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;
- c) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and
- d) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.

These proceedings are held before a State Administrative Law Judge of the Division of Administrative Hearings. Unless the majority of witnesses are located elsewhere, the Office will request that the hearing be conducted in Tallahassee.

In some instances, you may have additional statutory rights than the ones described herein.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. Any request for administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of this ORDER was sent by Certified Mail to, Scott Wallace, President, Citizens Property Insurance Corporation, 101 North Monroe Street, Suite 1000, Tallahassee, Florida 32301, this 11<sup>th</sup> day of March, 2008.

*Erica May*

Erica May  
Assistant General Counsel  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399-4206  
(850) 413-4112

**COPIES FURNISHED TO:**

**Scott Wallace, President  
Citizens Property Insurance Corporation  
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Tallahassee, Florida 32301**

**Robin Westcott, Director  
Property & Casualty Financial Oversight  
Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399**

**Belinda Miller, Deputy Commissioner  
Office of Insurance Regulation  
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200 East Gaines Street  
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**Erica May, Assistant General Counsel  
Office of Insurance Regulation  
Legal Services Office  
200 East Gaines Street  
Tallahassee, FL 32399-4206**

**Citizens Property Insurance Corporation**  
**Personal Residential**  
**Non-Bonus Takeout Plan**

**General**

The contract period to remove policies from Citizens will be eighteen (18) months. High Risk Account (HRA) and Personal Lines Account (PLA) take-outs are exclusive and may not be assumed simultaneously under a single eighteen (18) month take-out contract. This document is provided as an overview of Citizens' take-out plan. Each assuming carrier's assumption agreement (contract) will outline specific details and should be carefully reviewed for additional requirements and specifications. In addition, all assumptions must be done in compliance with the Personal Residential Non-Bonus Take-out Timelines and Requirements attached hereto as Exhibit A.

**PLA or HRA Personal Residential Take-out Plan**

1. During the eighteen (18) month take-out contract period the assuming carrier must remove a minimum of either:
  - a. 10,000\* policies with wind coverage; OR
  - b. Policies with wind coverage that have a cumulative Total Insured Value (coverages A, B, C & D combined) of at least two (2) billion dollars\*.
2. Any single assumption in a take-out contract period must remove a minimum of 2,500 policies or a Total Insured Value (coverages A, B, C & D combined) of 500 million dollars.
3. Policies must be retained by the assuming carrier for a minimum of three (3) years.
  - \* Take-outs consisting exclusively of Mobile Home policies have the following minimums:
    - 2,500 policies
    - TIV requirement does not apply to MH only Take-outs.

**Ceding Commission**

Ceding commission is the percentage of unearned premium for assumed policies that Citizens' retains to service those policies during the period of time from the assumption date to the policy term expiration date. Assuming carriers who remove a larger number of policies or TIV from the Personal Lines Account or High Risk Account may be eligible for a reduction in ceding commission. The ceding commission will be reduced for all policies removed in an eighteen (18) month contract period if either the minimum number of policies or TIV are assumed as outlined in the tables below. Ceding commission is removed from the unearned premium payment that is sent to the assuming carrier after each individual assumption, based upon the number of policies or TIV actually assumed to date within the contract period.

**Ceding Commission Table (PLA)**

Number of Policies	Minimum Total Insured Value (TIV)	Ceding Commission
Less than 60,000	N/A	16%
60,000 to 74,999	\$11 Billion	Reduced to 12%
75,000 to 89,999	\$14 Billion	Reduced to 9%
90,000 and up	\$17 Billion	Reduced to 6%



**Citizens Property Insurance Corporation**  
**Personal Residential**  
**Non-Bonus Takeout Plan**

**Ceding Commission**  
(continued)

**Ceding Commission Table (HRA)**

<b>Number of Policies</b>	<b>Minimum Total Insured Value (TIV)</b>	<b>Ceding Commission</b>
Less than 35,000	N/A	16%
35,000 to 49,999	\$10 Billion	Reduced to 12%
50,000 to 79,999	\$14 Billion	Reduced to 8%
80,000 and up	\$22 Billion	Reduced to 6%

**Ceding Commission Table (Mobile Home\*)**

<b>Number of Policies</b>	<b>Minimum Total Insured Value (TIV)</b>	<b>Ceding Commission</b>
Less than 15,000	N/A	16%
15,000 to 19,999	N/A	Reduced to 12%
20,000 to 29,999	N/A	Reduced to 9%
30,000 and up	N/A	Reduced to 6%

\*Take-outs Consisting Exclusively of Mobile Home

**Policy Cancellations**

Valid Cancellations:

A "Valid Cancellation Reason" includes the following:

1. Non-payment of premium; or
2. Insured initiated cancellation (e.g. transfer of ownership, insured request, policy replaced, etc).

Policies that cancel for a Valid Cancellation Reason will count toward minimum policy / TIV requirements for ceding commission.

Invalid Cancellations

An "In-valid Cancellation Reason" includes any insurer initiated cancellation, other than described above. Policies that cancel for an Invalid Cancellation Reason will not count toward any minimum policy / TIV requirements for ceding commission.

## EXHIBIT A

### Personal Residential Non-bonus Take-out Timelines & Requirements

The process, timelines, and requirements are found in the assumption agreements & published assumption calendar. The Office can specify additional criteria in the assuming carriers Consent order. Citizens can specify additional criteria in the assumption agreement.

- At any point in time, an Insurer may request, for purposes of depopulation and subject to an appropriate confidentiality agreement, a data file of policies from CITIZENS. All policies not currently pending cancellation, not set for non-renewal or tagged for another insurer as described below, will be included in the data file.
- Companies may not be allowed to Depopulate policies in consecutive assumptions. This is dependent upon the number of participants. This determination is based on resources, and solely at the discretion of the Depopulation Manager.

#### At Least 45 Days Before Initial Assumption

- The Insurer must provide a Certificate of Authority from the Office, and an Order or letter from the Office approving the assumption.
- The Assuming Carrier must return an executed Requirements and Deadline Letter.
- The Insurer must return an executed Requirements and Deadline Letter.

#### At Least 40 Days Before Initial Assumption

- The Assuming Carrier's policy selection must be submitted to Citizens. By submitting this policy selection file the assuming carrier is certifying that all associated have either been appointed by the company or agreed to have their policies assumed by the company under the provisions of "Consumer Choice."
- Citizens must receive the Assuming Carrier's information (company letterhead with logo, signature, etc.) to begin formatting of assumption notices.

#### At Least 35 Days Before Initial Assumption

- The Assuming Carrier must mail notice 35 days before the assumption date giving the consumer the option to choose not to be assumed. The Notice must be approved by the O.I.R. and Citizens. It must be sent to each consumer the carrier intends to assume. The Insurer must return an executed Assumption Agreement to CITIZENS.
- It is the Assuming Carrier's responsibility to collect the responses from the above notice, and retain these for documentation. All consumers who indicate they do not want to be assumed need to be entered into an Access data base with their associated Citizens policy number.

#### At Least 6 Days Before Initial Assumption

- The Assuming Carrier must provide a data file (Access format) containing each consumer and associated policy number that has chosen to not be assumed. Citizens eliminates the policies of consumers who do not wish to have their policies assumed from the company's policy selection.

## EXHIBIT A

### Recent Process Changes:

Recent changes to Florida law modified Citizens statutory eligibility rules. The changes allow Citizens policyholders to reject an offer from an assuming carrier and choose to remain insured by Citizens. To comply with the changes to law, Citizens implemented notification requirements that assuming carriers must comply with in order to remove policies from Citizens:

1. At least 35 days (65 days for commercial residential) prior to a planned assumption, the assuming carrier must mail notification to each policyholder that gives them the option not to participate in the assumption (sample attached). Approximately 39,000 policyholders have responded to this notification and chosen to remain with Citizens.
2. The official notice of assumption sent to the policyholder, agent, and lien holder clearly indicates that the policyholder can reverse the assumption and choose to remain insured with Citizens all the way until the expiration of the current policy (sample attached). To date, Citizens staff has processed approximately 7,800 policyholder requests to remain with Citizens after they received their official notice of assumption.

### Sample

MM/DD/YYYY

Policy Holder

Street

City, State ZIP

Dear Citizens Policyholder:

Insured Location:

On MM/DD/YYYY, the Florida Office of Insurance Regulation signed a consent order approving ABC Insurance Company's assumption of insurance policies from Citizens Property Insurance Corporation (Citizens). We are pleased to announce that your policy has been selected by ABC. Your agent is aware of this and will continue to represent you. On the assumption date of your policy, ABC Insurance will become responsible for the payment of any claims that occur, under Citizens policy terms, after MM/DD/YYYY. Approximately 45 days prior to when your current Citizens policy renews, you will be offered a policy by ABC Insurance that provides you with a rate that will be at or below what you are currently paying Citizens. Under the new law, you as an insurance consumer have a right to choose to reject this offer from ABC Insurance and stay with Citizens. However, we believe you should carefully consider the offer of ABC. Here are some of the important reasons why:

- Our rates are lower than what you are currently paying Citizens and you will benefit from this savings when your policy renews later this year.
- Your current policy will be continued with no change in your coverage or disruption in your policy cycle.
- ABC Insurance intends to provide you with superior customer service, efficient and fast policy service, and expedited claims handling.
- ABC Insurance will offer quarterly, semi-annual, and annual installment payment plans to assist you with budgeting your premiums.

We look forward to providing you high levels of service as your insurance company. If you have any specific coverage and rate questions, please call your insurance agent. For general questions about ABC Insurance, please call 1-866-496-1781 Monday through Friday, from 9:00 to 6:00 p.m., or you can visit our website at [www.homewiseinsurance.com](http://www.homewiseinsurance.com) to learn more about our company and our commitment to you.

EXHIBIT A

NO ACTION IS REQUIRED BY YOU TO PARTICIPATE. HOWEVER, TO PREVENT THE ASSUMPTION OF YOUR POLICY BY ABC, PLEASE DETACH THE FORM BELOW, SIGN AND MAIL TO ABC Insurance BEFORE MM/DD/YYYY.

Thank you.  
Sincerely,  
President and Chief Executive Officer

-----X-----X-----  
\*\*\*\*\*ONLY RETURN THIS FORM IF YOU ARE REJECTING THE OFFER\*\*\*\*\*

Please mail to: ABC Insurance (or Fax to 777-777-7777)  
7777 B Blvd  
Tampa, FL 7777-7777

I wish to stay with Citizens and reject this offer.

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Address/City/State/Zip: \_\_\_\_\_

Citizens Insurance Policy Number: \_\_\_\_\_ Daytime Phone Number: ( ) \_\_\_\_\_

**NOTICE OF ASSUMPTION AND NON RENEWAL**

**Please read carefully as this is the only notice you will receive.**

THIS NOTICE AND THE ENCLOSED CERTIFICATE OF ASSUMPTION CONTAIN IMPORTANT INFORMATION ABOUT CHANGES AFFECTING YOUR POLICY WITH CITIZENS

**You have 30 days from the date of assumption to decline. Please contact your agent by June 16, 2007 if you do not want to participate in this assumption. Your agent's information is listed at the bottom of this notice.**

Dear Policyholder:

On May 17, 2007 at 12:01 AM, ABC Insurance Company assumed full responsibility for your property insurance policy previously issued by the Citizens Property Insurance Corporation (Citizens). The assumption of your policy by ABC Insurance Company is part of a program created by the Florida Legislature to reduce the number of properties insured by Citizens. Your agent consented to this assumption, and you did not request exclusion as provided in the initial notice given to you by ABC Insurance Company. Your current Citizens policy is now considered to be directly issued by ABC Insurance Company and will remain in effect until the expiration date shown above. This also is notice that this policy is non-renewed on the expiration date and any renewal or replacement policy will be issued by ABC Insurance Company.

**TO REPORT CLAIMS:**

For claims on losses on or after 12:01 AM, May 17, 2007 - Call ABC Claims Department at: (877) 123-4567

For claims on losses prior to 12:01 AM, May 17, 2007 - Call the Citizens Claims Reporting Center at: (888) 999-9999.

**TO REQUEST POLICY SERVICE AND FOR OTHER QUESTIONS:**

For policy service, including coverage changes or cancellation requests - Contact your Citizens agent at (306) 888-8888.

For questions regarding this notice - Call your Citizens agent at (309) 888-8888.

cc: ABC INSURANCE COMPANY  
3887 E ASSUMPTION LANE  
CORAL SPRINGS, FL 34112

Policyholder Copy

MID: 20332 / AID: 20333 / FID: 8



**Citizens Property Insurance Corporation**  
**Commercial Residential**  
**Non-Bonus Take-out Plan**

**General**

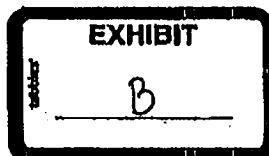
The contract period to remove commercial residential policies from Citizens will be eighteen (18) months. High Risk Account (HRA) and Commercial Lines Account (CLA) take-outs are exclusive and may not be assumed simultaneously under a single (18) month take-out contract. This document is provided as an overview of Citizens' take-out plan. Each assuming carrier's assumption agreement (contract) will outline specific details and should be carefully reviewed for additional requirements and specifications. In addition, all assumptions must be done in compliance with the Commercial Residential Non-Bonus Take-Out Timelines and Requirements attached hereto as Exhibit A.

**CLA or HRA Commercial Residential Take-out Plan**

1. During the eighteen (18) month take-out contract period the assuming carrier must remove a minimum if either:
  - a. 500 policies with wind coverage; OR
  - b. Policies with wind coverage that have a cumulative Total Insured Value (building, Contents, & Special Class Items; Coverage's A, B, & C combined) of 3.5 billion dollars.
2. Any single assumption in a take-out contract period must remove a minimum of 100 policies or a Total Insured Value (Building, Contents, & Special Class Items; Coverage's A, B, & C combined) of seven (7) hundred million dollars.
3. Policies must be retained by the assuming carrier for a minimum of three (3) years.

**Ceding Commission**

Ceding commission is the percentage of unearned premium for assumed policies that Citizens' retains to service those policies during the period of time from the assumption date to the policy term expiration date. Assuming carriers who remove a larger number of policies or TIV from the Commercial Lines Account or High Risk Account may be eligible for a reduction in ceding commission. The ceding commission will be reduced for all policies removed in an eighteen (18) month contract period if either the minimum number of policies or TIV are assumed as outlined in the table below. Ceding commission is removed from the unearned premium payment that is sent to the assuming carrier after each individual assumption based upon the number of policies or TIV actually assumed to date within the contract period.



**Ceding Commission Table (Commercial Residential)**

<b>Number of Policies</b>	<b>Minimum Total Insured Value (TIV)</b>	<b>Ceding Commission</b>
Less than 599	N/A	16%
600 to 999	\$5.5 Billion	Reduced to 12%
1000 to 1999	\$10 Billion	Reduced to 9%
2000 and up	\$15 Billion	Reduced to 6%

**Policy Cancellations**

Valid Cancellations:

A "Valid Cancellation Reason" includes the following:

1. Non-payment of premium; or
2. Insured initiated cancellation (e.g. transfer of ownership, insured request, policy replaced, etc).

Policies that cancel for a Valid Cancellation Reason will count toward minimum policy / TIV requirements for ceding commission.

Invalid Cancellations

An "In-valid Cancellation Reason" includes any insurer initiated cancellation, other than described above. Policies that cancel for an Invalid Cancellation Reason will not count toward any minimum policy / TIV requirements for ceding commission.

\*Carefully review the assumption agreement as there are other requirements and specifications. Assuming carriers are also required to adhere to all requirements of the Florida Office of Insurance Regulation.

## EXHIBIT A

### **Commercial Residential Non-bonus Take-out Timelines & Requirements**

The process, timelines, and requirements are found in the assumption agreements & published assumption calendar. The Office can specify additional criteria in the assuming carriers Consent order. Citizens can specify additional criteria in the assumption agreement. Citizens reserves the right to modify these deadlines.

- At any point in time, an Insurer may request, for purposes of depopulation and subject to an appropriate confidentiality agreement, a data file of policies from CITIZENS. All policies not currently pending cancellation, not set for non-renewal or tagged for another insurer as described below, will be included in the data file.
- Companies may not be allowed to Depopulate policies in consecutive assumptions. This is dependent upon the number of participants. This determination is based on resources, and is at the discretion of the Depopulation Manager.

#### **At Least 71 Days Before Initial Assumption\***

- The Insurer must return an executed Assumption Agreement to CITIZENS.
- The Insurer must provide a Certificate of Authority from the Office, and an Order or letter from the Office approving the assumption.
- The Assuming Carrier must return an executed Requirements and Deadline Letter.

#### **At Least 69 Days Before Initial Assumption\***

- The Assuming Carrier's policy selection must be submitted to Citizens. By submitting this policy selection file the assuming carrier is certifying that all associated agents have agreed to allow their policies to be assumed by the company under the provisions of "Consumer Choice."
- Citizens must receive the Assuming Carrier's information (company letterhead with logo, signature, etc.) to begin formatting of assumption notices.

#### **At Least 65 Days Before Initial Assumption\***

- The Assuming Carrier must mail a notice 65 days before the assumption date giving the consumer the option to choose not to be assumed. The Notice must be approved by the Office and Citizens. It must be sent to each named insured the carrier intends to assume. Before sending any correspondence to the named insured, the associated agent of record must agree to allow policies to be assumed (per consumer choice). The assuming carrier must be able to provide documentation that the agent has affirmatively agreed to allow policies to be assumed upon demand.
- It is the Assuming Carrier's responsibility to collect the responses from the above notice, and retain these for documentation. All consumers who indicate they do not want to be assumed need to be entered into an Access data base with their associated Citizens policy number.
- \* The personal residential program requires 35 days. The commercial residential process required additional time so condominium associations could respond.

#### **At Least 5 Days Before Initial Assumption**

- The Assuming Carrier must provide a data file (Access format) containing each consumer and associated policy number that has chosen to not be assumed. Citizens eliminates the policies of consumers who do not wish to have their policies assumed from the company's policy selection.

**EXHIBIT A**

**These deadlines may change depending upon the number of participating companies. The Depopulation manager will notify if modification is necessary.**