



**FILED**

OCT 28 2014

OFFICE OF  
INSURANCE REGULATION

Docketed by:                     

OFFICE OF INSURANCE REGULATION

KEVIN McCARTY  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 162716-14-CO

ANCHOR PROPERTY AND  
CASUALTY INSURANCE COMPANY

CONSENT ORDER

THIS CAUSE came on for consideration as a result of ANCHOR PROPERTY AND CASUALTY INSURANCE COMPANY's (hereinafter "ANCHOR") 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 September 30, 2014. 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 Florida Legislature has enacted Section 627.351(6)(q)3.a., Florida Statutes, to encourage and provide a means for the depopulation of CITIZENS. CITIZENS submitted and the OFFICE adopted by Order No. 125161-12 a plan of depopulation, the terms and conditions upon which this proposed Consent Order is predicated. ANCHOR shall abide by the terms and conditions of the CITIZENS depopulation plan as a condition of issuance of this Consent Order.

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

5. On or about September 30, 2014, ANCHOR submitted a proposal to remove selected personal residential policies from CITIZENS. The plan provides for an assumption of up to fifty thousand (50,000) personal residential policies from CITIZENS' personal lines account and coastal account. ANCHOR plans to assume the CITIZENS policies over a period of time, subject to the approval by the OFFICE.

6. ANCHOR understands that the selected policies to be removed from CITIZENS on or about January 13, 2015, 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 2015 policy year, the bonus may be paid to ANCHOR in accordance with that plan and agreements between ANCHOR and CITIZENS.

7. ANCHOR shall enter into appropriate agreements with CITIZENS to provide the following:

a. ANCHOR, 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 ANCHOR before the removal date if the policyholder desires to stay with CITIZENS.

b. ANCHOR 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 or by electronic mail 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. ANCHOR shall obtain prior approval from the OFFICE of any letters sent to policyholders regarding any policies to be removed from CITIZENS. ANCHOR agrees that once opt out notices have been mailed to consumers, ANCHOR cannot terminate the offer of coverage for any reason other than a consumer opt out. ANCHOR agrees that subsequent non-renewals of policies assumed via this assumption will be in accordance with the Florida Insurance Code.

d. ANCHOR shall at all times submit to CITIZENS any information required by the published revised 2015 Assumption Calendar. This information shall at all times be submitted timely, in accordance with the deadlines published by CITIZENS.

8. ANCHOR 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 ANCHOR for removal from CITIZENS, as the availability of policies for removal may vary over time.

9. ANCHOR 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 ANCHOR'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 ANCHOR's current in-force book of residential property policies, ANCHOR's projected voluntary market writings, and the actual number of policies available in CITIZENS prior to the anticipated assumption date identified by ANCHOR as satisfying its filed and approved underwriting guidelines.

10. ANCHOR has submitted the proposed reinsurance documentation and financial projections for assumption of up to fifty thousand (50,000) personal residential policies from CITIZENS' personal lines account and coastal account, expected to be assumed on or about January 13, 2015, or on subsequent dates approved by the OFFICE and CITIZENS. Each additional assumption of CITIZENS policies by ANCHOR shall be subject to advance written approval by the OFFICE.

11. ANCHOR's acquisition of adequate reinsurance and maintenance of executed reinsurance agreements are material to the OFFICE's review and analysis of ANCHOR's proposal to remove selected policies from CITIZENS and to the OFFICE's approval of the proposal.

12. ANCHOR expressly waives its right 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 it may be entitled by law or by rules of the OFFICE. ANCHOR agrees not to appeal or otherwise contest this Consent Order in any forum now, or in the future, available to it, including its right to any administrative proceeding, circuit or federal court action, or any appeal.

13. ANCHOR 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 ANCHOR. However, all

draft documents and non-executed agreements relating to ANCHOR'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.

14. The parties agree this Consent Order will be deemed executed when the OFFICE has signed a copy of this Consent Order bearing the signature of ANCHOR, or its authorized representative, notwithstanding the fact the copy was transmitted to the OFFICE electronically. ANCHOR agrees the signature of its representative as affixed to this Consent Order shall be under seal of a Notary Public.

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

IT IS THEREFORE ORDERED that:

(A) 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 ANCHOR.

(B) The OFFICE approves the assumption of up to fifty thousand (50,000) multiple peril policies, consisting of thirty-six thousand (36,000) policies from the personal lines account and fourteen thousand (14,000) policies from the coastal account for the initial assumption starting on or about January 13, 2015, in accordance with the proposal to remove selected policies from CITIZENS, any agreement(s) between ANCHOR and CITIZENS, and this Consent Order.

(C) 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, ANCHOR shall:

(i) Maintain substantially the same reinsurance coverage as evidenced to the OFFICE in the proposal to remove selected policies from CITIZENS;

(ii) 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);

(iii) 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;

(iv) 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 ANCHOR's reinsurance program. ANCHOR shall further immediately submit to the OFFICE all information as requested that the OFFICE deems necessary for the OFFICE to complete its review; and

(v) 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. ANCHOR shall comply with the requirements of Section 624.610, Florida Statutes, with regard to all of its reinsurance arrangements.

(D) For the three (3) years immediately following the date of entry of this Consent Order, ANCHOR 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 that would be affected by a catastrophe. ANCHOR 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. ANCHOR 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, ANCHOR 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 suspending writing of any additional business, including the CITIZENS policies.

(E) Any and all policies removed from CITIZENS by ANCHOR shall provide coverage substantially equivalent to that afforded by CITIZENS. Any and all policies removed from CITIZENS by ANCHOR, 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 ANCHOR's policy form, unless such policies are canceled by ANCHOR for a lawful reason.

(F) At the time ANCHOR removes any policy of insurance from CITIZENS, ANCHOR 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 ANCHOR chooses the latter option, ANCHOR 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. ANCHOR 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.

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

(H) Regarding required documentation to be maintained by ANCHOR relating to policies removed from CITIZENS:

(i) ANCHOR 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;

(ii) ANCHOR 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 2015 Assumption Calendar;

(iii) ANCHOR is required to keep a record of all agents who decline participation along with an explanation for the declination; and



(iv) When contacting an agent regarding a potential takeout policy, ANCHOR is required to provide each agent with the policy form to be used, appointment contract, and a copy of ANCHOR's most current available financial statement.

(I) ANCHOR is required to comply with the following requirements when soliciting an agent's permission to participate in the assumption process:

(i) ANCHOR must utilize email and at least one other method for contact (i.e., facsimile or regular mail);

(ii) ANCHOR must send out a direct solicitation to the agent of record and copy the agency principal;

(iii) ANCHOR 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;

(iv) ANCHOR must provide a copy of the appointment contract. ANCHOR may opt to provide the agent a link to its website containing the required information;

(v) ANCHOR must provide a copy of the policy form. ANCHOR may opt to provide the agent a link to its website containing the required information;

(vi) ANCHOR 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;

(vii) ANCHOR must provide a list of policies specific to the agent that it would like to assume;

(viii) ANCHOR must provide a contact number of qualified staff to answer the agent's questions; and

(ix) ANCHOR must provide an overview of its strategy for handling claims (cat and non-cat).

(j) Should the OFFICE determine ANCHOR 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, ANCHOR shall, upon receipt of notice of such material non-compliance, have sixty (60) days to cure its material non-compliance. In the event ANCHOR fails to cure any such material non-compliance within the sixty (60) day period, ANCHOR 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 fifty thousand (50,000) multiple peril policies, consisting of thirty-six thousand (36,000) policies from the personal lines account and fourteen thousand (14,000) policies from the coastal account, for the initial assumption starting on or about January 13, 2015, subject to the terms and conditions of this Consent Order, is hereby APPROVED.

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

DONE and ORDERED this 28<sup>th</sup> day of October, 2014.



  
Kevin M. McCarty, Commissioner  
Office of Insurance Regulation

By execution hereof, ANCHOR PROPERTY AND CASUALTY INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions and shall be bound by all provisions therein. The undersigned represents that he has the authority to bind ANCHOR PROPERTY AND CASUALTY INSURANCE COMPANY to the terms and conditions of this Consent Order.

ANCHOR PROPERTY AND CASUALTY  
INSURANCE COMPANY

[Corporate Seal]

Mitch Sattler  
Mitch Sattler, President & CEO

STATE OF FLORIDA

COUNTY OF SARASOTA

The foregoing instrument was acknowledged before me this 29 day of October 2014,

by Mitchel Sattler as President & CEO  
(name of person) (type of authority, e.g., officer, trustee, attorney in fact)

for Anchor Property & Casualty Ins. Co.  
(company name)

[Notary Seal]

Lori J. Tucker  
(Signature of the Notary)



Lori J Tucker  
(Print, Type, or Stamp Commissioned Name of Notary)

Personally Known \_\_\_\_\_ OR Produced Identification

Type of Identification Produced Florida Drivers License

My Commission Expires FF 013686

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