



FINANCIAL SERVICES  
COMMISSION

RON DESANTIS  
GOVERNOR

JIMMY PATRONIS  
CHIEF FINANCIAL OFFICER

ASHLEY MOODY  
ATTORNEY GENERAL

NICOLE "NIKKI" FRIED  
COMMISSIONER OF  
AGRICULTURE

**DAVID ALTMAIER**  
COMMISSIONER

June 10, 2022

The Honorable Jimmy Patronis  
The Chief Financial Officer  
Department of Financial Services  
The Capitol, PL-11  
Tallahassee, FL 32399

Re: Southern Fidelity Insurance Company

Dear Chief Financial Officer Patronis:

Pursuant to Chapter 631, Florida Statutes, the Office of Insurance Regulation (“Office”) has determined that one or more grounds exist for the Department of Financial Services, Division of Rehabilitation and Liquidation (“Department”), to initiate delinquency proceedings against Southern Fidelity Insurance Company (“Southern Fidelity”). Attached to this letter please find an affidavit setting forth the grounds specified, including the date Southern Fidelity was deemed impaired or insolvent as those terms are defined in Sections 631.011, a concise statement of the circumstances that led to the delinquency, and a summary of the actions taken by Southern Fidelity and the Office to avoid delinquency, along with a consent to order of receivership signed by Southern Fidelity so that the Department can promptly initiate those proceedings.

As always, the Office stands ready to provide any additional information or assistance the Department needs in order for this matter to proceed as expeditiously as possible. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "David Altmaier".

David Altmaier, Commissioner  
Office of Insurance Regulation

Enclosure

cc:

Michael Dobson, General Counsel,  
Department of Financial Services

• • •

DAVID ALTMAIER • COMMISSIONER

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Affirmative Action / Equal Opportunity Employer

**AFFIDAVIT OF VIRGINIA A. CHRISTY**

STATE OF FLORIDA

COUNTY OF Leon

**BEFORE ME**, the undersigned authority, personally appeared Virginia A. Christy, who after being duly sworn, deposes and says:

1. I, Virginia A. Christy, am over the age of eighteen (18), *sui juris*, and I am competent to testify to and have personal knowledge of the facts contained herein.

2. I have been employed by the Florida Office of Insurance Regulation (hereinafter referred to as "OFFICE") since July 2012. From July 2012 to August 2014, I served as Assistant General Counsel. From September 2014 to August 2017, I served as Chief Assistant General Counsel for the OFFICE. In that position, I supervised the Legal Division's Regulatory Section, which provided legal representation to several business units in the OFFICE, including Property & Casualty Financial Oversight.

3. Since September 2017, I have held the position of Director of the Property & Casualty Financial Oversight business unit. In this position, I supervise a team of over fifty employees, including twenty persons specifically assigned to financial analysis of insurance companies licensed to do business in Florida.

4. I have a Bachelor of Science degree in Business Administration with a major in Accounting from Missouri Southern State College and a Juris Doctor from Florida Coastal School of Law. I am a member of the Florida Bar.

5. Southern Fidelity Insurance Company (hereinafter referred to as "SOUTHERN FIDELITY") holds a license as a state of Florida domestic property and casualty insurer and is

authorized to write in the lines of (010) Fire, (020) Allied Lines, (040) Homeowners Multi-Peril, (050) Commercial Multi-Peril, and (170) Other Liability, pursuant to Part III of Chapter 624, Florida Statutes.

6. As a licensed insurer, SOUTHERN FIDELITY is subject to the regulation of the OFFICE pursuant to the Florida Insurance Code.

**CIRCUMSTANCES THAT LED TO SOUTHERN FIDELITY'S DELINQUENCY and ACTIONS TAKEN BY THE INSURER AND THE OFFICE TO AVOID DELINQUENCY**

7. On February 28, 2019, affiliate Southern Fidelity Property & Casualty, Inc. (“SFPC”) merged with and into Capitol Preferred Insurance Company (“CPIC”). SFPC’s poor financial results, stemming mainly from underwriting losses, as of 2018-year end, became those of CPIC. Over the course of the next year, both SOUTHERN FIDELITY and CPIC continued to post poor operating results.

8. CPIC’s continuing underwriting losses were largely related to the unprofitable book of business inherited from SFPC. CPIC’s rates proved to be inadequate, and CPIC management failed to file annual rate filings with the OFFICE.

9. On or about February 1, 2020, both CPIC and SOUTHERN FIDELITY were required by the OFFICE to file monthly financial statements and risk-based capital estimates.

10. On May 12, 2020, as results continued to deteriorate, notwithstanding the implementation of multiple remedial rate increases, the OFFICE approved by Consent Order 263348-20-CO, attached as Exhibit A and hereby incorporated by reference, the request by CPIC to cancel approximately 23,800 policies, all of which were previously policies written by SFPC.

11. Beginning in June of 2020, CPIC and SOUTHERN FIDELITY were required to participate on monthly update calls with the OFFICE.

12. On August 7, 2020, both CPIC and SOUTHERN FIDELITY participated in a required public hearing to provide evidence and testimony in support of its requested rate increases of 31.1% and 26.2%, respectively.

13. Subsequent to the rate hearing noted in paragraph 12 above, SOUTHERN FIDELITY, CPIC, and National Consumer Title Insurance Company requested multiple corporate changes that would recapitalize the companies. These changes included the merger of CPIC with and into SOUTHERN FIDELITY, the direct acquisition of more than 10% of SOUTHERN FIDELITY, the direct acquisition of more than 10% of National Consumer Title Insurance Company and plans to sell the title company.

14. On September 4, 2020, the OFFICE approved by Consent Order 269310-20, attached as Exhibit B and hereby incorporated by reference, the proposed merger of CPIC with and into SOUTHERN FIDELITY and the rate increases that were the subject of the public hearing noted in paragraph 12, above. After the review of a proposed long-term capital plan to support the continued operations of the company was provided to the OFFICE by SOUTHERN FIDELITY, this Consent Order was amended on October 15, 2020 by Consent Order 271168-20-CO, attached as Exhibit B-1 and hereby incorporated by reference, to require the infusion of capital by November 1, 2020.

15. SOUTHERN FIDELITY's combined surplus reported in the August monthly financial statement, filed with the OFFICE on September 21, 2020, was just over the minimum required surplus, indicating that the company was at risk of impairment or insolvency if an immediate capital infusion was not made. On October 26, 2020, the OFFICE issued Order 271513-

20, attached as Exhibit C and hereby incorporated by reference, placing SOUTHERN FIDELITY in Confidential Administrative Supervision. The Administrative Supervision Order which was amended pursuant to Consent Order 272107-20-CO, attached as Exhibit C-1 and hereby incorporated by reference, required the infusion of at least \$35 million into SOUTHERN FIDELITY by early November 2020.

16. On November 16, 2020, SOUTHERN FIDELITY, through Consent Order 272567-20-CO, attached as Exhibit D and hereby incorporated by reference, was approved to be acquired by Gulf & Atlantic Insurance Companies, Inc., which is ultimately owned by Hudson Capital Management, LP, a Bermuda limited partnership whose general partner is HSCM GP, LLC, a Delaware limited liability company. As a result, SOUTHERN FIDELITY was provided \$50 million of capital; \$45 million of it was reported on the September 30, 2020 financial statement, and the remaining \$5 million was reported on the October 2020 monthly financial statement. Both capital infusions were approved by the OFFICE for Statement of Statutory Accounting Principle No. 72 (SSAP 72)<sup>1</sup> treatment.

17. SOUTHERN FIDELITY's underwriting losses continued into early 2021. SOUTHERN FIDELITY again requested the cancellation of policies identified as experiencing outsized claims activity in frequency and severity that were exceeding approved rates. A total of 19,632 policies were identified to be non-renewed over the next 13 to 14 months; 2,296 policies starting May 1, 2021, with less than 120 days' notice, and the remaining 17,336 policies over the remaining time with 120 days' notice. The request was approved on April 28, 2021, by Consent Order 280009-21-CO, attached as Exhibit E and hereby incorporated by reference.

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<sup>1</sup> The Statement of Statutory Accounting Principles Number 72 allows an insurance company to account for additional funds received after "the as of date" of its financial statement if approved by its domestic regulator and proof of the funds are received prior to the required filing date of its quarterly and annual statements.

18. On July 20, 2021, the OFFICE approved by Consent Order 283142-21-CO, attached as Exhibit F and hereby incorporated by reference, the acquisition of National Consumer Title Insurance Company by HG Holdings, Inc. This acquisition provided additional capital to SOUTHERN FIDELITY in the amount of \$5.5 million in cash.

19. SOUTHERN FIDELITY implemented a Homeowner's Multi-Peril use and file rate increase with an overall average statewide increase of 84.5% on December 1, 2021.

20. SOUTHERN FIDELITY also implemented a Dwelling Fire use and file rate increase with an overall average statewide increase of 111.1% on January 1, 2022.

21. SOUTHERN FIDELITY made capital infusions after the financial statement period end, pursuant to SSAP 72, for each of the five periods since January 1, 2021. Those infusions totaled \$141 million.

22. Since the acquisition of SOUTHERN FIDELITY by Gulf & Atlantic Insurance Companies, Inc., HSCM GP, LLC has provided in excess of \$200 million in funding in an effort to avoid the delinquency of SOUTHERN FIDELITY.

#### **EXPIRATION OF CATASTROPHE REINSURANCE**

23. On May 25, 2022, the OFFICE received SOUTHERN FIDELITY's monthly financial statement ("Statement") for the period ending April 30, 2022, attached as Exhibit G and hereby incorporated by reference. In the Statement, SOUTHERN FIDELITY reported surplus as regards policyholders totaling \$30,157,451 United States Dollars ("USD"). See Exhibit G, page 2, line 37. SOUTHERN FIDELITY, at that time possessed the required surplus as regards policyholders. SOUTHERN FIDELITY's required surplus as regards policyholders, for the period ending April 30, 2022, as calculated by the OFFICE using the 10% of total liabilities standard was

\$26,258,987 SOUTHERN FIDELITY at that point in time had not submitted a Statement which reflected an impairment or insolvency.

24. On May 26, 2022, SOUTHERN FIDELITY notified its agents that it was suspending new business and renewals until the completion of securing its reinsurance coverage for the 2022 hurricane season. The announcement, attached as Exhibit H and hereby incorporated by reference, was provided to the OFFICE on May 27, 2022.

25. On June 2, 2022, SOUTHERN FIDELITY notified the OFFICE that its reinsurance program, which expired on May 31, 2022, could not be fully placed for the upcoming year. A conference call was held on June 2, 2022. During the call SOUTHERN FIDELITY stated that it was working on a definitive and binding agreement that would transfer its policies to another authorized carrier and provide funding for a solvent run-off of its current and incurred-but-not reported liabilities.

26. On June 3, 2022, SOUTHERN FIDELITY entered into Consent Order 296496-22-CO, attached as Exhibit I and herein incorporated by reference, that required SOUTHERN FIDELITY to file a plan of remediation with the OFFICE by 5:00 p.m. (EDT), June 8, 2022. The plan required SOUTHERN FIDELITY to demonstrate, at a minimum, its ability to quickly provide for a successful transition of its policies to another insurer, fund a solvent run-off of its current and incurred-but-not reported liabilities, address potential reserve inadequacy issues and manage its non-Florida policies and losses. The plan required pro-forma projections and the assumptions used in the preparation of the proformas, along with a cash flow analysis that would demonstrate the viability of the plan. In addition, the plan required provisions for the financial protection for policyholders during the period of time necessary to implement the plan.

27. On June 8, 2022, SOUTHERN FIDELITY filed with the OFFICE a plan as required by the Consent Order 296496-22-CO, but the plan did not satisfy the requirements contained in the Consent Order, including but not limited to, providing financial protection for policyholders during the period of time that would be necessary to implement the plan.

28. On June 9, 2022, SOUTHERN FIDELITY notified the OFFICE that the development of the company's reserves for the Louisiana policies during the last month had exhausted its surplus. .

29. On June 9, 2022, SOUTHERN FIDELITY executed a Consent to Order of Receivership including a Resolution of its Board of Directors (Attachment A), hereinafter referred to as "Consent", a true and correct copy of the Consent is attached hereto as Exhibit J and hereby incorporated by reference, admitting that grounds exist for the appointment of a Receiver of SOUTHERN FIDELITY for Rehabilitation or Liquidation pursuant to Sections 631.051 and 631.061, Florida Statutes, and specifically admitting that it is insolvent as that term is defined in Section 631.011(14), Florida Statutes.

30. The OFFICE has determined that grounds exist for the Department of Financial Services (hereinafter referred to as "DEPARTMENT") to petition for an order, under Section 631.051 or 631.061, Florida Statutes, directing the DEPARTMENT to rehabilitate SOUTHERN FIDELITY or appointing the DEPARTMENT as receiver for purposes of liquidating the business of SOUTHERN FIDELITY. The four bases for this determination are summarized as follows:

**BASIS ONE: SOUTHERN FIDELITY IS IMPAIRED**

**Authority: § 631.051(1) Fla. Stat.**

31. Section 631.011(13), Florida Statutes, defines “impairment of surplus” as a surplus in an amount that “does not meet the requirements of section 624.408.” Pursuant to Section 624.408, Florida Statutes, SOUTHERN FIDELITY is required to “at all times” maintain surplus as to policyholders of at least the greater of \$15 million or 10% of its total liabilities.

32. Based on SOUTHERN FIDELITY’s Statement and pursuant to Section 624.408, Florida Statutes, SOUTHERN FIDELITY was required to maintain surplus as to policyholders in the amount of \$26,258,987.

33. SOUTHERN FIDELITY’s reported surplus as regards policyholders on April 30, 2022, was \$30,157,451 United States Dollars (“USD”). See Exhibit G, page 2, line 37. The amount of surplus calculated by the OFFICE for that Statement was \$26,258,987 resulting in excess surplus of some \$3.8 million. For the purposes of calculating minimum surplus and pursuant to Section 625.041(5), Florida Statutes, liabilities do not include taxes, expenses, and other obligations due or accrued at the date of the statement. Liabilities do include reserve items enumerated in Section 625.041 (1) – (4), Florida Statutes, which are reserve and unearned premium related items. During a bi-weekly call that took place on June 3, 2022, between SOUTHERN FIDELITY’s management team and members of the OFFICE, SOUTHERN FIDELITY indicated that during the month of May its underwriting losses totaled more than its excess surplus reported in its April 30, 2022, financial statement and no other funding of SOUTHERN FIDELITY had been or would be made, thereby rendering SOUTHERN FIDELITY insolvent as defined in Section 631.011(13) Florida Statutes as of June 3, 2022.

34. SOUTHERN FIDELITY was deemed impaired on June 3, 2022.

**BASIS TWO: SOUTHERN FIDELITY IS INSOLVENT OR ABOUT TO BECOME INSOLVENT**

**Authority: §§ 631.051(1) and 631.061(2) Fla. Stat.**

35. Section 631.011(14), Florida Statutes, defines “insolvency” as a condition in which all of the assets of the insurer, if made immediately available, would be insufficient to discharge all of the liabilities of the insurer.

36. SOUTHERN FIDELITY’s total liabilities reported on its Statement were \$298,807,763 (see Exhibit G, page 2, line 28) and its total assets were \$402,889,912.

37. On June 9, 2022, SOUTHERN FIDELITY modified its Statement by providing a contingent liability for reserve development of at least \$104.2 million. As a result, SOUTHERN FIDELITY’S liabilities as reported on that Statement would increase to \$403,007,763 (\$298,807,763 + \$104,200,000). SOUTHERN FIDELITY’s assets reported in the amount of \$402,889,012 are insufficient to discharge all its liabilities, thereby rendering SOUTHERN FIDELITY insolvent as defined in Section 631.011(14) Florida Statutes as of April 30, 2022.

38. SOUTHERN FIDELITY was deemed insolvent on June 9, 2022.

**BASIS THREE: FURTHER TRANSACTION OF INSURANCE IS HAZARDOUS TO POLICYHOLDERS, CREDITORS, STOCKHOLDERS, OR THE PUBLIC**

**Authority: §631.051(3), Fla. Stat.**

39. SOUTHERN FIDELITY’s catastrophe reinsurance program expired on May 31, 2022.

40. SOUTHERN FIDELITY currently has no catastrophe reinsurance to cover its existing policyholders during the 2022-2023 Atlantic Hurricane season that began June 1, 2022.

41. Based on the above, the OFFICE has determined that SOUTHERN FIDELITY is operating in an unsound condition that is hazardous to policyholders, creditors, stockholders, and the public.

## **BASIS FOUR: CONSENT TO REHABILITATION OR LIQUIDATION**

### **Authority: §631.051(11), Fla. Stat.**

42. On June 9, 2022, SOUTHERN FIDELITY, through a majority of its directors, executed a Consent to Order of Receivership for the appointment of the Department of Financial Services, Division of Rehabilitation and Liquidation as Receiver. (See, Exhibit J). In the Consent, SOUTHERN FIDELITY specifically admits that it is insolvent as that term is defined in Section 631.011(14), Florida Statutes.

43. The Consent admits “that grounds exist for the appointment of a Receiver for Rehabilitation or Liquidation pursuant to Sections 631.051 and 631.061, Florida Statutes.” See Exhibit J, paragraph 3.

44. The Consent states as follows:

Pursuant to Sections 631.051(11) and 631.061 (on grounds of consent), Florida Statutes, Respondent consents, through a majority of its directors, stockholders, members, or subscribers, to the entry of an Order of Liquidation, appointing the Department of Financial Services (herein, the “Department”) as Receiver for Respondent, for the purposes of liquidation, and consents to any injunctions this Court deems necessary and appropriate.

Exhibit J, paragraph 4.

45. Further, the consent states:

Respondent agrees not to contest the initiation of delinquency proceedings by the DFS in the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida. Respondent agrees further that no hearing need be held on the DFS’ petition for an order appointing the DFS as Receiver.

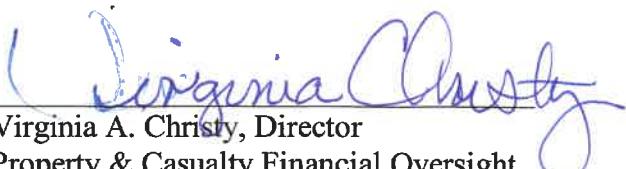
Id.

## **CONCLUSION**

As set forth above, SOUTHERN FIDELITY INSURANCE COMPANY is impaired and insolvent or about to become insolvent; is in such condition or is using or has been subject to such methods or practices in the conduct of its business, as to render its further transaction of insurance presently or prospectively hazardous to its policyholders, creditors, stockholders, or the public; and has consented to rehabilitation or liquidation. Thus, grounds for issuing an Order for entry into receivership exist under Sections 631.051(1), 631.051(3), 631.051(11), and 631.061(1), Florida Statutes.

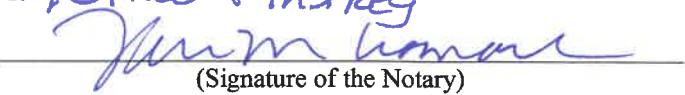
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FURTHER AFFIANT SAYETH NOT.

  
Virginia A. Christy, Director  
Property & Casualty Financial Oversight  
Office of Insurance Regulation

STATE OF Florida

COUNTY OF Leon

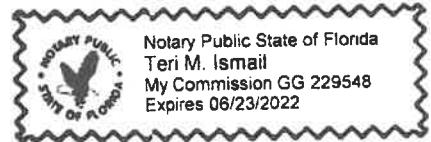
The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 10 day of June 2022, by Virginia Christy  
as Director of PEC Financial for Office of Insurance Regulation  
(type of authority; e.g., officer, trustee, attorney in fact) Oversight, Office of Ins Reg (company name)  
  
(Signature of the Notary)

Teri M. Ismail  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires 06/23/22



MAY 12 2020

INSURANCE REGULATION  
Docketed by: JK**OFFICE OF INSURANCE REGULATION****DAVID ALTMAYER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 263348-20-CO

CAPITOL PREFERRED INSURANCE COMPANY, INC.  
\_\_\_\_\_  
/**CONSENT ORDER**

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") by CAPITOL PREFERRED INSURANCE COMPANY, INC. ("CAPITOL PREFERRED" or "the Company") for approval to cancel approximately 27,500 policies with 45 days' notice. Approval of such a request requires a finding by the OFFICE that the early cancellation of some or all of the insurer's policies is necessary to protect the best interests of the public or policyholders and the OFFICE approves the insurer's plan for early cancellation of some or all of its policies. The early cancellation of policies permitted by Section 627.4133(2)(b)6., Florida Statutes is an extraordinary statutory remedy reserved to address insurers which are or may be in hazardous financial condition without the cancellation of some or all of its policies. After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

## INTRODUCTION

1. The OFFICE has jurisdiction over the parties and the subject matter of this proceeding.
2. CAPITOL PREFERRED is a domestic property and casualty insurer authorized to transact insurance business in the state of Florida pursuant to a Certificate of Authority issued by the OFFICE pursuant to Chapter 624, Part III, Florida Statutes.
3. CAPITOL PREFERRED has approximately 108,870 policies in force in Florida as of May 3, 2020, which primarily provide homeowners' insurance coverage.
4. CAPITOL PREFERRED has reported net losses of (\$5,130,111), (\$17,871,829), and (\$25,737,506) in its financial statements filed with the OFFICE for the years 2017, 2018, and 2019, respectively.<sup>1</sup> Losses by CAPITOL PREFERRED of the magnitude shown above are not sustainable, and if the underlying conditions that contributed to the losses remain unaddressed, continued losses may result in the Company being in hazardous financial condition.
5. CAPITOL PREFERRED provided documentation to the Office which reflects that without a reduction to the number of policies in force, the cost of catastrophe reinsurance for the 2020 Atlantic Hurricane Season will materially increase. The cost of reinsurance is based on a number of factors, including the number and type of policies in force, location of the policies, and the loss history associated with those policies. Catastrophe reinsurance is essential in the Florida property insurance market to provide insurers with enhanced ability to pay claims in the event of a catastrophic event.

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<sup>1</sup>Southern Fidelity Property & Casualty, Inc. merged with and into CAPITOL PREFERRED on February 28, 2019. The losses reflect the combined experience of the companies over the last 3 years.

## ANALYSIS OF POLICIES FOR EARLY CANCELLATION

6. Section 627.4133(2)(b)6, Florida Statutes, provides the following regarding the early cancellation of a property insurance policy:

*"Notwithstanding any other provision of law, an insurer may cancel or nonrenew a property insurance policy after at least 45 days' notice if the office finds that the early cancellation of some or all of the insurer's policies is necessary to protect the best interests of the public or policyholders and the office approves the insurer's plan for early cancellation or nonrenewal of some or all of its policies. The office may base such finding upon the financial condition of the insurer, lack of adequate reinsurance coverage for hurricane risk, or other relevant factors. The office may condition its finding on the consent of the insurer to be placed under administrative supervision pursuant to s. 624.81 or to the appointment of a receiver under chapter 631."*

7. CAPITOL PREFERRED's initial formal request was for the approval of the early cancellation of approximately 27,500 policies with 45 days' notice to policyholders. In conjunction with that request, CAPITOL PREFERRED provided financial projections which demonstrated that absent such action, it may not be able to maintain surplus as to policyholders sufficient to meet the requirements of Section 624.408, Florida Statutes.

8. In response to the request from CAPITOL PREFERRED, the OFFICE required the Company to provide a number of additional pro forma financial projections to allow the OFFICE to evaluate both the potential impacts to the Company's financial condition as well as its impact on policyholders.

9. The 27,500 policies that CAPITOL PREFERRED requested to cancel consists primarily of a block of approximately 23,800 homeowners' policies originally written in the voluntary market by its affiliate Southern Fidelity Property & Casualty, Inc. (hereinafter referred to as the "SFPCI Block") and acquired by CAPITOL PREFERRED during a merger with that company on February 28, 2019. The SFPCI Block is comprised of mostly homeowners' (HO-3)

policies but also includes approximately 12 tenant (HO-4) policies and 4,500 condominium unit owner (HO-6) policies. Based on documentation provided by the Company, and the financial projections reviewed by the OFFICE, the SFPCI Block materially contributed to both the Company's past and projected losses and to its projected reinsurance costs.

10. CAPITOL PREFERRED represented to the OFFICE that the SFPCI Block has generated significant losses. In December of 2019, the Company made a "use and file" rate filing with the OFFICE which implemented a 47.0% rate increase for the SFPCI Block effective February 15, 2020. The 47% rate increase was later amended by the Company to a 36.5% rate increase in late January of 2020. The use and file rate increase was the subject of a public rate hearing held by the OFFICE in February of 2020. The projections reviewed by the OFFICE indicate that even with a substantial rate increase the SFPCI Block will continue to generate unsustainable losses. The data and documentation provided by the Company in connection with this rate filing supported an overall average statewide increase of 33.5%, which is approved. Refunds for amounts charged in excess of this approved amount must be made and an accounting provided to the OFFICE by June 1, 2020, as required by paragraphs 14 and 15.

11. The OFFICE carefully analyzed the projected financial impact of the request by CAPITOL PREFERRED to cancel 27,500 of its in-force policies and required the Company to model different scenarios and assumptions. In addition, the OFFICE analyzed the projected financial impact resulting from the cancellation of only the SFPCI Block of approximately 23,800 policies. That analysis demonstrated that the cancellation of only the SFPCI Block produced substantially similar financial results for the Company when compared with the original 27,500 policy cancellation request. However, and importantly, the cancellation of only the SFPCI Block resulted in almost 4,000 fewer cancellations for policyholders.

**COMPANY REQUIREMENTS FOR EARLY CANCELLATION**

12. Based on the documentation provided to the OFFICE, its internal analysis, and after review of other available options, the OFFICE finds that a more limited early cancellation of only the SFPCI Block of policies is in the best interests of the public, policyholders of CAPITOL PREFERRED, and the Florida property insurance market. This finding is based on the inability of the Company to sustain further losses of the magnitude reported in 2017, 2018, and 2019, the increased cost of catastrophe reinsurance coverage, and the determination that this targeted cancellation is the best option. The early cancellation of the SFPCI Block of policies with at least 45 days' advance notice to those policyholders is approved. CAPITOL PREFERRED's compliance with the corrective measures listed in paragraphs 13 through 22 below is material to the OFFICE's approval of this early cancellation.

13. CAPITOL PREFERRED must issue cancellation notices, to be approved in advance by the OFFICE, for the cancellation of the SFPCI Block only, providing at least 45 days' notice of cancellation to the policyholders. In addition, notices to the agents must be provided to the OFFICE for approval.

14. CAPITOL PREFERRED must refund unearned premiums to the affected policyholders or their mortgage companies or premium finance companies, as applicable, by no later than June 15, 2020 for each policy being cancelled.

15. By June 1, 2020 CAPITOL PREFERRED must provide an accounting to the OFFICE of all refunds that have been provided, and any that have not yet been provided to SFPCI policyholders for any premiums collected in excess of any rates approved by the OFFICE in connection with the February 2020 use and file rate filing.

16. CAPITOL PREFERRED must actively facilitate the placement of the SFPCI

policies with other insurers in the market by:

- a. Assisting in the replacement of these policies with its agency force; and
- b. Promptly posting or providing SFPCI policy level data to insurers within

3 calendar days of the execution of a non-disclosure agreement.

17. CAPITOL PREFERRED must continue to file monthly financial statements with the OFFICE until further notice. Those financial statements will be in the NAIC monthly statement format and submitted no later than the 21<sup>st</sup> of the following month. In addition, the Company will include in the monthly filing a listing of all policies in force by county and total insured value by county.

18. CAPITOL PREFERRED must limit its new and renewal business written to the number of policies shown in the proformas provided to the OFFICE by CAPITOL PREFERRED. Any change or increase to this new or renewal business limitation must be filed with and approved by the OFFICE. No policies from the SFPCI Block of policies may be rewritten on a different CAPITOL PREFERRED policy form or by an affiliated insurer.

#### REMEDIAL MEASURES FOR CONTINUED OPERATIONS

19. As a result of its operational results for the past three years, CAPITOL PREFERRED must submit an updated business plan to the OFFICE by 5:00 p.m. (EDT), July 1, 2020. The updated business plan must demonstrate the Company's ability to generate successful operating results by the implementation of underwriting changes, rate adjustments, operational savings, capital management, and other significant modifications to its current business model. The updated business plan for the period of July 1, 2020 through December 31, 2023 must include all assumptions used in its preparation, pro forma projections, cash flow analysis, and must include reinsurance necessary to provide coverage for at least a 130-year event. The updated

business plan must reflect the effects of the following:

- a. Changes to be made in underwriting procedures that would limit capacity for new business and properly price and underwrite all business written or renewed;
- b. Pending litigation in which CAPITOL PREFERRED is named as a party;
- c. Capital funding and access to capital for the immediate 12 months;
- d. Open claims and additional efforts that could be made to successfully resolve them;
- e. Any projected adverse loss development;
- f. Proposed contracts for services by vendors or affiliates;
- g. Any additional reinsurance costs required; and
- h. Any material items from a proposed Strategic Plan that would impact the financial condition of CAPITOL PREFERRED.

20. In addition to the updated business plan required in paragraph 19, CAPITOL PREFERRED must file with the OFFICE by December 31, 2020, a five-year Strategic Plan, which may be updated on a yearly basis and approved by its Board of Directors. The Strategic Plan must include a proposed timeline for any of the activities listed below which are expected to begin after the date the Strategic Plan is filed with the OFFICE. The Strategic Plan must address at a minimum the following:

- a. Plans for new affiliates, acquisition and/or mergers;
- b. Plans for any new product offerings;
- c. Plans to raise capital and the use of that capital;
- d. Plans to assume blocks of business from another insurer or residual market;

- e. Plans to file an application to become an authorized insurer, add lines of business, or become an eligible surplus lines insurer in another state;
- f. Plans to improve internal processes or procedures;
- g. Plans to enhance cybersecurity of the Company and its affiliates.

21. Upon execution of this consent order and through December 31, 2020, CAPITOL PREFERRED may not, without the prior approval of the OFFICE:

- a. Dispose of, convey, or encumber any of its assets;
- b. Lend any of its funds;
- c. Invest any of its funds except in accordance with its established investment policies in the ordinary course of business;
- d. Transfer any of its property other than in the ordinary course of business;
- e. Incur any debt, obligation, or liability other than in the ordinary course of business;
- f. Merge or consolidate with another company;
- g. Terminate, surrender, forfeit, convert, or lapse any insurance policy, certificate, or contract of insurance, except as permitted in accordance with its approved underwriting guidelines and rules in the ordinary course of business;
- h. Release, pay, or refund premium deposits, accrued cash or loan values, unearned premiums, or other reserves on any insurance policy or certificate, except as permitted in accordance with its approved underwriting guidelines and rules in the ordinary course of business;
- i. Make any material change in management or provide bonus or severance packages to any employee;

- j. Pay any dividends; or
- k. Enter into any new or amend any existing agreements with affiliates.

22. The OFFICE reserves the right to retain an individual or entity at the expense of CAPITOL PREFERRED to review all of the Company's direct and indirect expenses of its affiliates to determine if those expenses are fair and reasonable.

GENERAL TERMS

23. CAPITOL PREFERRED acknowledges and agrees that failure to comply with any of the terms of this Consent Order would constitute an immediate danger to the public and the OFFICE may immediately suspend, revoke, or take other administrative action as it deems appropriate upon the Certificate of Authority of CAPITOL PREFERRED in this state, in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

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

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

26. CAPITOL PREFERRED expressly waives its rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings to which CAPITOL PREFERRED may be entitled, either by law or by rules of the OFFICE. CAPITOL PREFERRED hereby knowingly and voluntarily waive all rights to

challenge or to contest this Consent Order, in any forum now or in the future available to them, including the right to any administrative proceeding, state or federal court action, or any appeal.

27. CAPITOL PREFERRED agrees this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of CAPITOL PREFERRED, or its authorized representative, under the seal of a notary public, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically.

WHEREFORE, the agreement between CAPITOL PREFERRED INSURANCE COMPANY, INC., and the FLORIDA OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is APPROVED.

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

DONE and ORDERED this 12<sup>th</sup> day of May 2020.



*David Altmaier*

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David Altmaier, Commissioner  
Office of Insurance Regulation

By execution hereof, CAPITOL PREFERRED INSURANCE COMPANY, 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/she has the authority to bind CAPITOL PREFERRED INSURANCE COMPANY, INC. to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for CAPITOL PREFERRED INSURANCE COMPANY, INC.

CAPITOL PREFERRED INSURANCE COMPANY, INC.

By: James Gragnella

Print Name: James Gragnella

Title: President & CEO

Date: 5-11-20

STATE OF FL

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 11 day of May 2020, by James Gragnella  
as President & CEO for Capitol Preferred Insurance Co.  
(name of person) (company name)  
(type of authority; e.g., officer, trustee, attorney in fact)

Kristie Mock  
(Signature of the Notary)

Kristie Mock

(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 6/8/2022



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FILED

SEP 04 2020

INSURANCE REGULATION  
Docketed by: 25



## OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 269310-20-CO

Application for the Merger of  
SOUTHERN FIDELITY INSURANCE COMPANY and  
CAPITOL PREFERRED INSURANCE COMPANY, INC., and  
for the Direct Acquisition of SOUTHERN FIDELITY  
INSURANCE COMPANY by SFPC HOLDING COMPANY,  
LLC, and CPIC HOLDING COMPANY, LLC, and for the Direct  
Acquisition of NATIONAL CONSUMER TITLE INSURANCE  
COMPANY by SOUTHERN FIDELITY INSURANCE  
COMPANY

/

### CONSENT ORDER

THIS CAUSE came on for consideration upon the filing with the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) of multiple proposed corporate changes, including the proposed merger of CAPITOL PREFERRED INSURANCE COMPANY, INC. (“CAPITOL PREFERRED”), with and into SOUTHERN FIDELITY INSURANCE COMPANY (“SOUTHERN FIDELITY”); the direct acquisition of SOUTHERN FIDELITY by SFPC HOLDING COMPANY, LLC (“SFPC HOLDINGS”), and CPIC HOLDING COMPANY, LLC, (“CPIC HOLDINGS”); and the direct acquisition of NATIONAL CONSUMER TITLE INSURANCE COMPANY (“NATIONAL CONSUMER TITLE”) by SOUTHERN FIDELITY, pursuant to Sections 628.451 and 628.461, Florida Statutes. The filings as outlined above will be referred to collectively as the “Application”. 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:

## INTRODUCTION

1. The OFFICE has jurisdiction over the subject matter and the parties herein.
2. SOUTHERN FIDELITY is a domestic property and casualty insurer authorized to transact property and casualty insurance in Florida through a subsisting Certificate of Authority issued by the OFFICE. It is 100% owned by SOUTHERN FIDELITY HOLDING, LLC ("SOUTHERN FIDELITY HOLDINGS"), which is a Florida limited liability company whose membership interest is owned 29.78% by Thomas R. Becnel, an individual, with no other 10% or greater membership interest holders.
3. CAPITOL PREFERRED is a domestic property and casualty insurer authorized to transact property and casualty insurance in Florida through a subsisting Certificate of Authority issued by the OFFICE. It is presently owned 31.98% by CPIC HOLDINGS, a Florida limited liability company, and 55.43% by SFPC HOLDINGS, a Florida limited liability company, with no other 10% or greater shareholders. The membership interest of CPIC HOLDINGS is owned 11.5% by the Thomas R. Becnel Beneficiary Trust, of which Thomas R. Becnel is Trustee, with no other 10% or greater membership interest holders. The membership interest of SFPC HOLDINGS is owned 12.11% by JAG Family Investments, LLC, with no other 10% or greater membership interest holders. JAG Family Investments, LLC, is 100% owned by James and Lisa Graganella, individuals.
4. NATIONAL CONSUMER TITLE is a domestic property and casualty insurer authorized to transact property and casualty insurance in Florida through a subsisting Certificate of Authority issued by the OFFICE. It is owned 34% by SOUTHERN FIDELITY and 66% by CAPITOL PREFERRED, with no other 10% or greater shareholders.

FINANCIAL CONDITION OF INSURERS TO BE MERGED

5. On February 28, 2019, the OFFICE entered into Consent Order No. 241324-19 which approved the merger of Southern Fidelity Property & Casualty, Inc. (“Southern Fidelity P&C”), with and into CAPITOL PREFERRED. CAPITOL PREFERRED was the successor in interest to a book of business formerly written by Southern Fidelity P&C.

6. In its annual financial statements filed with the OFFICE for 2019, CAPITOL PREFERRED reported a net loss of (\$25,737,506). This followed reported net losses in 2017 and 2018 of (\$5,130,111) and (\$17,871,829), respectively.

7. On or about April 9, 2020, CAPITOL PREFERRED requested that the OFFICE approve the cancellation of some 27,500 policies, with 45 days’ notice to policyholders, as permitted by Section 627.4133(2)(b)6., Florida Statutes. In doing so, CAPITOL PREFERRED asked that the OFFICE find that the cancellation was in the best interest of the public or policyholders. In support of this request, CAPITOL PREFERRED stated that the magnitude of losses it had sustained in prior years were not sustainable in the future, and that the cost of reinsuring all of the policies currently in force was prohibitive. CAPITOL PREFERRED provided detailed projections which showed that without the requested cancellation its financial condition would not provide adequate protection for its policyholders. After finding that the cancellation of some policies was in the best interest of the policyholders, the OFFICE entered into Consent Order No. 263348-20-CO on May 12, 2020 (“May 2020 Consent Order”), which disapproved the cancellation of 27,500 policies, approved the cancellation of approximately 23,800 policies in force, as permitted by Section 627.4133(2)(b)6., Florida Statutes, and memorialized additional actions regarding that book of business.

8. CAPITOL PREFERRED submitted a revised business plan to the OFFICE on or about June 1, 2020, as required by the May 2020 Consent Order, which detailed its intended operational improvements to reduce its losses and provide a foundation for sound future operations.

9. As of its June 30, 2020, quarterly statement filed with the OFFICE, CAPITOL PREFERRED reported a net loss year-to-date of (\$20,731,246).

10. As of its June 30, 2020, quarterly statement filed with the OFFICE, SOUTHERN FIDELITY reported a net loss year-to-date of (\$19,328,472). SOUTHERN FIDELITY reported net losses of (\$108,741), (\$1,904,388), and (\$22,617,126) in its annual financial statements filed with the OFFICE for the years 2017, 2018, and 2019, respectively.

#### MERGER AND RECAPITALIZATION PLAN

11. The Application represents that, on or about August 21, 2020, CAPITOL PREFERRED and SOUTHERN FIDELITY entered into an “Agreement and Plan of Merger” (“Merger Agreement”) whereby, the companies intend to merge into one entity in a stock-for-stock exchange. The Merger Agreement provides that each issued and outstanding share of CAPITOL PREFERRED common stock, excluding shares held by dissenting shareholders and treasury stock, shall be converted into the right to receive shares of SOUTHERN FIDELITY stock in accordance with an Exchange Ratio, as described in the Merger Agreement. Following consummation of the transaction, CAPITOL PREFERRED will cease to exist and SOUTHERN FIDELITY will continue as the surviving entity (“the Merger”). SOUTHERN FIDELITY will also have acquired CAPITOL PREFERRED’s 34% ownership of the issued and outstanding shares of common stock of NATIONAL CONSUMER TITLE, bringing SOUTHERN FIDELITY’s

ownership of NATIONAL CONSUMER TITLE to 100%. As a result of the Merger, SOUTHERN FIDELITY HOLDINGS ownership of SOUTHERN FIDELITY will be diluted to 68.748% and, by virtue of the stock exchange contemplated in the Merger Agreement, SFPC HOLDINGS will have acquired 18.261% and CPIC HOLDINGS will have acquired 10.534% of the outstanding common stock of SOUTHERN FIDELITY

12. The applicants have submitted detailed financial projections which demonstrate that the Merger of CAPITOL PREFERRED with and into SOUTHERN FIDELITY will provide additional financial resources to support the continued operation of the company and will permit it to meet and maintain the minimum statutory surplus requirements.

13. The Application does not include a request to cancel any of the existing policies of CAPITOL PREFERRED or SOUTHERN FIDELITY.

14. The Application submitted to the OFFICE indicates that SOUTHERN FIDELITY plans to raise additional equity capital in several tranches which will allow it to meet the minimum surplus requirements through December 31, 2020, and beyond. SOUTHERN FIDELITY has retained securities counsel and an outside consultant to guide its efforts to raise new equity capital.

#### CAPITOL PREFERRED AND SOUTHERN FIDELITY PENDING RATE FILINGS

15. On June 15, 2020, SOUTHERN FIDELITY submitted Filing FCP 20-015170 to the OFFICE. This filing is a “use and file” rate filing with an indicated rate level change of 40.0% calculated by SOUTHERN FIDELITY for its SFIC Voluntary Homeowners program. The filing requested and implemented a 31.1% rate increase, effective August 1, 2020. This use and file rate increase was the subject of a public rate hearing held by the OFFICE on August 7, 2020. The data and documentation provided by SOUTHERN FIDELITY in connection with filing FCP 20-

015170 support the proposed overall statewide rate increase of 31.1%. As such, the filing is hereby APPROVED as filed.

16. On June 15, 2020, CAPITOL PREFERRED submitted Filing FCP 20-015219 to the OFFICE. This filing is a “use and file” rate filing with an indicated rate level change of 34.6% calculated by CAPITOL PREFERRED for its CPIC Voluntary Homeowners program. The filing requested and implemented a 26.2% rate increase, effective August 1, 2020. This use and file rate increase was the subject of a public rate hearing held by the OFFICE on August 7, 2020. The data and documentation provided by CAPITOL PREFERRED in connection with filing FCP 20-015219 support the proposed overall statewide rate increase of 26.2%. As such, the filing is hereby APPROVED as filed.

17. On August 11, 2020, SOUTHERN FIDELITY submitted Filing FCP 20-018896 to the OFFICE. This filing is a “use and file” rate filing and proposes to implement a preferred contractor program for a 5% premium discount. The endorsement for the preferred contractor program will be automatically applied to new and renewal policies on or after October 1, 2020, unless the policyholder has opted out of such endorsement. The purpose of this endorsement is to better manage and mitigate the severity of future losses. The filing is hereby APPROVED.

18. On August 11, 2020, CAPITOL PREFERRED submitted Filing FCP 20-018902 to the OFFICE. This filing is a “use and file” rate filing and proposes to implement a preferred contractor program for a 5% discount. The endorsement for the preferred contractor program will be automatically applied to new and renewal policies on or after October 1, 2020, unless the policyholder has opted out of such endorsement. The purpose of the endorsement is to better manage and mitigate the severity of future losses. The filing is hereby APPROVED.

REPRESENTATIONS OF THE APPLICANTS

19. SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE have made material representations that, except as disclosed in the Application, none of their officers, directors, 10% or greater shareholders, or 10% or greater membership interest holders have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or misdemeanor, other than a civil traffic offense.

20. SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE have further represented that they have submitted complete background information on all the individuals referenced in paragraph 19 above. If said information has not been provided to the OFFICE, or if the sources utilized by the OFFICE in its investigation process reveal that the representations made in paragraph 19 above are inaccurate, said entity shall, within 30 days of receipt of notification from the OFFICE, undertake such remedial actions with regard to the individual at issue as directed by the OFFICE. Such actions may include removing the individual as officer or director of said entity and replacing them with a person or persons acceptable to the OFFICE, as well the entity requiring that the individual 10% or greater shareholder or membership interest holder divest their ownership or membership interest to below 10%.

21. If, upon receipt of notification from the OFFICE pursuant to paragraph 20 above, SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, or NATIONAL CONSUMER TITLE does not timely take the required corrective action, SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE agree that such failure to act would constitute an immediate serious danger to the public and the OFFICE may immediately suspend, revoke, or take other administrative action as it deems appropriate upon the

Certificates of Authority of SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE without further proceedings, pursuant to Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

22. SOUTHERN FIDELITY, SFPC HOLDINGS, and CPIC HOLDINGS represent that, except as disclosed in the Application, there are no present plans or proposals to make any substantive changes to the Plans of Operation of SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE, including liquidating them, selling any of their assets (except for transactions such as investment portfolio transactions in the ordinary course of business), merging or consolidating them with any person or persons, or making any other major change in their business operations.

23. All parties to this Consent Order agree that this Consent Order shall be deemed null and void if the Merger is not completed, or required regulatory approvals are not obtained, within 60 days of execution of this Consent Order.

COMPANY REQUIREMENTS AS A CONDITION OF APPROVAL

24. Within 10 business days after the Merger is completed, SOUTHERN FIDELITY shall submit, or cause to be submitted, to the OFFICE all documents evidencing completion of the Merger and shall return the Certificate of Authority of CAPITOL PREFERRED to the OFFICE. Further, SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, or NATIONAL CONSUMER TITLE shall notify the OFFICE within 3 business days of a final determination that the Merger will not occur.

25. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE shall, no later than 15 days after the month in which the Merger is completed, file updates to their Holding

Company Registration Statements, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

26. Any material changes to the information submitted in the Application filing shall be reported to the OFFICE for its review during the pendency of the closing of the Merger. SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE acknowledge that if the OFFICE determines that any of these reported changes would have a material negative impact to the financial condition or operation of SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE, the OFFICE may rescind its approval as granted in this Consent Order by written notice to SOUTHERN FIDELITY, SFPC HOLDINGS, or CPIC HOLDINGS.

27. Pursuant to Sections 628.461(3)(f)-(g), Florida Statutes, SFPC HOLDINGS, CPIC HOLDINGS, or any other party meeting the definition of “ultimate controlling person” as defined in Section 628.801(2), Florida Statutes, shall file with the OFFICE the Enterprise Risk Report required by Section 628.801(2), Florida Statutes, and any and all additional information necessary to evaluate the enterprise risk of SOUTHERN FIDELITY and its affiliates.

28. Pursuant to Section 624.10(3), Florida Statutes, and upon completion of the Merger, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, and CPIC HOLDINGS will be controlling entities and, as such, shall comply with Section 628.461(12)(b), Florida Statutes, should SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, or CPIC HOLDINGS choose to divest their controlling interest in SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE.

29. SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS

acknowledge that the OFFICE's approval of the Merger is predicated upon SOUTHERN FIDELITY's representations that it will, in good faith, proceed with its intended capital raises as described in the Application. The OFFICE understands that the Merger is the next step in a multi-step process that is intended to put SOUTHERN FIDELITY in a more financially sound position. The approval of the Merger, as represented to the OFFICE, without finalized documentation of additional capital to be provided to SOUTHERN FIDELITY is a good-faith effort to assist SOUTHERN FIDELITY to enhance its solvency and protect its policyholders.

30. SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS, agree that SOUTHERN FIDELITY shall have completed the first step in its capital raise plans, as represented in the Application, and shall have demonstrated such to the OFFICE by infusion of capital in the amount represented as the first tranche by October 15, 2020, when its third quarter 2020 financial statement is filed with the OFFICE. If SOUTHERN FIDELITY cannot or will not be able to complete this first step as represented in the Application by October 15, 2020, SOUTHERN FIDELITY shall notify the OFFICE at the earliest possible time of its failure or inability to do so, in order that the OFFICE may be advised and take any action it deems appropriate under the circumstances.

31. SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS agree that SOUTHERN FIDELITY shall have completed the remaining steps in its capital raise plans, as represented in the Application, and shall have demonstrated such to the OFFICE by infusion of capital in the amount represented as the remaining tranches by December 31, 2020. If SOUTHERN FIDELITY cannot or will not be able to complete the culmination of its capital raises as represented in the Application by December 31, 2020, SOUTHERN FIDELITY shall notify the OFFICE at the earliest possible time of its failure or

inability to do so, in order that the OFFICE may be advised and take any action it deems appropriate under the circumstances.

32. Within 10 business days of execution of this Consent Order, SOUTHERN FIDELITY shall amend all managing general agency contracts to which it is a party to include a provision limiting the compensation to the managing general agent to no more than 26% of direct written premium, for a period of 24 months, without the written approval of the OFFICE. At the expiration of the 24-month period the OFFICE may approve a proposed change to the compensation to the managing general agent if it finds the proposed change is fair and reasonable. This limitation will ensure that the maximum amount of benefit from the increased rates approved as a part of this Consent Order will be retained by SOUTHERN FIDELITY to pay losses and expenses generated on its own book of business as well as the book of business formerly written by CAPITOL PREFERRED, which it will assume by virtue of the Merger.

33. By no later than January 15, 2021, SOUTHERN FIDELITY will deliver to the OFFICE an actuarial review prepared by a member of the Casualty Actuarial Society of its homeowners' programs. Such review must consist of an examination of the rating methodology and factors utilized in SOUTHERN FIDELITY's homeowners' programs, as well as that of competitors, to determine areas of improvement for SOUTHERN FIDELITY to avoid adverse selection and to improve future loss ratios. Such areas of improvement may include the use of additional rating variables or methodologies, as well as revisions to rating factors, territories, or other elements of the rating plan. The review will prioritize the areas of improvement and provide recommendations to SOUTHERN FIDELITY for revisions to be made in its next rate filing, as well as a strategy for revisions in subsequent filings, if needed.

34. By no later than April 1, 2021, SOUTHERN FIDELITY will submit to the OFFICE a “file and use” rate filing that combines the experience of all voluntary homeowners programs into one program and updates the rating methodology and factors as recommended in the actuarial review referenced in paragraph 33 above. The effective date for such filing may be no earlier than August 1, 2021.

35. By no later than June 1, 2021, SOUTHERN FIDELITY will submit to the OFFICE a “file and use” rate filing that combines the experience of all takeout homeowners programs into one program and updates the rating methodology and factors as recommended in the actuarial review referenced in paragraph 33 above. The effective date for such filing may be no earlier than October 1, 2021.

#### GENERAL TERMS

36. SOUTHERN FIDELITY has applied for and, subject to the present and continuing satisfaction of the requirements, terms, and conditions established herein, has satisfactorily met all the conditions precedent to the granting of approval by the OFFICE of the proposed merger with CAPITOL PREFERRED, which will also result in the acquisition of 10% or more of the issued and outstanding voting securities of NATIONAL CONSUMER TITLE.

37. SFPC HOLDINGS and CPIC HOLDINGS have applied for and, subject to the present and continuing satisfaction of the requirements, terms, and conditions established herein, have satisfactorily met all the conditions precedent to the granting of approval by the OFFICE of the proposed acquisition of 10% or more of the issued and outstanding voting securities of SOUTHERN FIDELITY.

38. Any prior orders, consent orders, or corrective action plans that SOUTHERN FIDELITY, CAPITOL PREFERRED, or NATIONAL CONSUMER TITLE have entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for SOUTHERN FIDELITY, CAPITOL PREFERRED, or NATIONAL CONSUMER TITLE, 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.

39. SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS affirm and represent that all information, explanations, representations, statements, and documents provided to the OFFICE in connection with this Application, including all attachments and supplements thereto, are true and correct and fully describe all transactions, agreements, ownership structures, understandings, and control with regard to the merger of SOUTHERN FIDELITY and CAPITOL PREFERRED, and the resulting acquisition and future operations of SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE. SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS further agree and affirm that said information, explanations, representations, statements, and documents, including all attachments and supplements thereto, are 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.

40. SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE shall report to the OFFICE, Property & Casualty Financial Oversight, any time that either of them is named as a party defendant in a class action lawsuit within 15 days after the class is certified. SOUTHERN

FIDELITY or NATIONAL CONSUMER TITLE shall include a copy of the complaint at the time the class action lawsuit is reported to the OFFICE.

41. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE shall each maintain an information security program for the security and protection of confidential and proprietary information under their control that complies with all applicable laws and regulations regarding information security. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE agree that they shall continually monitor and enhance their information security programs in order to mitigate data security breaches. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE further agree that they shall notify the OFFICE within 5 business days of identifying a data breach.

42. Executive Order 13224 prohibits any transactions by U.S. persons involving the blocked assets and interests of terrorists and terrorist support organizations. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE shall maintain and adhere to procedures necessary to detect and prevent prohibited transactions with those individuals and entities, which have been identified at the Treasury Department's Office of Foreign Assets Control website, <http://www.treas.gov/ofac>.

43. Within 60 days of the execution of this Consent Order, SOUTHERN FIDELITY, shall submit, or cause to be submitted, to the OFFICE a certification evidencing compliance with all the requirements of this Consent Order. Any exceptions shall be so noted and contained in the certification. Exceptions noted in the certification shall also include a timeline defining when the outstanding requirements of the Consent Order will be completed. Said certification shall be submitted to the OFFICE via electronic mail and directed to the attention of the Assistant General Counsel representing the OFFICE in this matter and as named in this Consent Order.

44. 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 written approval by the OFFICE is subject to statutory or administrative regulation limitations.

45. SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS 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. SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS 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.

46. SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS affirm that all requirements set forth herein are material to the issuance of this Consent Order.

47. SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS 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 the Certificates of Authority of SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE in this state in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

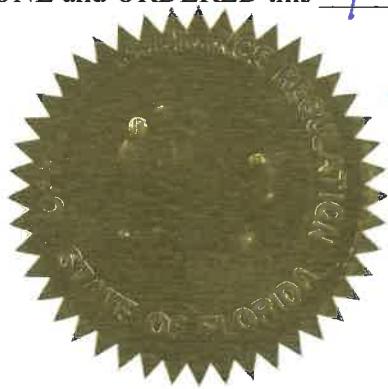
48. Each party to this action shall bear its own costs and fees.

49. 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 SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SOUTHERN FIDELITY, CAPITOL PREFERRED, NATIONAL CONSUMER TITLE, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS agree that the signatures of their authorized representatives as affixed to this Consent Order shall be under the seal of Notary Public.

WHEREFORE, subject to the terms and conditions set forth above, the Application for the proposed merger of CAPITOL PREFERRED INSURANCE COMPANY, INC., with and into SOUTHERN FIDELITY INSURANCE COMPANY, pursuant to Section 628.451, Florida Statutes, and the direct acquisition of 10% or more of the issued and outstanding voting securities of SOUTHERN FIDELITY INSURANCE COMPANY by SFPC HOLDING COMPANY, LLC, and CPIC HOLDING COMPANY, LLC, and the direct acquisition of 10% or more of the issued and outstanding voting securities of NATIONAL CONSUMER TITLE INSURANCE COMPANY by SOUTHERN FIDELITY INSURANCE COMPANY, pursuant to Section 628.461, Florida Statutes, is APPROVED.

All terms and conditions contained herein are hereby ORDERED,

DONE and ORDERED this 4 day of September, 2020.



*David Altmaier*

---

David Altmaier, Commissioner  
Office of Insurance Regulation

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

CAPITOL PREFERRED INSURANCE  
COMPANY, INC.

By: James A. Craymella

Print Name: James A. Craymella

Title: President

Date: 9-4-2020

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 4th day of Sept 2020, by James A. Craymella  
(name of person)  
as President for Capitol Preferred Insurance Co Inc  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)



Dianna N. Irwin  
(Signature of the Notary)

Dianna N. Irwin  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 4/15/2024

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

SOUTHERN FIDELITY INSURANCE  
COMPANY

By: James A. Cirigliano

Print Name: James A. Cirigliano

Title: President

Date: 9-4-2020

STATE OF Florida

COUNTY OF Leon

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

or  online notarization, this 4th day of Sept 2020, by James Cirigliano  
(name of person)  
as President for Southern Fidelity Insurance Company  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)



Dianna N. Irwin  
(Signature of the Notary)

Dianna N. Irwin

(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 4/15/2024

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

CPIC HOLDING COMPANY, LLC

By: John A. Giagantola

Print Name: John A. Giagantola

Title: President

Date: 9-4-2020

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 4th day of Sept 2020, by James Giagantola  
(name of person)  
as President for CPIC Holding Company, LLC  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)



Dianna N. Irwin  
(Signature of the Notary)  
Dianna N. Irwin  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 4/16/2024

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

SFPC HOLDING COMPANY, LLC

By: James A. Gragnola

Print Name: James A. Gragnola

Title: President

Date: 9-4-2020

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 4th day of Sept 2020, by James Gragnola  
(name of person)  
as President for SFPC Holding Company LLC  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)



Dianna N. Irwin  
(Signature of the Notary)

Dianna N. Irwin  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 4/15/2024

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

NATIONAL CONSUMER TITLE INSURANCE  
COMPANY

By: John D. Smith

Print Name: James Graganello

Title: President

Date: 9-4-20

STATE OF Florida

COUNTY OF Leon

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



in fact) for (company name)

(Print, Type or Stamp Commissioned Name of Notary)

Personally Known  OR Produced Identification

### Type of Identification Produced

My Commission Expires: 4/15/2024

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

SOUTHERN FIDELITY HOLDINGS, LLC  
By: James Gragnella  
Print Name: James Gragnella  
Title: President  
Date: 9-4-2020

STATE OF Florida  
COUNTY OF Len

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 4th day of Sept 2020, by James Gragnella  
as President (name of person) for Southern Fidelity Holdings, LLC  
(company name)



Dianna N. Irwin  
(Signature of the Notary)  
Dianna N. Irwin  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 4/15/2024

COPIES FURNISHED TO:

JAMES A. GRAGANELLA, PRESIDENT  
Capitol Preferred Insurance Company, Inc.  
Southern Fidelity Insurance Company  
National Consumer Title Insurance Company  
CPIC Holding Company, LLC  
SFPC Holding Company, LLC  
Southern Fidelity Holdings, LLC  
2750 Chancellorsville Drive  
Tallahassee, Florida 32312  
Telephone: (850) 521-0742, ext. 1225  
Email: [jgraganella@pmains.com](mailto:jgraganella@pmains.com)

WES STRICKLAND, ESQUIRE  
Colodny Fass  
119 East Park Avenue  
Tallahassee, Florida 32301  
Telephone: (850) 577-0398  
Email: [wstrickland@colodnyfass.com](mailto:wstrickland@colodnyfass.com)

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200 East Gaines Street  
Tallahassee, Florida 32399

JEANNINE CARROLL, FINANCIAL EXAMINER/ANALYST SUPERVISOR  
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Tallahassee, Florida 32399

MICHAEL A. KLINER, ASSISTANT GENERAL COUNSEL  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399  
Telephone: (850) 413-4108  
Email: [michael.kliner@foir.com](mailto:michael.kliner@foir.com)

FILED

OCT 15 2020

INSURANCE REGULATION  
Docketed by: *[Signature]*



## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 271168-20-CO

Mergers and Acquisitions affecting SOUTHERN FIDELITY INSURANCE COMPANY; SFPC HOLDING COMPANY, LLC; CPIC HOLDING COMPANY, LLC; SOUTHERN FIDELITY HOLDINGS, LLC; NATIONAL CONSUMER TITLE INSURANCE COMPANY; and Capitol Preferred Insurance Company

/

### CONSENT ORDER AMENDING CONSENT ORDER NO. 269310-20-CO

THIS CAUSE came on for consideration upon discussions between SOUTHERN FIDELITY INSURANCE COMPANY ("SOUTHERN FIDELITY") and the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") to amend Consent Order No. 269310-20-CO, which was docketed September 4, 2020 ("Merger Consent Order"). 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 the parties herein.
2. On September 4, 2020, the OFFICE docketed the Merger Consent Order, which approved the proposed merger of Capitol Preferred Insurance Company, Inc. ("Capitol Preferred"), with and into SOUTHERN FIDELITY; the direct acquisition of SOUTHERN FIDELITY by SFPC HOLDING COMPANY, LLC ("SFPC HOLDINGS"), and CPIC HOLDING COMPANY, LLC, ("CPIC HOLDINGS"); and the direct acquisition of NATIONAL

CONSUMER TITLE INSURANCE COMPANY ("NATIONAL CONSUMER TITLE") by SOUTHERN FIDELITY.

3. Subsequent to the approval of the Merger Consent Order, SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, Southern Fidelity Managing Agency, LLC., Preferred Managing Agency, LLC, Jimmy Graganella, and SOUTHERN FIDELITY HOLDINGS, have proposed a new long-term capital plan to support the operations of the company. In light of this new proposal, Paragraph 30 of the Merger Consent Order is hereby amended to read as follows:

30. SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, and SOUTHERN FIDELITY HOLDINGS, agree that an amount equal to the first tranche in its new proposed long-term capital plan shall have been received SOUTHERN FIDELITY by November 1, 2020.

All other terms and conditions of the Merger Consent Order remain unchanged and in full force and effect.

4. Any prior orders, consent orders, or corrective action plans that SOUTHERN FIDELITY has entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for SOUTHERN FIDELITY, except where provisions of such orders, consent orders, or corrective action plans have expired; have been superseded by subsequent orders, consent orders, or corrective action plans; or are inconsistent with this Consent Order.

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

6. SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, NATIONAL CONSUMER TITLE, and SOUTHERN FIDELITY HOLDINGS 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.

SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, NATIONAL CONSUMER TITLE, and SOUTHERN FIDELITY HOLDINGS also 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.

7. Each party to this action shall bear its own costs and fees.
8. 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 SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, NATIONAL CONSUMER TITLE, and SOUTHERN FIDELITY HOLDINGS, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SOUTHERN FIDELITY, SFPC HOLDINGS, CPIC HOLDINGS, NATIONAL CONSUMER TITLE, and SOUTHERN FIDELITY HOLDINGS agree that the signatures of their authorized representatives as affixed to this Consent Order shall be under the seal of Notary Public.

WHEREFORE, the agreement between SOUTHERN FIDELITY INSURANCE COMPANY; SFPC HOLDING COMPANY, LLC; SOUTHERN FIDELITY HOLDINGS, LLC; CPIC HOLDING COMPANY, LLC; NATIONAL CONSUMER TITLE INSURANCE COMPANY; and the FLORIDA OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is approved.

All terms and conditions contained herein are hereby ORDERED,

DONE and ORDERED this 15 day of October, 2020.



*David Altmaier*

---

David Altmaier, Commissioner  
Office of Insurance Regulation

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

SOUTHERN FIDELITY INSURANCE  
COMPANY

By: James Graganello

Print Name: James Graganello

Title: President

Date: 10-14-20

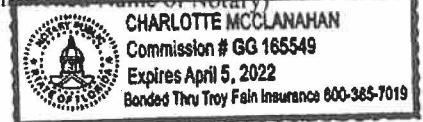
STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 14th day of October 2020, by James Graganello  
(name of person)  
as CEO/President for Southern Fidelity Insurance Company.  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Charlotte McLanahan  
(Signature of the Notary)

(Print, Type or Stamp Commissioned Name of Notary)



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

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

My Commission Expires: April 5, 2022

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

CPIC HOLDING COMPANY, LLC

By: John Donnell

Print Name: James Grayam/le

Title: President CEO

Date: 10-14-20

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 14<sup>th</sup> day of October 2020, by James Grayam/le  
(name of person)  
as CEO / President for CPIC Holding Company, LLC  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

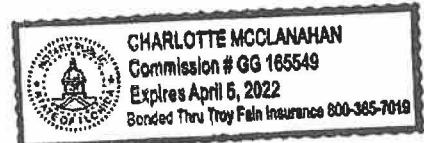
Charlotte McLanahan  
(Signature of the Notary)

(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: April 5, 2022



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

SFPC HOLDING COMPANY, LLC

By: James Graganella

Print Name: James Graganella

Title: President & CEO

Date: 10-14-20

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 14th day of October 2020, by James Graganella  
as CEO/President for SFPC Holding Company LLC.  
(name of person)  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Charlotte McLanahan

(Signature of the Notary)

(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: April 5, 2022



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

SOUTHERN FIDELITY HOLDINGS, LLC

By: James Gregan

Print Name: James Gregan

Title: President & CEO

Date: 10-14-20

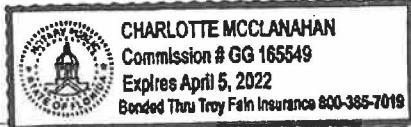
STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence or  online notarization, this 14<sup>th</sup> day of October 2020, by James Gregan  
(name of person)  
as CEO / President for Southern Fidelity Holdings, LLC  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Charlotte McClanahan  
(Signature of the Notary)

(Print, Type or Stamp Commissioned Name of Notary)



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

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

My Commission Expires: April 5, 2022

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

NATIONAL CONSUMER TITLE INSURANCE COMPANY

By: Jim Grogan II

Print Name: James Grogan II

Title: President & CEO

Date: 10-14-20

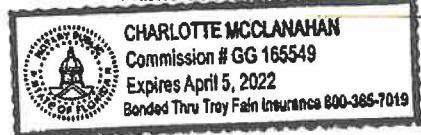
STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 14<sup>th</sup> day of October 2020, by James Grogan II  
(name of person)  
as CEO / President for National Consumer Title Insurance Co  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Charlotte McClanahan  
(Signature of the Notary)

(Print, Type or Stamp Commissioned Name of Notary)



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

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

My Commission Expires: April 15, 2022

COPIES FURNISHED TO:

JAMES A. GRAGANELLA, PRESIDENT  
National Consumer Title Insurance Company  
Southern Fidelity Insurance Company  
CPIC Holding Company, LLC  
SFPC Holding Company, LLC  
Southern Fidelity Holdings, LLC  
2750 Chancellorsville Drive  
Tallahassee, Florida 32312  
Telephone: (850) 521-0742, ext. 1225  
Email: [jgraganella@pmains.com](mailto:jgraganella@pmains.com)

WES STRICKLAND, ESQUIRE  
Colodny Fass  
119 East Park Avenue  
Tallahassee, Florida 32301  
Telephone: (850) 577-0398  
Email: [wstrickland@colodnyfass.com](mailto:wstrickland@colodnyfass.com)

VIRGINIA CHRISTY, DIRECTOR  
Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, FL 32399

ALISON STERETT, FINANCIAL ADMINISTRATOR  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399

JEANNINE CARROLL, FINANCIAL EXAMINER/ANALYST SUPERVISOR  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399

MICHAEL A. KLINER, ASSISTANT GENERAL COUNSEL  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399  
Telephone: (850) 413-4108  
Email: [michael.kliner@floir.com](mailto:michael.kliner@floir.com)

**FILED**

OCT 26 2020

INSURANCE REGULATION  
Docketed by: *[Signature]*



## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 271513-20

SOUTHERN FIDELITY INSURANCE COMPANY

**CONFIDENTIAL**

Pursuant to Section  
624.82, Florida Statutes

### ORDER FOR CONFIDENTIAL ADMINISTRATIVE SUPERVISION

THIS CAUSE came on for consideration upon review of the financial condition of SOUTHERN FIDELITY INSURANCE COMPANY ("SOUTHERN FIDELITY") by the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE"). 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 the parties herein.
2. SOUTHERN FIDELITY is a domestic property and casualty insurer authorized to transact insurance business in the state of Florida pursuant to a Certificate of Authority issued by the OFFICE, under the provisions of Chapter 624, Part III, Florida Statutes.
3. Consent Order 269310-20-CO ("Merger Consent Order"), issued by the OFFICE and docketed September 4, 2020, approved the merger of Capitol Preferred Insurance Company ("Capitol Preferred") with and into SOUTHERN FIDELITY. On September 18, 2020, and pursuant to the Merger Consent Order, SOUTHERN FIDELITY provided documents evidencing the completion of the merger effectuated on September 8, 2020.

4. National Consumer Title Insurance Company (“National Consumer”) is a domestic title insurer authorized to transact insurance business in the state of Florida pursuant to a Certificate of Authority issued by the OFFICE, under the provisions of Chapter 624, Part III, Florida Statutes. As a result of the merger referenced in paragraph 3, above, National Consumer became a wholly owned subsidiary of SOUTHERN FIDELITY.

5. On September 18, 2020, SOUTHERN FIDELITY submitted a consolidated financial statement in the name of SOUTHERN FIDELITY to the OFFICE, which included the year-to-date results of Capitol Preferred for the period ending August 31, 2020. Based on that consolidated financial statement the OFFICE determined that SOUTHERN FIDELITY was in an unsound condition as of August 31, 2020. The basis for that determination is as follows:

- a. SOUTHERN FIDELITY reported a surplus as regards policyholders as of August 31, 2020, of approximately \$20.8 million;
- b. SOUTHERN FIDELITY reported a net loss for 2020 of approximately \$64 million. The year-to-date loss exceeds the 50% threshold specified in Rule 69O-141.002(2)(f), Florida Administrative Code;
- c. SOUTHERN FIDELITY has verbally advised the OFFICE that it was impaired as of August 31, 2020, and that it intends to raise additional capital in order to meet the minimum surplus required by Section 624.408, Florida Statutes.

6. On September 30, 2020, SOUTHERN FIDELITY filed a revised consolidated financial statement with the OFFICE for the period ended August 31, 2020. The basis for filing a revised financial statement was the ability to claim an additional federal income tax credit of approximately \$12.6 million. The additional tax credit is based on provisions of the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020. The Surplus as regards policyholders reported in the revised consolidated financial statement as of August 31, 2020,

is approximately \$33.4 million, which includes the \$12.6 million tax credit.

7. On October 21, 2020, SOUTHERN FIDELITY filed a financial statement for the period ending September 30, 2020. The surplus as regards policyholders as reported in that financial statement was \$15,662,107, which is less than the minimum surplus required by Section 624.408, Florida Statutes. Accordingly, SOUTHERN FIDELITY is an impaired insurer within the meaning of Section 626.9541(1)(w) and 631.011(13), Florida Statutes.

8. SOUTHERN FIDELITY has experienced material losses in the states of Louisiana, Mississippi, and Florida as a result of the impact of Hurricanes Laura and Sally. The full extent of those losses has yet to be determined, and the ultimate losses were not able to be reported on the September 30, 2020, financial statement. In addition, SOUTHERN FIDELITY has represented that it expects additional losses occurring after September 30, 2020, as a result of Hurricane Delta to be up to \$9 million, as well as \$5 million in losses not related to hurricanes. As of the date of this Order, Tropical Storm Zeta is projected to make landfall along the Gulf Coast in states where SOUTHERN FIDELITY is licensed.

9. Based on the September 30, 2020, financial statement filed by SOUTHERN FIDELITY and subsequent events, SOUTHERN FIDELITY is in unsound financial condition and criteria exist for the implementation of administrative supervision of SOUTHERN FIDELITY pursuant to Section 624.81(2), Florida Statutes.

10. Administrative supervision is confidential as provided in Section 624.82(1), Florida Statutes; unless determined otherwise based on other provisions of Section 624.82, Florida Statutes. The OFFICE reserves the right in its sole discretion to make this Administrative Supervision, including this Order, public pursuant to Section 624.82(4), Florida Statutes.

11. SOUTHERN FIDELITY may not enter into any new agreements or amend any existing agreements with any affiliate, as defined in Section 631.011(1), Florida Statutes, without

prior written approval of the OFFICE.

12. SOUTHERN FIDELITY may not conduct the following activities during the period of supervision, without prior written approval by the OFFICE, as set forth in Section 624.83, Florida Statutes:

- a. Dispose of, convey, or encumber any of its assets or its business in force;
- b. Withdraw any of its bank accounts;
- c. Lend any of its funds;
- d. Invest any of its funds;
- e. Transfer any of its property;
- f. Incur any debt, obligation, or liability;
- g. Merge or consolidate with another company;
- h. Enter into any new reinsurance contract or treaty;
- i. Terminate, surrender, forfeit, convert, or lapse any insurance policy, certificate, or contract of insurance, except for nonpayment of premiums due;

13. SOUTHERN FIDELITY shall not waste assets or expend funds in excess of \$10,000, other than in the ordinary course of business, without the prior written consent of the OFFICE. If, after approval of a transaction over \$10,000 has been granted by the OFFICE, the OFFICE becomes aware of additional facts or circumstances that would have materially affected the OFFICE's approval, the OFFICE reserves the right to require such corrective action as it may deem necessary or advisable. Transactions in the ordinary course of business shall include, but shall not be limited to, payment of claims or settlement of disputed or litigated claims. SOUTHERN FIDELITY need not

obtain prior written approval for payment of claims or settlement of disputed or litigated claims over the amount of \$10,000; however, the OFFICE may retrospectively review such payments.

14. The OFFICE may appoint a Deputy Supervisor pursuant to Section 624.87, Florida Statutes. Such Deputy Supervisor shall represent the OFFICE and shall be under the control of the OFFICE.

15. SOUTHERN FIDELITY shall be responsible for administrative supervision expenses pursuant to Section 624.87, Florida Statutes, unless SOUTHERN FIDELITY shows that payment of administrative supervision expenses will have a material adverse impact on its financial condition. Otherwise, SOUTHERN FIDELITY shall reimburse the OFFICE for any reasonable expenses of supervision and will pay directly all contractors, including any Deputy Supervisor retained by the OFFICE, for assistance with the administrative supervision.

16. SOUTHERN FIDELITY shall provide access to examiners or other designees of the OFFICE and the Department of Financial Services to the offices, books, and records of SOUTHERN FIDELITY. Further, the OFFICE may have examiners or other designees to supervise activities, verify transactions, verify the condition and status of SOUTHERN FIDELITY and its progress in developing and complying with its plan, and perform any other duty as designated by the OFFICE. SOUTHERN FIDELITY shall cooperate with and facilitate the presence and work of such examiners or designees.

17. This Order does not prohibit other administrative action upon the Certificate of Authority of SOUTHERN FIDELITY deemed appropriate by the OFFICE in accordance with the Florida Insurance Code or with Sections 120.569(2)(n), 120.60(6), and 631.031, Florida Statutes.

18. Any prior Orders, Consent Orders, or corrective action plans that SOUTHERN FIDELITY has entered into with the OFFICE prior to the issuance of this Order shall remain in full force and effect for SOUTHERN FIDELITY, except where provisions of such Orders, Consent

Orders, or corrective action plans have expired; have been superseded by subsequent Orders, Consent Orders, or corrective action plans; or are inconsistent with this Order.

WHEREFORE, all terms and conditions contained herein to place SOUTHERN FIDELITY INSURANCE COMPANY in administrative supervision are hereby ORDERED.

DONE and ORDERED this 26th day of October, 2020.



*David Altmaier*

David Altmaier, Commissioner  
Office of Insurance Regulation

## **NOTICE OF RIGHTS**

Pursuant to sections 120.569 and 120.57, Florida Statutes, and chapter 28-106, Florida Administrative Code, you have the right to request a proceeding to contest this action by the Office of Insurance Regulation (Office) by filing a petition. Your petition must be in writing and directed to:

Agency Clerk  
Office of Insurance Regulation  
647 Larson Building  
200 East Gaines Street  
Tallahassee, Florida 32399-0300

The petition must be transmitted by U.S. Mail or hand-delivered. Petitions transmitted by facsimile transmission or electronic mail will not be accepted for filing. Your petition challenging this action must be received by the Office at the above address not later than twenty-one (21) days from the date on which you receive this notice. Any document received by the Office before 5:00 p.m. shall be filed as of that day but any document received after 5:00 p.m. shall be filed as of 8:00 a.m. on the next regular business day. If you do not timely file a petition, your right to a proceeding shall be deemed waived and the Office's agency action will be final.

If you desire to challenge this agency action and do not dispute the material facts as found by the Office, you may request a proceeding pursuant to sections 120.569 and 120.57(2), Florida Statutes. A petition for an administrative proceeding not involving disputed issues of material fact must comply with the content requirements of section 120.569(1), Florida Statutes, and Rule 28-106.301, Florida Administrative Code.

If you desire to challenge this agency action and dispute the material facts as found by the Office, you may request a proceeding pursuant to sections 120.569 and 120.57(1), Florida Statutes. A petition for an administrative proceeding involving disputed issues of material fact must comply with the content requirements of section 120.569(1), Florida Statutes, and Rule 28-106.201, Florida Administrative Code.

A petition that is not in substantial compliance with the applicable rules and statutes will be dismissed.

Any request for an 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.

Mediation under section 120.573, Florida Statutes, is not available for this agency action.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of this Order for Confidential Administrative Supervision was sent by Certified Mail, Return Receipt Requested, to JAMES A. GRAGANELLA, PRESIDENT, Southern Fidelity Insurance Company, 2750 Chancellorsville Drive, Tallahassee, FL 32312, and by email to [jgraganella@pmains.com](mailto:jgraganella@pmains.com), this 26<sup>th</sup> day of October, 2020.

*Michael Kliner*

Michael Kliner  
Assistant General Counsel  
Florida Bar Number: 909350  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399  
Telephone: (850) 413-4108  
Email: [michael.kliner@foir.com](mailto:michael.kliner@foir.com)

cc: Wes Strickland, Esquire  
Colodny Fass  
119 East Park Avenue  
Tallahassee, Florida 32301  
Telephone: (850) 577-0398  
Email: [wstrickland@colodnyfass.com](mailto:wstrickland@colodnyfass.com)



FILED

NOV 05 2020

INSURANCE REGULATION  
Docketed by: Re

## OFFICE OF INSURANCE REGULATION

DAVID ALTMAYER  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 272107-20-CO

SOUTHERN FIDELITY INSURANCE COMPANY

/

**CONFIDENTIAL**  
Pursuant to Section  
624.82, Florida Statutes

### CONSENT ORDER AMENDING ORDER NO. 271513-20

THIS CAUSE came on for consideration upon discussions between SOUTHERN FIDELITY INSURANCE COMPANY (“SOUTHERN FIDELITY”) and the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) to amend Order No. 271513-20, which placed SOUTHERN FIDELITY into confidential administrative supervision and was docketed October 26, 2020 (“October Order”). 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 the parties herein.
2. SOUTHERN FIDELITY has notified the OFFICE that it has in excess of 20,000 existing policyholders with policies that are or were due for renewal but that did not receive a statutorily required notice of renewal 45 days before the expiration of their policy. SOUTHERN FIDELITY further indicated that it has additional policyholders that will be due for renewal during November 2020, and for which it has not mailed the statutorily required 45-day notice of renewal.
3. The failure of SOUTHERN FIDELITY to send timely notices of renewal or non-renewal to its policyholders has caused confusion to both its agents and policyholders. This has

caused some policyholders to unnecessarily search for new coverage and may have led to delays in the settlement of claims.

4. SOUTHERN FIDELITY continues to be responsible for losses sustained by those policyholders described in paragraph 2 until such time as those policyholders receive a timely notice, pursuant to Section 627.4133(2)(c), Florida Statutes, and the applicable notice period has expired.

5. Subsequent to the OFFICE's October Order, SOUTHERN FIDELITY has provided the OFFICE with a binding term sheet from an investor that, subject to its terms, will provide new capital sufficient to put SOUTHERN FIDELITY in a position to begin writing new policies. SOUTHERN FIDELITY and the investor have agreed, pursuant to the term sheet, to infuse new capital into SOUTHERN FIDELITY by no later than the close of business on November 12, 2020, and to file a Form A by November 6, 2020.

6. In view of the short time period that remains before November 12, 2020, the OFFICE agrees that to mitigate any further harm to SOUTHERN FIDELITY policyholders, SOUTHERN FIDELITY may renew policies through November 12, 2020, with notices of renewal provided no more than 50 days from a policy expiration date.

7. As a condition of this amendment to the October Order, SOUTHERN FIDELITY hereby consents to administrative supervision and waives any rights to challenge the October Order in the future. SOUTHERN FIDELITY also has executed a Consent to Order of Rehabilitation or Liquidation, attached as Exhibit A, which will be held by the OFFICE pending approval of a Form A by the OFFICE and the infusion of a minimum of \$35 million into SOUTHERN FIDELITY.

8. The period of administrative supervision and Consent to Order of Rehabilitation or Liquidation, which is attached as Exhibit A, will automatically terminate and in the case of the Consent to Order of Rehabilitation or Liquidation will automatically become null and void, following the OFFICE's approval of the Form A and the infusion of a minimum of \$35 million into SOUTHERN FIDELITY. Should the foregoing conditions in this paragraph not be met by close of business on November 12, 2020, SOUTHERN FIDELITY agrees that the OFFICE may take any action it deems appropriate, including referring SOUTHERN FIDELITY to the Department of Financial Services for initiation of a receivership action pursuant to the attached executed Consent to Order of Rehabilitation or Liquidation.

9. Any prior orders, consent orders, or corrective action plans that SOUTHERN FIDELITY has entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for SOUTHERN FIDELITY, except where provisions of such orders, consent orders, or corrective action plans have expired; have been superseded by subsequent orders, consent orders, or corrective action plans; or are inconsistent with this Consent Order.

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

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

12. Each party to this action shall bear its own costs and fees.
13. The parties agree that this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of the authorized representative of SOUTHERN FIDELITY, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, SOUTHERN FIDELITY agrees that the signature of its authorized representative as affixed to this Consent Order shall be under the seal of Notary Public.

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

All terms and conditions contained herein are hereby ORDERED,

DONE and ORDERED this 5<sup>th</sup> day of November, 2020.



*David Altmaier*

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David Altmaier, Commissioner  
Office of Insurance Regulation

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

SOUTHERN FIDELITY INSURANCE  
COMPANY

By: James Gragone

Print Name: James Gragone

Title: President & CEO

Date: 11/5/20

STATE OF FL

COUNTY OF Leon

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

or  online notarization, this 5 day of November 2020, by James Gragone  
as President & CEO for Southern Fidelity Ins. Co.  
(name of person)  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Kristie Mock  
(Signature of the Notary)

Kristie Mock

(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 6/8/2022



COPIES FURNISHED TO:

JAMES A. GRAGANELLA, PRESIDENT  
National Consumer Title Insurance Company  
Southern Fidelity Insurance Company  
CPIC Holding Company, LLC  
SFPC Holding Company, LLC  
Southern Fidelity Holdings, LLC  
2750 Chancellorsville Drive  
Tallahassee, Florida 32312  
Telephone: (850) 521-0742, ext. 1225  
Email: [jgraganella@pmains.com](mailto:jgraganella@pmains.com)

WES STRICKLAND, ESQUIRE  
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119 East Park Avenue  
Tallahassee, Florida 32301  
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VIRGINIA CHRISTY, DIRECTOR  
Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, FL 32399

JEANNINE CARROLL, FINANCIAL EXAMINER/ANALYST SUPERVISOR  
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Tallahassee, Florida 32399

MICHAEL A. KLINER, ASSISTANT GENERAL COUNSEL  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, Florida 32399  
Telephone: (850) 413-4108  
Email: [michael.kliner@flioir.com](mailto:michael.kliner@flioir.com)



## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAYER**  
COMMISSIONER

## EXHIBIT A

### CONSENT TO ORDER OF REHABILITATION OR LIQUIDATION

IT IS HEREBY agreed as follows:

1. SOUTHERN FIDELITY INSURANCE COMPANY ("RESPONDENT"), is a Florida corporation authorized to transact business as a property and casualty insurance company in the State of Florida.

2. Through the Joint Resolution of RESPONDENT's President and Directors, attached hereto as Exhibit "1", RESPONDENT admits that grounds exist for the appointment of the Department of Financial Services, Division of Rehabilitation and Liquidation (herein after referred to as the "DEPARTMENT"), as Receiver of RESPONDENT for the purpose of Rehabilitation or Liquidation pursuant to Sections 631.051 and 631.061, Florida Statutes.

3. RESPONDENT consents to the entry of an Order appointing the DEPARTMENT as Receiver and acknowledges that the DEPARTMENT may apply to the Court for an Order of Rehabilitation or Liquidation, at the sole discretion of the DEPARTMENT, on the basis that the Respondent has consented to the entry of such an Order. RESPONDENT further agrees that the DEPARTMENT shall have the sole discretion to determine whether RESPONDENT shall be placed into rehabilitation or liquidation due to insolvency as defined in Fla. Stat. 631.011(14). In the event that the DEPARTMENT initially obtains an Order appointing it as Receiver of RESPONDENT for purposes of Rehabilitation, the RESPONDENT further consents to the

DEPARTMENT obtaining a subsequent Order appointing the DEPARTMENT as Receiver for the purposes of Liquidation due to insolvency as defined in Fla. Stat. 631.011(14), should the DEPARTMENT, at any time and in its sole discretion, determine that Rehabilitation of Respondent is not feasible.

4. RESPONDENT expressly waives any right to notice, to a hearing or further proceedings of any kind, and to an appeal, as outlined in Chapter 631, Part I, Florida Statutes, in the event that the DEPARTMENT determines that the Rehabilitation of the RESPONDENT is not feasible and that Liquidation of RESPONDENT is necessary.

5. RESPONDENT acknowledges that it has executed this Consent to Order of Rehabilitation or Liquidation voluntarily and of its own accord, having had the opportunity to consult counsel of its choosing, and has not been threatened or coerced to execute this consent by the Department of Financial Services, Florida Office of Insurance Regulation, or any other individual or entity.

6. The RESPONDENT and its President, James Graganella, further agree that in the event it is deemed necessary by the DEPARTMENT in its sole discretion, James Graganella will voluntarily make a personal appearance, without the necessity of service of a subpoena or any other type of process, in the Circuit Court in and for Leon County, Florida to offer sworn testimony regarding the circumstances surrounding the execution of this Consent to Order of Rehabilitation or Liquidation.

By execution hereof SOUTHERN FIDELITY INSURANCE COMPANY consents to the appointment of the DEPARTMENT OF FINANCIAL SERVICES as receiver for purposes of Rehabilitation or Liquidation, 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 SOUTHERN FIDELITY INSURANCE COMPANY to the terms and conditions above.

Corporate Seal

C. Hubbard

Witness

Tom Boden

Witness

SOUTHERN FIDELITY INSURANCE  
COMPANY

By:

James Graganella

James Graganella

Date:

11-4-20

STATE OF FL

COUNTY OF Leon

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

or  online notarization, this 4 day of November 2020, by James Graganella (name of person)  
Southern Fidelity Insurance Co. as President/CED for  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Kristie Mock  
(Signature of the Notary)

Kristie Mock

(Print, Type or Stamp Commissioned Name of

Notary)

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

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

My Commission Expires 6/8/32



FILED

NOV 16 2020

INSURANCE REGULATION  
Docketed by: KE



## OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 272567-20-CO

Application for the Direct Acquisition of  
SOUTHERN FIDELITY INSURANCE COMPANY  
and the Indirect Acquisition of  
NATIONAL CONSUMER TITLE INSURANCE COMPANY  
by GULF & ATLANTIC INSURANCE COMPANIES INC.

### CONSENT ORDER

THIS CAUSE came on for consideration upon the filing with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") of an application for the proposed direct acquisition of 100% of the issued and outstanding voting securities of SOUTHERN FIDELITY INSURANCE COMPANY ("SOUTHERN FIDELITY") and the proposed indirect acquisition of 100% of the issued and outstanding voting securities of NATIONAL CONSUMER TITLE INSURANCE COMPANY ("NATIONAL CONSUMER TITLE") by GULF & ATLANTIC INSURANCE COMPANIES INC. ("APPLICANT"), pursuant to Section 628.461, Florida Statutes (the two filings will be referred to collectively as the "Application"). 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 the parties herein.
2. SOUTHERN FIDELITY is a domestic property and casualty insurer authorized to transact property and casualty insurance in Florida through a subsisting Certificate of Authority issued by the OFFICE. SOUTHERN FIDELITY is 68.748% owned by SOUTHERN FIDELITY

HOLDING, LLC (“SOUTHERN FIDELITY HOLDINGS”); 18.261% owned by SFPC HOLDING COMPANY, LLC (“SFPC HOLDINGS”); and 10.534% owned by CPIC HOLDING COMPANY, LLC (“CPIC HOLDINGS”), all Florida limited liability companies, with no other 10% or greater shareholders. The membership interest of SOUTHERN FIDELITY HOLDINGS is owned 29.78% by Thomas R. Becnel, an individual, with no other 10% or greater membership interest holders. The membership interest of SFPC HOLDINGS is owned 12.15% by JAG Family Investments, LLC, a Florida limited liability company, with no other 10% or greater membership interest holders. The membership interest of JAG Family Investments, LLC, is jointly owned 100% by James and Lisa Graganella. The membership interest of CPIC HOLDINGS is owned 11.5% by the Thomas R. Becnel Beneficiary Trust, whose Trustee is Thomas R. Becnel, with no other 10% or greater interest holders.

3. NATIONAL CONSUMER TITLE is a domestic title insurer authorized to transact title insurance in Florida through a subsisting Certificate of Authority issued by the OFFICE. It is owned 100% by SOUTHERN FIDELITY.

4. APPLICANT is a Florida corporation that is owned 52.4% by HS SANTANONI LP (“SANTANONI”), a Bermuda limited partnership, and 47.6% by HSCM BERMUDA FUND LTD. (“HSCM BERMUDA”), a Bermuda exempted company. All of the voting securities of SANTANONI and HSCM BERMUDA are owned by Hudson Structured Capital Management Ltd., a Bermuda exempted company, whose voting securities are owned 99.5% by Hudson Structured Capital Management LP, a Bermuda limited partnership, whose General Partner is HSCM GP LLC, a Delaware limited liability company, whose Managing Member is Michael J. Millette.

5. On September 4, 2020, the OFFICE entered into Consent Order No. 269310-20-CO, approving the merger of SOUTHERN FIDELITY's then affiliate, Capitol Preferred Insurance Company, Inc., with and into SOUTHERN FIDELITY ("Merger Consent Order"). As represented in the Merger Consent Order, SOUTHERN FIDELITY planned to raise additional equity capital in several tranches, allowing it to meet the minimum surplus requirements through December 31, 2020, and beyond. The Merger Consent Order has subsequently been amended twice to date by the OFFICE to allow for extensions of time for the first tranche of equity capital to be infused, with the latest approved date being November 12, 2020. The OFFICE hereby grants an additional extension of time for said infusion to November 16, 2020.

6. On November 16, 2020, APPLICANT entered into a Stock Purchase Agreement ("Agreement") with SOUTHERN FIDELITY, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, James Graganella, and CPIC HOLDINGS for the purchase of 100% of the issued and outstanding voting securities of SOUTHERN FIDELITY and for the indirect acquisition of NATIONAL CONSUMER TITLE ("Transaction"), the terms of which are detailed in the Application.

7. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, and NATIONAL CONSUMER TITLE represent that, except as disclosed in the Application, none of the individuals who will exercise control subsequent to this acquisition, directly or indirectly, over SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE have been found guilty of, or have pleaded guilty or nolo contendere to, a felony or a misdemeanor, other than a civil traffic offense.

8. APPLICANT shall submit, or cause to be submitted, to the OFFICE complete background information for Christopher Harris, including Biographical Affidavit, supplemental

information, third-party verification report produced by an approved vendor, and fingerprint cards within 90 days of execution of this Consent Order. Additionally, if any other background information for any individual for whom APPLICANT was required to submit background information as part of this Application has not been submitted as of the date of the execution of this Consent Order, APPLICANT shall submit, or cause this information to be submitted, to the OFFICE within 90 days of the execution of this Consent Order.

9. If the OFFICE determines that any individual for whom APPLICANT is required to submit background information as part of this Application is unacceptable under the Florida Insurance Code, APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, or NATIONAL CONSUMER TITLE shall remove said person within 30 days of notice from the OFFICE and replace them with a person or persons acceptable to the OFFICE, or shall undertake such other corrective action as directed by the OFFICE. Failure to act would constitute an immediate serious danger to the public, pursuant to Sections 120.569(2)(n) and 120.60(6), Florida Statutes, and the OFFICE may take administrative action as it deems appropriate upon the Certificates of Authority of SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE without further proceedings, pursuant to Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

10. APPLICANT, HSCM BERMUDA, SANTANONI, and HSCM GP LLC represent that, except as disclosed in the Application, there are no present plans or proposals to make any substantive changes to the Plans of Operation of SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE, including liquidating them, selling any of their assets (except for transactions such as investment portfolio transactions in the ordinary course of business), merging

or consolidating them with any person or persons, or making any other major change in their business operations.

11. APPLICANT agrees to submit any application documents that have not already been provided to the OFFICE by close of business on November, 18, 2020, unless otherwise agreed to in writing by the OFFICE.

12. All parties to this Consent Order agree that this Consent Order shall be deemed null and void if the Transaction contemplated in the Agreement and in the Application is not completed, or required regulatory approvals are not obtained, within 60 days of execution of this Consent Order.

13. Within 10 business days after the Transaction is completed, APPLICANT shall submit, or cause to be submitted, to the OFFICE all documents evidencing completion of the Transaction not already provided to the OFFICE. Further, APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, or NATIONAL CONSUMER TITLE shall notify the OFFICE within 3 business days of a final determination that the Transaction will not occur.

14. As part of this Application, SOUTHERN FIDELITY filed a request for approval of a capital contribution resulting from the Transaction to be reported on SOUTHERN FIDELITY's Third Quarter 2020 Financial Statement, in accordance with the Statement of Statutory Accounting Principles No. 72. The OFFICE approves this request subject to the successful closing of the Transaction; the contribution of proceeds as contemplated in the Stock Purchase Agreement, the Application, other documentation provided to the OFFICE by SOUTHERN FIDELITY; and compliance with all other terms and conditions of this Consent Order.

15. With each financial statement filed with the OFFICE, SOUTHERN FIDELITY agrees to provide a calculation, as the date of the financial statement, of its authorized control level risk-based capital (“RBC”) determined in accordance with the formula set forth in the instructions for preparing an RBC report as adopted by the National Association of Insurance Commissioners.

16. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE shall, no later than 15 days after the month in which the Transaction is completed, file updates to their Holding Company Registration Statements, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

17. Any material changes to the information submitted in the Application filing shall be reported to the OFFICE for its review during the pendency of the closing of the Transaction. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, and NATIONAL CONSUMER TITLE acknowledge that if the OFFICE determines that any of these reported changes would have a material negative impact to the financial condition or operation of SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE, the OFFICE may rescind its approval as granted in this Consent Order by written notice to APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, or CPIC HOLDINGS.

18. Pursuant to Sections 628.461(3)(f)-(g), Florida Statutes, APPLICANT, HSCM BERMUDA, SANTANONI, or HSCM GP LLC, or any other party meeting the definition of “ultimate controlling person” as defined in Section 628.801(2), Florida Statutes, shall file with the OFFICE the Enterprise Risk Report required by Section 628.801(2), Florida Statutes, and any and all additional information necessary to evaluate the enterprise risk of SOUTHERN FIDELITY and its affiliates.

19. Pursuant to Section 624.10(3), Florida Statutes, and upon completion of the Transaction, APPLICANT, HSCM BERMUDA, SANTANONI, and HSCM GP LLC will be controlling entities and, as such, shall comply with Section 628.461(12)(b), Florida Statutes, should APPLICANT, HSCM BERMUDA, SANTANONI, or HSCM GP LLC choose to divest their controlling interest in SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE.

20. All parties to this Consent Order agree that SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE may operate consistent with the pro formas and business plans that were provided in connection with the Application.

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

22. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE affirm and represent that all information, explanations, representations, statements, and documents provided to the OFFICE in connection with this Application, including all attachments and supplements thereto, are true and correct and fully describe all transactions, agreements, ownership structures, understandings, and control with regard to the acquisition and future operations of SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, CPIC

HOLDINGS, and NATIONAL CONSUMER TITLE further agree and affirm that said information, explanations, representations, statements, and documents, including all attachments and supplements thereto, are 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.

23. SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE shall report to the OFFICE, Property & Casualty Financial Oversight, any time that either of them is named as a party defendant in a class action lawsuit within 15 days after the class is certified. SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE shall include a copy of the complaint at the time the class action lawsuit is reported to the OFFICE.

24. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE shall each maintain an information security program for the security and protection of confidential and proprietary information under their control that complies with all applicable laws and regulations regarding information security. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE agree that they shall continually monitor and enhance their information security programs in order to mitigate data security breaches. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE further agree that they shall notify the OFFICE within 5 business days of identifying a data breach.

25. Executive Order 13224 prohibits any transactions by U.S. persons involving the blocked assets and interests of terrorists and terrorist support organizations. SOUTHERN FIDELITY and NATIONAL CONSUMER TITLE shall maintain and adhere to procedures necessary to detect and prevent prohibited transactions with those individuals and entities, which have been identified at the Treasury Department's Office of Foreign Assets Control website, <http://www.treas.gov/ofac>.

26. Within 60 days of the execution of this Consent Order, APPLICANT shall submit, or cause to be submitted, to the OFFICE a certification evidencing compliance with all the requirements of this Consent Order. Any exceptions shall be so noted and contained in the certification. Exceptions noted in the certification shall also include a timeline defining when the outstanding requirements of the Consent Order will be completed. Said certification shall be submitted to the OFFICE via electronic mail and directed to the attention of the Assistant General Counsel representing the OFFICE in this matter and as named in this Consent Order.

27. 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 written approval by the OFFICE is subject to statutory or administrative regulation limitations.

28. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE 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. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE 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.

29. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, CPIC HOLDINGS, and

NATIONAL CONSUMER TITLE affirm that all requirements set forth herein are material to the issuance of this Consent Order.

30. APPLICANT, HSCM BERMUDA, SANTANONI, HSCM GP LLC, SOUTHERN FIDELITY, SOUTHERN FIDELITY HOLDINGS, SFPC HOLDINGS, CPIC HOLDINGS, and NATIONAL CONSUMER TITLE 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 the Certificates of Authority of SOUTHERN FIDELITY or NATIONAL CONSUMER TITLE in this state in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

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

32. 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 APPLICANT; HSCM BERMUDA; SANTANONI; HSCM GP LLC; SOUTHERN FIDELITY; SOUTHERN FIDELITY HOLDINGS; SFPC HOLDINGS; CPIC HOLDINGS; and NATIONAL CONSUMER TITLE, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically. Further, APPLICANT; HSCM BERMUDA; SANTANONI; HSCM GP LLC; SOUTHERN FIDELITY; SOUTHERN FIDELITY HOLDINGS; SFPC HOLDINGS; CPIC HOLDINGS; and NATIONAL CONSUMER TITLE agree that the signatures of their authorized representatives as affixed to this Consent Order shall be under the seal of Notary Public.

WHEREFORE, subject to the terms and conditions set forth above, the Application for the proposed direct acquisition of 100% of the issued and outstanding voting securities of SOUTHERN FIDELITY INSURANCE COMPANY and the proposed indirect acquisition of 100% of the issued and outstanding voting securities of NATIONAL CONSUMER TITLE INSURANCE COMPANY by GULF & ATLANTIC INSURANCE COMPANIES INC., pursuant to Section 628.461, Florida Statutes, is APPROVED.

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

DONE and ORDERED this 16th day of November, 2020.



*David Altmaier*

---

David Altmaier, Commissioner  
Office of Insurance Regulation

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

GULF & ATLANTIC INSURANCE COMPANIES INC.

By: Michael Millete

Print Name: Michael Millete

Title: Director

Date: November 16, 2020

STATE OF New York

COUNTY OF Queens

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 16<sup>th</sup> day of November 2020, by \_\_\_\_\_  
(name of person)

as \_\_\_\_\_ for \_\_\_\_\_  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

EKATERINI PALIOURAS  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01PA6370317  
Qualified in Queens County  
My Commission Expires 01-29-2022

EKATERINI PALIOURAS  
(Signature of the Notary)

EKATERINI PALIOURAS  
(Print, Type or Stamp Commissioned Name of Notary)

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

Type of Identification Produced Drivers license

My Commission Expires: 1/29/22

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

SOUTHERN FIDELITY INSURANCE  
COMPANY

By: Jim Agrest

Print Name: James Gragamella

Title: President & CEO

Date: 11/16/2020

STATE OF FL

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 16 day of November 2020, by James Gragamella  
as President & CEO (name of person)  
(type of authority; e.g., officer, trustee, attorney in fact) for Southern Fidelity Inc. Co. (company name)

Kristie Mock  
(Signature of the Notary)

Kristie Mock  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 6/8/2022



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

SOUTHERN FIDELITY HOLDING, LLC

By: James Bragagnella

Print Name: James Bragagnella

Title: President & CEO

Date: 11/16/2020

STATE OF FL

COUNTY OF Leon

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

or  online notarization, this 16 day of November 2020, by James Bragagnella  
as President & CEO for Southern Fidelity Holding, LLC  
(name of person)  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Kristie Mock  
(Signature of the Notary)

Kristie Mock  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 6/8/2022



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

CPIC HOLDING COMPANY, LLC

By: James Gragnella

Print Name: James Gragnella

Title: President & CEO

Date: 11/16/2020

STATE OF FL  
COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 16 day of November 2020, by James Gragnella  
as President & CEO for CPIC Holding Co., LLC.  
(name of person)  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Kristie Mock  
(Signature of the Notary)

Kristie Mock  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 6/8/2022



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

SFPC HOLDING COMPANY, LLC

By: James Greganella

Print Name: James Greganella

Title: President & CEO

Date: 11/16/2020

STATE OF FL

COUNTY OF Leon

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

or  online notarization, this \_\_\_\_\_ day of \_\_\_\_\_ 2020, by James Greganella  
as President & CEO (name of person) for SFPC Holding Co, LLC (company name)  
(type of authority; e.g., officer, trustee, attorney in fact)

Kristie Mock  
(Signature of the Notary)

Kristie Mock  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 6/8/2022



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

NATIONAL CONSUMER TITLE INSURANCE COMPANY

By: James Gragnella

Print Name: James Gragnella

Title: President & CEO

Date: \_\_\_\_\_

STATE OF FL

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 11 day of November 2020, by James Gragnella  
as President, CEO for National Consumer Title Inc.  
(name of person)  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

Kristie Mock  
(Signature of the Notary)

Kristie Mock  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 6/8/2020



By execution hereof, HSCM BERMUDA FUND LTD., 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 HSCM BERMUDA FUND LTD., to the terms and conditions of this Consent Order.

HSCM BERMUDA FUND LTD.

By Michael Mille

Print Name: Michael Mille

Title: Director

Date: November 16, 2020

STATE OF New York  
COUNTY OF Queens

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 16<sup>th</sup> day of November 2020, by \_\_\_\_\_  
(name of person)  
as \_\_\_\_\_ for \_\_\_\_\_  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

EKATERINI PALIOURAS  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01PA6370317  
Qualified in Queens County  
My Commission Expires 01-29-2022

Ekaterini Paliouras  
(Print, Type or Stamp Commissioned Name of Notary)

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

Type of Identification Produced Drivers license

My Commission Expires: 1/29/22

By execution hereof, HS SANTANONI LP 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 HS SANTANONI LP to the terms and conditions of this Consent Order.

HS SANTANONI LP

By: Michael Miller

Print Name: Michael Miller

Title: Managing Partner

Date: November 16, 2020

STATE OF New York

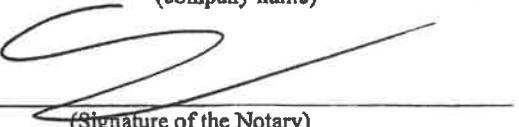
COUNTY OF Queens

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

or  online notarization, this 16<sup>th</sup> day of November 2020, by \_\_\_\_\_  
(name of person)

as \_\_\_\_\_ for \_\_\_\_\_  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

EKATERINI PALIOURAS  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01PA6370317  
Qualified in Queens County  
My Commission Expires 01-29-2022

  
(Signature of the Notary)

Ekaterini Paliouras  
(Print, Type or Stamp Commissioned Name of Notary)

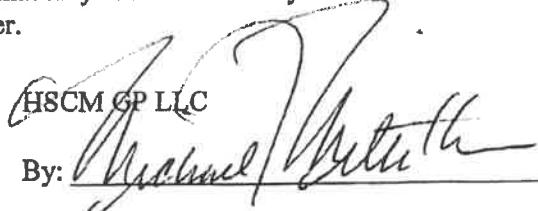
Personally Known \_\_\_\_\_ OR Produced Identification

Type of Identification Produced Drivers license

My Commission Expires: 1/29/22

By execution hereof, HSCM GP LLC 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 HSCM GP LLC to the terms and conditions of this Consent Order.

HSCM GP LLC

By: 

Print Name: Michael J. Millette

Title: Managing Member

Date: November 16, 2020

STATE OF New York

COUNTY OF Queens

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

or  online notarization, this 16<sup>th</sup> day of November 2020, by \_\_\_\_\_  
(name of person)  
as \_\_\_\_\_ for \_\_\_\_\_  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

EKATERINI PALIOURAS  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01PA6370317  
Qualified in Queens County  
My Commission Expires 01-29-2022

  
(Signature of the Notary)

Ekaterini Palioras

(Print, Type or Stamp Commissioned Name of Notary)

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

Type of Identification Produced Drivers license

My Commission Expires: 1/29/22

COPIES FURNISHED TO:

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SFPC Holding Company, LLC  
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JEANNINE CARROLL, FINANCIAL  
EXAMINER/ANALYST SUPERVISOR  
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200 East Gaines Street  
Tallahassee, Florida 32399

MICHAEL A. KLINER, ASSISTANT  
GENERAL COUNSEL  
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Telephone: (850) 413-4108  
Email: [michael.kliner@foir.com](mailto:michael.kliner@foir.com)

HUDSON SYRUSTRUCTURED CAPITAL  
MANAGEMENT LP  
Attention: Ajay Mehra, Chief Legal Officer  
Clarendon House  
2 Church Street  
Hamilton, Bermuda HM11

HUDSON STRUCTURED CAPITAL  
MANAGEMENT LTD.  
Attention: Ajay Mehra, Chief Legal Officer  
Clarendon House  
2 Church Street  
Hamilton, Bermuda HM11

APR 28 2021

INSURANCE REGULATION  
Docketed by: 25**OFFICE OF INSURANCE REGULATION****DAVID ALTMAYER**  
COMMISSIONER

IN THE MATTER OF:

SOUTHERN FIDELITY  
INSURANCE COMPANY

CASE NO.: 280009-21-CO

**CONSENT ORDER**

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) by SOUTHERN FIDELITY INSURANCE COMPANY (“SOUTHERN FIDELITY” or “Company”) for approval to nonrenew approximately 19,600 personal residential policies over the next 14 months. The filing contemplates the nonrenewal, at the current expiration date, of approximately 2,300 policies with less than the required statutory written notice, and the nonrenewal of the remainder of the policies with the advance written notice required by Section 627.4133(2)(b), Florida Statutes. Approval of such a request requires a finding by the OFFICE that the early nonrenewal of some or all of the insurer’s policies is necessary to protect the best interests of the public or policyholders and the OFFICE approves the insurer’s plan for early nonrenewal of some or all of its policies. The early nonrenewal of policies permitted by Section 627.4133(2)(b)6., Florida Statutes is an extraordinary statutory remedy reserved to address insurers which are or may be in hazardous financial condition without the nonrenewal of some or all of its policies. After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

## INTRODUCTION

1. The OFFICE has jurisdiction over the subject matter and the parties herein.
2. SOUTHERN FIDELITY is a domestic property and casualty insurer authorized to transact property and casualty insurance in Florida through a subsisting Certificate of Authority issued by the OFFICE.
3. This order is the latest in a series of orders issued by the OFFICE designed to remediate the financial condition of SOUTHERN FIDELITY and to facilitate a long-term financial restructuring plan for the Company. This order follows prior orders that approved a rate increase for SOUTHERN FIDELITY, the merger of SOUTHERN FIDELITY with a sister company, the cancellation of an identified block of policies, and a capital contribution plan developed by the Company's new indirect owners.
4. Information filed by the Company in support of its request demonstrates that without the approval of this plan of nonrenewal, the Company would not be able to satisfy the surplus requirements of Section 624.408, Florida Statutes, nor to complete its long-term restructuring plan.

## LEGAL ANALYSIS

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

Notwithstanding any other provision of law, an insurer may cancel or nonrenew a property insurance policy after at least 45 days' notice if the office finds that the early cancellation of some or all of the insurer's policies is necessary to protect the best interest of the public or policyholders and the office approves the insurer's plan

for early cancellation or nonrenewal of some or all of its policies. The office may base such finding upon the financial condition of the insurer, lack of adequate reinsurance coverage for hurricane risk, or other relevant factors. The office may condition its finding on the consent of the insurer to be placed under administrative supervision pursuant to s. 624.81 or to the appointment of a receiver under chapter 631.

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

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

#### CONDITIONS OF APPROVAL

8. After review of the information filed in support of this request, and considering all of the attendant facts and circumstances, the OFFICE finds that approval of the nonrenewal plan filed by SOUTHERN FIDELITY is necessary to protect the best interests of its policyholders and the public. The approval of this plan is subject to compliance with the following provisions:

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

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

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

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

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

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

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

11. Any prior orders, consent orders, or corrective action plans that SOUTHERN FIDELITY has entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for SOUTHERN FIDELITY, except where provisions of such orders, consent orders, or corrective action plans have expired; have been superseded by subsequent orders, consent orders, or corrective action plans; or are inconsistent with this Consent Order.

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

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

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

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

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

All terms and conditions contained herein are hereby ORDERED,

DONE and ORDERED this 28 day of April, 2021.



David Altmaier, Commissioner  
Office of Insurance Regulation

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

SOUTHERN FIDELITY INSURANCE  
COMPANY

By: 

Print Name: Byron Wells

Title: Co-CEO

Date: 4-23-21

STATE OF Florida

COUNTY OF Leon

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

or  online notarization, this 23<sup>rd</sup> day of April 2021, by Byron Wells  
(name of person)  
as Co-CEO for Southern Fidelity Insurance Company  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

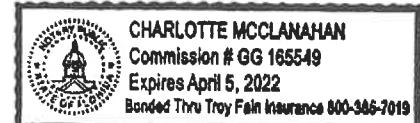
Charlotte McLanahan  
(Signature of the Notary)

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

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

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

My Commission Expires: April 5, 2022



COPIES FURNISHED TO:

WES STRICKLAND, ESQ.  
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119 East Park Avenue  
Tallahassee, Florida 32301  
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Telephone: (850) 577-0398

BYRON WELLS, CO-CHIEF EXECUTIVE OFFICER  
Southern Fidelity Insurance Company  
2750 Chancellorsville Drive  
Tallahassee, Florida 32312

JUSTIN EDENFIELD, CO-CHIEF EXECUTIVE OFFICER  
Southern Fidelity Insurance Company  
2750 Chancellorsville Drive  
Tallahassee, Florida 32312

VIRGINIA CHRISTY, DIRECTOR  
Property & Casualty Financial Oversight  
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JEANNINE CARROLL, FINANCIAL EXAMINER/ANALYST SUPERVISOR  
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ANOUSH ARAKALIAN BRANGACCIO, GENERAL COUNSEL  
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Tallahassee, Florida 32399  
Telephone: (850) 413-4116  
Email: [Anoush.Brangaccio@foir.com](mailto:Anoush.Brangaccio@foir.com)

JUL 20 2021

INSURANCE REGULATION  
Docketed by: 

## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 283142-21-CO

Application for the Direct Acquisition of  
NATIONAL CONSUMER TITLE  
INSURANCE COMPANY by  
HG HOLDINGS, INC.

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CONSENT ORDER

THIS CAUSE came on for consideration upon the filing by HG HOLDINGS, INC. ("APPLICANT"), with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") of an application for the direct acquisition of NATIONAL CONSUMER TITLE INSURANCE COMPANY ("NATIONAL CONSUMER TITLE"), pursuant to Section 628.461, Florida Statutes ("Application"). 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 the parties herein.
2. APPLICANT has applied for and, subject to the present and continuing satisfaction of the requirements, terms, and conditions established herein, has satisfactorily met all of the conditions precedent to the granting of approval by the OFFICE for the proposed direct acquisition of NATIONAL CONSUMER TITLE, pursuant to the requirements of the Florida Insurance Code.
3. NATIONAL CONSUMER TITLE is a Florida domestic title insurer authorized to transact title insurance in Florida through a subsisting Certificate of Authority issued by the

OFFICE. It is 100% owned by SOUTHERN FIDELITY INSURANCE COMPANY (“SOUTHERN FIDELITY”), a Florida domestic insurer, whose ownership structure is as detailed in the Application.

4. APPLICANT is a Delaware corporation whose securities are traded under the symbol “STLY (US:OTC)” on an over-the-counter broker-dealer network, and whose ownership structure is as detailed in the Application. APPLICANT’s ultimate controlling persons are STEVEN A. HALE, II, BRADLEY G. GARNER, and F. TUCKER GOLDEN, individuals (collectively referred to herein as “SHAREHOLDERS”).

5. Pursuant to the terms of an agreement dated April 20, 2021, SOUTHERN FIDELITY will sell 100% of the issued and outstanding common stock of NATIONAL CONSUMER TITLE to APPLICANT (“Transaction”). At the conclusion of the Transaction, APPLICANT will own 100% of the issued and outstanding common stock of NATIONAL CONSUMER TITLE.

6. APPLICANT shall submit, or cause to be submitted, to the OFFICE any outstanding background information, including Biographical Affidavit, supplemental information, third-party verification report produced by an approved vendor, and fingerprint cards within 90 days of execution of this Consent Order.

7. If the OFFICE determines that any individual for whom APPLICANT is required to submit background information as part of this Application is unacceptable under the Florida Insurance Code, APPLICANT, SHAREHOLDERS, or NATIONAL CONSUMER TITLE shall cause the removal of said person within 30 days of notice from the OFFICE and replace them with a person or persons acceptable to the OFFICE, or shall undertake such other corrective action as directed by the OFFICE. Failure to act would constitute an immediate serious danger to the public

and the OFFICE may take administrative action as it deems appropriate upon the Certificate of Authority of NATIONAL CONSUMER TITLE without further proceedings, pursuant to Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

8. APPLICANT, SHAREHOLDERS, and NATIONAL CONSUMER TITLE represent that, except as described in the Application, there are no present plans or proposals to make any substantive changes to NATIONAL CONSUMER TITLE, including liquidating it, selling any of its assets (except transactions such as investment portfolio transactions in the ordinary course of business), merging or consolidating it with any person or persons, or making any other major change in its business operations, management, or corporate structure.

9. NATIONAL CONSUMER TITLE shall, no later than 15 days after the month in which the Transaction is completed, file with the OFFICE an updated Holding Company Registration Statement, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

10. Pursuant to Sections 628.461(3)(f)-(g), Florida Statutes, APPLICANT, SHAREHOLDERS, NATIONAL CONSUMER TITLE, and any “ultimate controlling person” as defined in Section 628.801(2), Florida Statutes, shall file with the OFFICE the Enterprise Risk Report required by Section 628.801(2), Florida Statutes, and any all additional information necessary to evaluate the enterprise risk of NATIONAL CONSUMER TITLE.

11. Pursuant to Section 624.10(3), Florida Statutes, and upon completion of the Transaction, APPLICANT, SHAREHOLDERS, and all controlling entities of NATIONAL CONSUMER TITLE shall comply with Section 628.461(12)(b), Florida Statutes, should APPLICANT, SHAREHOLDERS, or any such controlling entities choose to divest their controlling interests of NATIONAL CONSUMER TITLE.

12. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE represent that there are no agreements, written or oral, related to the Application and Transaction that have not been provided to the OFFICE.

13. Any material changes to the information submitted in the Application filing shall be reported to the OFFICE for its review during the pendency of the closing of the Transaction. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE acknowledge that if the OFFICE determines that any of these reported changes would have a material negative impact to the financial condition or operation of NATIONAL CONSUMER TITLE, the OFFICE may rescind its approval as granted in this Consent Order by written notice to APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, or NATIONAL CONSUMER TITLE .

14. Within 10 business days after the Transaction is completed, APPLICANT shall submit, or cause to be submitted, to the OFFICE all documents evidencing completion of said Transaction not already provided to the OFFICE. Further, APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, or NATIONAL CONSUMER TITLE shall notify the OFFICE within 3 business days of a final determination that the Transaction will not occur.

15. All parties to this Consent Order acknowledge that completion of the Transaction is subject to obtaining any other requisite regulatory or governmental approvals and that this Consent Order shall be deemed null and void if the Transaction is not completed within 60 days of the execution of this Consent Order. Accordingly, if APPLICANT fails to receive any other requisite approvals or the Transaction is not completed timely, the provisions of this Consent Order shall terminate automatically and have no effect.

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

17. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE affirm that all information, explanations, representations, statements, and documents provided to the OFFICE in connection with this Application, including all attachments and supplements thereto, are true and correct and fully describe all transactions, agreements, ownership structures, understandings, and control with regard to the acquisition and future operations of NATIONAL CONSUMER TITLE. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE further agree that said information, explanations, representations, statements, and documents, including all attachments and supplements thereto, are 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.

18. 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.

19. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE affirm that all requirements set forth herein are material to the issuance of this Consent Order.

20. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE 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. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE 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.

21. APPLICANT, SOUTHERN FIDELITY, SHAREHOLDERS, and NATIONAL CONSUMER TITLE 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 NATIONAL CONSUMER TITLE's Certificate of Authority in this state in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

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

23. 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 STEVEN A. HALE, II, BRADLEY G. GARNER, and F. TUCKER GOLDEN, and the notarized signatures of the authorized representatives of APPLICANT, SOUTHERN FIDELITY, and NATIONAL CONSUMER TITLE.

WHEREFORE, subject to the terms and conditions of which are set forth above, the Application for the direct acquisition of NATIONAL CONSUMER TITLE INSURANCE COMPANY by HG HOLDINGS, INC., pursuant to Section 628.461, Florida Statutes, is APPROVED.

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

DONE and ORDERED this 20 day of July, 2021.



*David Altmaier*

David Altmaier, Commissioner  
Office of Insurance Regulation

By execution hereof, NATIONAL CONSUMER TITLE 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 NATIONAL CONSUMER TITLE INSURANCE COMPANY to the terms and conditions of this Consent Order.

NATIONAL CONSUMER TITLE  
INSURANCE COMPANY

By: 

Print Name: Justin H. Edenfield

Title: CO-CEO

Date: 7/19/21

STATE OF Florida

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 19 day of July 2021, by Justin Edenfield  
as CO-CEO for National Consumer Title Insurance Company  
(name of person) (company name)  
(type of authority; e.g., officer, trustee, attorney in fact)



Charlotte McClanahan  
(Signature of the Notary)

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

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

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

My Commission Expires: April 5, 2022

By execution hereof, SOUTHERN FIDELITY 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 SOUTHERN FIDELITY INSURANCE COMPANY to the terms and conditions of this Consent Order.

SOUTHERN FIDELITY INSURANCE COMPANY

By: 

Print Name: Justin H. Edenfield

Title: co - ceo

Date: 7/19/21

STATE OF Florida

COUNTY OF Leon

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

or  online notarization, this 19 day of July 2021, by Justin Edenfield  
as CO - CEO for Southern Fidelity Insurance Company  
(name of person)  
(company name)



Charlotte McClanahan  
(Signature of the Notary)

Charlotte McClanahan

(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: April 5, 2022

By execution hereof, HG 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 HG HOLDINGS, INC., to the terms and conditions of this Consent Order.

HG HOLDINGS, INC.

By: Steven Alford Hale II

Print Name: Steven Alford Hale II

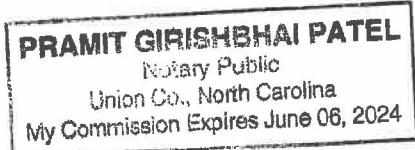
Title: Chairman & CEO

Date: 7-15-2021

STATE OF North Carolina

COUNTY OF Union

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 15 day of July 2021, by Steven Alford Hale II.  
(name of person)  
as CHIEF EXECUTIVE OFFICER for HG HOLDINGS, INC..  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)



  
(Signature of the Notary)

Pramit Girishbhai Patel.  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: \_\_\_\_\_

By execution hereof, STEVEN A. HALE, II, 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.



\_\_\_\_\_  
STEVEN A. HALE, II

Date: 7-15-2021

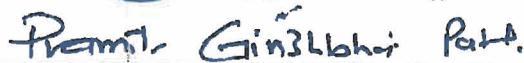
STATE OF North Carolina

COUNTY OF Union

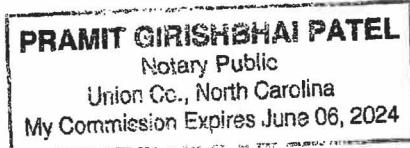
The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 15 day of July 2021, by Steven Alford Hale II  
as Chief Executive Officer for HG Holdings, Inc.  
(type of authority; e.g., officer, trustee, attorney in fact) (name of person)  
(company name)



(Signature of the Notary)



(Print, Type or Stamp Commissioned Name of Notary)



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

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

My Commission Expires: \_\_\_\_\_

By execution hereof, BRADLEY G. GARNER 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.

  
BRADLEY G. GARNER

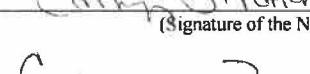
Date: 7/14/21

STATE OF NC

COUNTY OF P.H

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 14<sup>th</sup> day of July 2021, by Brad G. Garner  
as CFO for H G Holdings, Inc.  
(name of person)  
(type of authority; e.g., officer, trustee, attorney in fact)  
(company name)

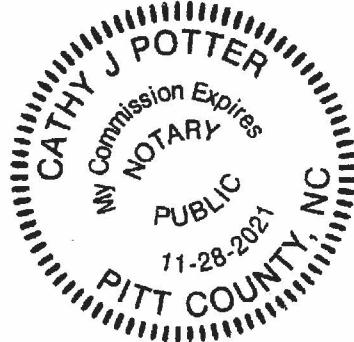
  
(Signature of the Notary)

  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires: 11-28-2021



By execution hereof, F. TUCKER GOLDEN 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.

  
F. TUCKER GOLDEN

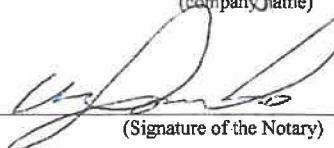
Date: 7/16/2021

STATE OF Connecticut

COUNTY OF Fairfield

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

or  online notarization, this 16 day of July 2021, by F. Tucker Golden  
(name of person)  
as Shareholder for HG Holdings, Inc.  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

  
(Signature of the Notary)

Marco Roberto Sancho

(Print, Type or Stamp Commissioned Name of Notary)

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

Type of Identification Produced CT Drivers License #6268

My Commission Expires: \_\_\_\_\_



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**STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company**

**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	1,500,000		1,500,000	1,500,000
2. Stocks:				
2.1 Preferred stocks .....			0	0
2.2 Common stocks .....			0	0
3. Mortgage loans on real estate:				
3.1 First liens .....			0	0
3.2 Other than first liens .....			0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ ..... encumbrances).....	7,244,954		7,244,954	7,311,924
4.2 Properties held for the production of income (less \$ ..... encumbrances).....			0	0
4.3 Properties held for sale (less \$ ..... encumbrances).....	6,347,069		6,347,069	10,605,181
5. Cash (\$ ..... 44,343,734 ), cash equivalents (\$ ..... 95,973,213 ) and short-term investments (\$ ..... 0 ).....	140,316,947		140,316,947	174,297,499
6. Contract loans (including \$ ..... premium notes).....			0	0
7. Derivatives .....	0		0	0
8. Other invested assets .....	0		0	0
9. Receivables for securities .....			0	0
10. Securities lending reinvested collateral assets.....			0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	155,408,970	0	155,408,970	193,714,604
13. Title plants less \$ ..... charged off (for Title insurers only).....			0	0
14. Investment income due and accrued .....	.5,513		.5,513	.22,024
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....		.884,254	(884,254)	1,979,155
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ ..... earned but unbilled premiums).....	17,161,492		.17,161,492	12,642,205
15.3 Accrued retrospective premiums (\$ ..... ) and contracts subject to redetermination (\$ ..... ) .....			0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	85,280,399		.85,280,399	52,942,302
16.2 Funds held by or deposited with reinsured companies .....			0	0
16.3 Other amounts receivable under reinsurance contracts .....			0	0
17. Amounts receivable relating to uninsured plans .....			0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	12,777,105		.12,777,105	14,376,706
18.2 Net deferred tax asset.....	73,001,946	.73,001,946	0	0
19. Guaranty funds receivable or on deposit .....			0	0
20. Electronic data processing equipment and software.....			0	0
21. Furniture and equipment, including health care delivery assets (\$ ..... ) .....			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....			0	0
23. Receivables from parent, subsidiaries and affiliates .....	13,004,326		.13,004,326	12,696,294
24. Health care (\$ ..... ) and other amounts receivable .....			0	0
25. Aggregate write-ins for other-than-invested assets .....	46,250,161	.38,498	.46,211,663	39,011,662
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	402,889,912	73,924,698	328,965,214	327,384,952
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27) .....	402,889,912	73,924,698	328,965,214	327,384,952
<b>DETAILS OF WRITE-INS</b>				
1101. Building Deposit.....			0	0
1102. .....			0	0
1103. .....			0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) .....	0	0	0	0
2501. Prepays.....	.38,498	.38,498	0	0
2502. CSV Life Insurance.....	731,052		.731,052	631,051
2503. Other Receivables.....	375,111		.375,111	375,111
2598. Summary of remaining write-ins for Line 25 from overflow page .....	45,105,500	0	.45,105,500	38,005,500
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above) .....	46,250,161	.38,498	.46,211,663	39,011,662

**STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company**

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31, Prior Year
1. Losses (current accident year \$ ..... )	139,740,596	133,143,538
2. Reinsurance payable on paid losses and loss adjustment expenses	0	0
3. Loss adjustment expenses	14,004,451	12,381,447
4. Commissions payable, contingent commissions and other similar charges	0	0
5. Other expenses (excluding taxes, licenses and fees)	228,304	226,040
6. Taxes, licenses and fees (excluding federal and foreign income taxes)	2,906,074	4,746,821
7.1 Current federal and foreign income taxes (including \$ ..... on realized capital gains (losses))	0	0
7.2 Net deferred tax liability	0	0
8. Borrowed money \$ ..... and interest thereon \$ .....	0	0
9. Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$ ..... 70,061,001 and including warranty reserves of \$ ..... and accrued accident and health experience rating refunds including \$ ..... for medical loss ratio rebate per the Public Health Service Act).....	94,775,547	59,369,123
10. Advance premium	12,863,490	8,518,245
11. Dividends declared and unpaid:		
11.1 Stockholders	0	0
11.2 Policyholders	0	0
12. Ceded reinsurance premiums payable (net of ceding commissions)	32,597,239	58,773,890
13. Funds held by company under reinsurance treaties	0	0
14. Amounts withheld or retained by company for account of others	106,511	46,273
15. Remittances and items not allocated	0	0
16. Provision for reinsurance (including \$ ..... certified)	6,372,000	0
17. Net adjustments in assets and liabilities due to foreign exchange rates	0	0
18. Drafts outstanding	0	0
19. Payable to parent, subsidiaries and affiliates	109,679	912,606
20. Derivatives	0	0
21. Payable for securities	0	0
22. Payable for securities lending	0	0
23. Liability for amounts held under uninsured plans	0	0
24. Capital notes \$ ..... and interest thereon \$ .....	0	0
25. Aggregate write-ins for liabilities	1,475,872	785,981
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25)	298,807,763	285,275,964
27. Protected cell liabilities	0	0
28. Total liabilities (Lines 26 and 27)	298,807,763	285,275,964
29. Aggregate write-ins for special surplus funds	0	0
30. Common capital stock	5,975,000	5,975,000
31. Preferred capital stock	0	0
32. Aggregate write-ins for other than special surplus funds	0	0
33. Surplus notes	25,000,000	25,000,000
34. Gross paid in and contributed surplus	275,479,988	258,579,988
35. Unassigned funds (surplus)	(276,297,537)	(247,446,000)
36. Less treasury stock, at cost:		
36.1 ..... shares common (value included in Line 30 \$ ..... )	0	0
36.2 ..... shares preferred (value included in Line 31 \$ ..... )	0	0
37. Surplus as regards policyholders (Lines 29 to 35, less 36)	30,157,451	42,108,988
38. Totals (Page 2, Line 28, Col. 3)	328,965,214	327,384,952
<b>DETAILS OF WRITE-INS</b>		
2501. Assessment due to Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corp.	1,099,089	409,198
2502. Deferred Compensation Payable	376,783	376,783
2503.	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	1,475,872	785,981
2901.	0	0
2902.	0	0
2903.	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0
3201.	0	0
3202.	0	0
3203.	0	0
3298. Summary of remaining write-ins for Line 32 from overflow page	0	0
3299. Totals (Lines 3201 through 3203 plus 3298) (Line 32 above)	0	0

**STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company**

**STATEMENT OF INCOME**

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
<b>UNDERWRITING INCOME</b>			
1. Premiums earned:			
1.1 Direct (written \$ 119,769,160 )	102,965,153	169,134,203	331,029,249
1.2 Assumed (written \$ 59,742,754 )	78,345,160	134,384,995	251,381,976
1.3 Ceded (written \$ 60,026,406 )	24,619,993	34,749,208	79,647,273
1.4 Net (written \$ 60,026,406 )	24,619,993	34,749,208	79,647,273
DEDUCTIONS:			
2. Losses incurred (current accident year \$ ):			
2.1 Direct	133,462,648	139,410,915	679,719,438
2.2 Assumed	(62,000)	(326,576)	0
2.3 Ceded	83,906,914	66,829,134	536,594,134
2.4 Net	49,493,734	72,255,205	143,125,304
3. Loss adjustment expenses incurred	8,811,539	11,546,111	16,100,527
4. Other underwriting expenses incurred	1,360,704	25,927,293	41,410,485
5. Aggregate write-ins for underwriting deductions	0	0	1,387,400
6. Total underwriting deductions (Lines 2 through 5)	59,665,977	109,728,609	202,023,716
7. Net income of protected cells	0	0	0
8. Net underwriting gain (loss) (Line 1 minus Line 6 + Line 7)	(35,045,984)	(74,979,401)	(122,376,443)
<b>INVESTMENT INCOME</b>			
9. Net investment income earned	(275,372)	(410,798)	(1,115,988)
10. Net realized capital gains (losses) less capital gains tax of \$	(563,031)	0	(16,185)
11. Net investment gain (loss) (Lines 9 + 10)	(838,403)	(410,798)	(1,132,173)
<b>OTHER INCOME</b>			
12. Net gain or (loss) from agents' or premium balances charged off (amount recovered \$ amount charged off \$ )	554,934	17,029	(6,306)
13. Finance and service charges not included in premiums	905,916	470,189	1,219,664
14. Aggregate write-ins for miscellaneous income	0	(1,387,400)	565,373
15. Total other income (Lines 12 through 14)	1,460,850	(900,182)	1,778,731
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15)	(34,423,537)	(76,290,381)	(121,729,885)
17. Dividends to policyholders	0	0	0
18. Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)	(34,423,537)	(76,290,381)	(121,729,885)
19. Federal and foreign income taxes incurred	0	0	0
20. Net income (Line 18 minus Line 19)(to Line 22)	(34,423,537)	(76,290,381)	(121,729,885)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
21. Surplus as regards policyholders, December 31 prior year	42,108,988	49,789,003	49,789,003
22. Net income (from Line 20)	(34,423,537)	(76,290,381)	(121,729,885)
23. Net transfers (to) from Protected Cell accounts	0	0	0
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$	63,606	110,383	
25. Change in net unrealized foreign exchange capital gain (loss)	0	71,883	
26. Change in net deferred income tax	10,560,672	35,926,714	
27. Change in nonadmitted assets	(10,626,093)	(36,275,316)	
28. Change in provision for reinsurance	6,372,000	453,000	(5,919,000)
29. Change in surplus notes	(1,102,941)	(1,654,411)	
30. Surplus (contributed to) withdrawn from protected cells	0	0	
31. Cumulative effect of changes in accounting principles	0	0	
32. Capital changes:			
32.1 Paid in	0	0	
32.2 Transferred from surplus (Stock Dividend)	0	0	
32.3 Transferred to surplus	0	0	
33. Surplus adjustments:			
33.1 Paid in	15,100,000	101,900,000	
33.2 Transferred to capital (Stock Dividend)	0	0	
33.3 Transferred from capital	0	0	
34. Net remittances from or (to) Home Office	0	0	
35. Dividends to stockholders	0	0	
36. Change in treasury stock	0	0	
37. Aggregate write-ins for gains and losses in surplus	16,100,000	44,000,000	19,889,617
38. Change in surplus as regards policyholders (Lines 22 through 37)	(11,951,537)	(17,842,137)	(7,680,015)
39. Surplus as regards policyholders, as of statement date (Lines 21 plus 38)	30,157,451	31,946,866	42,108,988
<b>DETAILS OF WRITE-INS</b>			
0501. Other Expense	0	1,387,400	
0502.	0	0	
0503.	0	0	
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	
0599. <b>TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)</b>	0	0	1,387,400
1401. Other Income	0	565,373	
1402.	(1,387,400)	0	
1403.	0	0	
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	
1499. <b>TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)</b>	0	(1,387,400)	565,373
3701. Change in U/R Gain included in capital gains	11,000,000	(110,383)	
3702. Deferred Tax Asset Guaranty	0	11,000,000	
3703. Surplus Effect of Merger	33,000,000	0	
3798. Summary of remaining write-ins for Line 37 from overflow page	16,100,000	0	9,000,000
3799. <b>TOTALS (Lines 3701 through 3703 plus 3798) (Line 37 above)</b>	16,100,000	44,000,000	19,889,617

**STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company**

**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

**Current Year to Date – Allocated by States and Territories**

States, etc.	1 Active Status (a)	Direct Premiums Written		Direct Losses Paid (Deducting Salvage)		Direct Losses Unpaid	
		2 Current Year To Date	3 Prior Year To Date	4 Current Year To Date	5 Prior Year To Date	6 Current Year To Date	7 Prior Year To Date
1. Alabama	AL	N	0	0	0	0	0
2. Alaska	AK	N	0	0	0	0	0
3. Arizona	AZ	N	0	0	0	0	0
4. Arkansas	AR	N	0	0	0	0	0
5. California	CA	N	0	0	0	0	0
6. Colorado	CO	N	0	0	0	0	0
7. Connecticut	CT	N	0	0	0	0	0
8. Delaware	DE	N	0	0	0	0	0
9. Dist. Columbia	DC	N	0	0	0	0	0
10. Florida	FL	L	77,629,412	116,388,402	45,349,047	88,631,972	171,979,086
11. Georgia	GA	N	0	0	0	0	0
12. Hawaii	HI	N	0	0	0	0	0
13. Idaho	ID	N	0	0	0	0	0
14. Illinois	IL	N	0	0	0	0	0
15. Indiana	IN	N	0	0	0	0	0
16. Iowa	IA	N	0	0	0	0	0
17. Kansas	KS	N	0	0	0	0	0
18. Kentucky	KY	N	0	0	0	0	0
19. Louisiana	LA	L	28,946,281	38,485,798	71,316,159	34,976,073	123,796,898
20. Maine	ME	N	0	0	0	0	0
21. Maryland	MD	N	0	0	0	0	0
22. Massachusetts	MA	N	0	0	0	0	0
23. Michigan	MI	N	0	0	0	0	0
24. Minnesota	MN	N	0	0	0	0	0
25. Mississippi	MS	L	392,251	468,763	194,409	77,152	252,994
26. Missouri	MO	N	0	0	0	0	0
27. Montana	MT	N	0	0	0	0	0
28. Nebraska	NE	N	0	0	0	0	0
29. Nevada	NV	N	0	0	0	0	0
30. New Hampshire	NH	N	0	0	0	0	0
31. New Jersey	NJ	N	0	0	0	0	0
32. New Mexico	NM	N	0	0	0	0	0
33. New York	NY	N	0	0	0	0	0
34. No. Carolina	NC	N	0	0	0	0	0
35. No. Dakota	ND	N	0	0	0	0	0
36. Ohio	OH	N	0	0	0	0	0
37. Oklahoma	OK	N	0	0	0	0	0
38. Oregon	OR	N	0	0	0	0	0
39. Pennsylvania	PA	N	0	0	0	0	0
40. Rhode Island	RI	N	0	0	0	0	0
41. So. Carolina	SC	L	12,801,216	22,400,245	9,958,080	12,767,526	13,234,272
42. So. Dakota	SD	N	0	0	0	0	0
43. Tennessee	TN	N	0	0	0	0	0
44. Texas	TX	N	0	0	0	0	0
45. Utah	UT	N	0	0	0	0	0
46. Vermont	VT	N	0	0	0	0	0
47. Virginia	VA	N	0	0	0	0	0
48. Washington	WA	N	0	0	0	0	0
49. West Virginia	WV	N	0	0	0	0	0
50. Wisconsin	WI	N	0	0	0	0	0
51. Wyoming	WY	N	0	0	0	0	0
52. American Samoa	AS	N	0	0	0	0	0
53. Guam	GU	N	0	0	0	0	0
54. Puerto Rico	PR	N	0	0	0	0	0
55. U.S. Virgin Islands	VI	N	0	0	0	0	0
56. Northern Mariana Islands	MP	N	0	0	0	0	0
57. Canada	CAN	N	0	0	0	0	0
58. Aggregate Other Alien	OT	XXX	0	0	0	0	0
59. Totals		XXX	119,769,160	177,743,208	126,817,695	136,452,723	309,263,250
<b>DETAILS OF WRITE-INS</b>							
58001.		XXX					
58002.		XXX					
58003.		XXX					
58998. Summary of remaining write-ins for Line 58 from overflow page		XXX	0	0	0	0	0
58999. TOTALS (Lines 58001 through 58003 plus 58998) (Line 58 above)		XXX	0	0	0	0	0

(a) Active Status Counts

L – Licensed or Chartered – Licensed insurance carrier or domiciled RRG ..... 4 R – Registered – Non-domiciled RRGs ..... 0

E – Eligible – Reporting entities eligible or approved to write surplus lines in the state (other than their state of domicile – See DSLI) ..... 0 Q – Qualified – Qualified or accredited reinsurer ..... 0

D – Domestic Surplus Lines Insurer (DSLI) – Reporting entities authorized to write surplus lines in the state of domicile ..... 0 N – None of the above – Not allowed to write business in the state ..... 53

STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company

**PART 1 - LOSS EXPERIENCE**

Line of Business	Current Year to Date			4 Prior Year to Date Direct Loss Percentage
	1 Direct Premiums Earned	2 Direct Losses Incurred	3 Direct Loss Percentage	
1. Fire	31,097,711	44,653,980	143.6	.85.6
2.1 Allied lines	0	0.0	0.0	.0.0
2.2 Multiple peril crop		0.0	0.0	
2.3 Federal flood	1,882,898	0.0	0.0	
2.4 Private crop		0.0	0.0	
2.5 Private flood		0.0	0.0	
3. Farmowners multiple peril		0.0	0.0	.0.0
4. Homeowners multiple peril	69,674,562	88,809,168	127.5	.83.3
5. Commercial multiple peril	4,511	0.0	0.0	.0.0
6. Mortgage guaranty		0.0	0.0	.0.0
8. Ocean marine		0.0	0.0	.0.0
9. Inland marine		0.0	0.0	.0.0
10. Financial guaranty		0.0	0.0	.0.0
11.1 Medical professional liability -occurrence		0.0	0.0	.0.0
11.2 Medical professional liability -claims made		0.0	0.0	.0.0
12. Earthquake		0.0	0.0	.0.0
13.1 Comprehensive (hospital and medical) individual		0.0	0.0	
13.2 Comprehensive (hospital and medical) group		0.0	0.0	
14. Credit accident and health		0.0	0.0	.0.0
15.1 Vision only		0.0	0.0	
15.2 Dental only		0.0	0.0	
15.3 Disability income		0.0	0.0	
15.4 Medicare supplement		0.0	0.0	
15.5 Medicaid Title XIX		0.0	0.0	
15.6 Medicare Title XVIII		0.0	0.0	
15.7 Long-term care		0.0	0.0	
15.8 Federal employees health benefits plan		0.0	0.0	
15.9 Other health		0.0	0.0	
16. Workers' compensation		0.0	0.0	.0.0
17.1 Other liability occurrence	305,471	(500)	(0.2)	.51.6
17.2 Other liability-claims made		0.0	0.0	.0.0
17.3 Excess Workers' Compensation		0.0	0.0	.0.0
18.1 Products liability-occurrence		0.0	0.0	.0.0
18.2 Products liability-claims made		0.0	0.0	.0.0
19.1 Private passenger auto no-fault (personal injury protection)		0.0	0.0	
19.2 Other private passenger auto liability		0.0	0.0	
19.3 Commercial auto no-fault (personal injury protection)		0.0	0.0	
19.4 Other commercial auto liability		0.0	0.0	
21.1 Private passenger auto physical damage		0.0	0.0	
21.2 Commercial auto physical damage		0.0	0.0	
22. Aircraft (all perils)		0.0	0.0	.0.0
23. Fidelity		0.0	0.0	.0.0
24. Surety		0.0	0.0	.0.0
26. Burglary and theft		0.0	0.0	.0.0
27. Boiler and machinery		0.0	0.0	.0.0
28. Credit		0.0	0.0	.0.0
29. International		0.0	0.0	.0.0
30. Warranty		0.0	0.0	.0.0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0.0	0.0
35. TOTALS	102,965,153	133,462,648	129.6	82.4
<b>DETAILS OF WRITE-INS</b>				
3401.			0.0	.0.0
3402.			0.0	.0.0
3403.			0.0	.0.0
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	.0	0.0	.0.0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0.0	0.0

STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company

**PART 2 - DIRECT PREMIUMS WRITTEN**

Line of Business	1 Current Quarter	2 Current Year to Date	3 Prior Year Year to Date
1. Fire	8,946,554	35,098,395	54,524,750
2.1 Allied lines	373,522	1,361,094	2,530,817
2.2 Multiple peril crop	0		
2.3 Federal flood	0		
2.4 Private crop	0		
2.5 Private flood	0		
3. Farmowners multiple peril	0		0
4. Homeowners multiple peril	26,986,288	83,049,871	120,177,697
5. Commercial multiple peril	0		0
6. Mortgage guaranty	0		0
8. Ocean marine	0		0
9. Inland marine	0		0
10. Financial guaranty	0		0
11.1 Medical professional liability-occurrence	0		0
11.2 Medical professional liability-claims made	0		0
12. Earthquake	0		0
13.1 Comprehensive (hospital and medical) individual	0		
13.2 Comprehensive (hospital and medical) group	0		
14. Credit accident and health	0		0
15.1 Vision only	0		
15.2 Dental only	0		
15.3 Disability income	0		
15.4 Medicare supplement	0		
15.5 Medicaid Title XIX	0		
15.6 Medicare Title XVIII	0		
15.7 Long-term care	0		
15.8 Federal employee health benefits plan	0		
15.9 Other health	0		
16. Workers' compensation	0		0
17.1 Other liability occurrence	53,844	259,800	509,944
17.2 Other liability-claims made	0		0
17.3 Excess Workers' Compensation	0		0
18.1 Products liability-occurrence	0		0
18.2 Products liability-claims made	0		0
19.1 Private passenger auto no-fault (personal injury protection)	0		
19.2 Other private passenger auto liability	0		
19.3 Commercial auto no-fault (personal injury protection)	0		
19.4 Other commercial auto liability	0		
21.1 Private passenger auto physical damage	0		
21.2 Commercial auto physical damage	0		
22. Aircraft (all perils)	0		0
23. Fidelity	0		0
24. Surety	0		0
26. Burglary and theft	0		0
27. Boiler and machinery	0		0
28. Credit	0		0
29. International	0		0
30. Warranty	0		0
31. Reinsurance - Nonproportional Assumed Property	XXX	XXX	XXX
32. Reinsurance - Nonproportional Assumed Liability	XXX	XXX	XXX
33. Reinsurance - Nonproportional Assumed Financial Lines	XXX	XXX	XXX
34. Aggregate write-ins for other lines of business	0	0	0
<b>35. TOTALS</b>	<b>36,360,208</b>	<b>119,769,160</b>	<b>177,743,208</b>
<b>DETAILS OF WRITE-INS</b>			
3401.	0		0
3402.	0		0
3403.	0		0
3498. Sum. of remaining write-ins for Line 34 from overflow page	0	0	0
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34)	0	0	0

STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company

**PART 3 (000 omitted)**

**LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES SCHEDULE**

Years in Which Losses Occurred	1 Prior Year-End Known Case Loss and LAE Reserves	2 Prior Year-End IBNR Loss and LAE Reserves	3 Total Prior Year-End Loss and LAE Reserves (Cols. 1 + 2)	4 2022 Loss and LAE Payments on Claims Reported as of Prior Year-End	5 2022 Loss and LAE Payments on Claims Unreported as of Prior Year-End	6 Total 2022 Loss and LAE Payments (Cols. 4 + 5)	7 Q.S. Date Known Case Loss and LAE Reserves on Claims Reported or Reopened and Open as of Prior Year End	8 Q.S. Date IBNR Loss and LAE Reserves Subsequent to Prior Year End	9 Q.S. Date IBNR Loss and LAE Reserves	10 Total Q.S. Loss and LAE Reserves (Cols. 7 + 8 + 9)	11 Prior Year-End Known Case Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 4 + 7 minus Col. 1)	12 Prior Year-End IBNR Loss and LAE Reserves Developed (Savings)/ Deficiency (Cols. 5 + 8 + 9 minus Col. 2)	13 Prior Year-End Total Loss and LAE Reserve Developed (Savings)/ Deficiency (Cols. 11 + 12)
1. 2019 + Prior .....	23,839	10,152	33,991	5,097	413	5,510	19,834	1,497	7,805	29,136	1,092	(437)	655
2. 2020 .....	34,915	20,516	55,431	5,948	2,756	8,704	30,506	4,997	17,680	53,183	1,539	4,917	6,456
3. Subtotals 2020 + prior .....	58,754	30,668	89,422	11,045	3,169	14,214	50,340	6,494	25,485	82,319	2,631	4,480	7,111
4. 2021 .....	20,607	35,496	56,103	11,533	6,214	17,747	5,045	4,937	29,147	39,129	(4,029)	4,802	773
5. Subtotals 2021 + prior .....	79,361	66,164	145,525	22,578	9,383	31,961	55,385	11,431	54,632	121,448	(1,398)	9,282	7,884
6. 2022 .....	XXX	XXX	XXX	XXX	18,124	18,124	XXX	18,579	13,719	32,298	XXX	XXX	XXX
7. Totals .....	79,361	66,164	145,525	22,578	27,507	50,085	55,385	30,010	68,351	153,746	(1,398)	9,282	7,884
8. Prior Year-End Surplus As Regards Policy-holders		42,109									Col. 11, Line 7 As % of Col. 1, Line 7	Col. 12, Line 7 As % of Col. 2, Line 7	Col. 13, Line 7 As % of Col. 3, Line 7
											1. (1.8)	2. 14.0	3. 5.4
												Col. 13, Line 7 Line 8	
												4. 18.7	

STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company

**SCHEDULE E - PART 1 - CASH**

Month End Depository Balances

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Current Quarter	5 Amount of Interest Accrued at Current Statement Date	Book Balance at End of Each Month During Current Quarter			9 *
					6 First Month	7 Second Month	8 Third Month	
Open Depositories								
0199998 Deposits in ..... depositories that do not exceed the allowable limit in any one depository (See Instructions) - Open Depositories	XXX	XXX						.44,343,734 XXX
0199999 Total Open Depositories	XXX	XXX	0	0	0	0	44,343,734	XXX
0399999 Total Cash on Deposit	XXX	XXX	0	0	0	0	44,343,734	XXX
0499999 Cash in Company's Office	XXX	XXX	XXX	XXX				XXX
<b>0599999 Total</b>	<b>XXX</b>	<b>XXX</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>44,343,734</b>	<b>XXX</b>

STATEMENT AS OF APRIL 30, 2022 OF THE Southern Fidelity Insurance Company

**SCHEDULE E - PART 2 - CASH EQUIVALENTS**

		Show Investments Owned End of Current Quarter						
1 CUSIP	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity Date	7 Book/Adjusted Carrying Value	8 Amount of Interest Due & Accrued	9 Amount Received During Year
Bonds - U.S. Governments - Issuer Obligations								
Bonds - U.S. Governments - Residential Mortgage-Backed Securities								
Bonds - U.S. Governments - Commercial Mortgage-Backed Securities								
Bonds - U.S. Governments - Other Loan-Backed and Structured Securities								
Bonds - All Other Governments - Issuer Obligations								
Bonds - All Other Governments - Residential Mortgage-Backed Securities								
Bonds - All Other Governments - Commercial Mortgage-Backed Securities								
Bonds - All Other Governments - Other Loan-Backed and Structured Securities								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Residential Mortgage-Backed Securities								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Commercial Mortgage-Backed Securities								
Bonds - U.S. States, Territories and Possessions (Direct and Guaranteed) - Other Loan-Backed and Structured Securities								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Issuer Obligations								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Residential Mortgage-Backed Securities								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Commercial Mortgage-Backed Securities								
Bonds - U.S. Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) - Other Loan-Backed and Structured Securities								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Issuer Obligations								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Residential Mortgage-Backed Securities								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Commercial Mortgage-Backed Securities								
Bonds - U.S. Special Revenue and Special Assessment Obligations and all Non-Guaranteed Obligations of Agencies and Authorities of Governments and Their Political Subdivisions - Other Loan-Backed and Structured Securities								
Bonds - Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations								
.....XX..... Wells Fargo Bond Fund.....			03/31/2022		04/01/2022	95,973,213		
1019999999 - Bonds - Industrial and Miscellaneous (Unaffiliated) - Issuer Obligations						95,973,213	0	0
Bonds - Industrial and Miscellaneous (Unaffiliated) - Residential Mortgage-Backed Securities								
Bonds - Industrial and Miscellaneous (Unaffiliated) - Commercial Mortgage-Backed Securities								
Bonds - Industrial and Miscellaneous (Unaffiliated) - Other Loan-Backed and Structured Securities								
1109999999 - Bonds - Industrial and Miscellaneous (Unaffiliated) - Subtotals - Industrial and Miscellaneous (Unaffiliated)						95,973,213	0	0
Bonds - Hybrid Securities - Issuer Obligations								
Bonds - Hybrid Securities - Residential Mortgage-Backed Securities								
Bonds - Hybrid Securities - Commercial Mortgage-Backed Securities								
Bonds - Hybrid Securities - Other Loan-Backed and Structured Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Issuer Obligations								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Residential Mortgage-Backed Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Commercial Mortgage-Backed Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Other Loan-Backed and Structured Securities								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Affiliated Bank Loans - Issued								
Bonds - Parent, Subsidiaries and Affiliates Bonds - Affiliated Bank Loans - Acquired								
Bonds - SVO Identified Funds - Exchange Traded Funds - as Identified by the SVO								
Bonds - Unaffiliated Bank Loans - Unaffiliated Bank Loans - Issued								
Bonds - Unaffiliated Bank Loans - Unaffiliated Bank Loans - Acquired								
2419999999 - Bonds - Total Bonds - Subtotals - Issuer Obligations						95,973,213	0	0
2509999999 - Bonds - Total Bonds - Subtotals - Bonds						95,973,213	0	0
Sweep Accounts								
Exempt Money Market Mutual Funds - as Identified by SVO								
All Other Money Market Mutual Funds								
Qualified Cash Pools Under SSAP No. 2R								
Other Cash Equivalents								
8609999999 Total Cash Equivalents						95,973,213	0	0

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## IMPORTANT RENEWAL AND NEW BUSINESS ANNOUNCEMENT

Valued Agency Partner,

For the protection of our insureds, we are suspending new business and renewals until we can assure complete reinsurance coverage for the 2022 hurricane season. We will notify you with updates.

**Effective May 26, 2022**

- New business suspension
  - Existing quotes cannot be bound
- Renewal suspension
  - Coverage is extended – if any renewal is not processed within 45 days of the renewal date, there is still coverage under the policy
- Affects all product lines
- Affects all states

We deeply apologize to our agency partners for the impact this will take on your business and appreciate your commitment to us. Our corporate offices will be closing Friday, May 27th at 2:00 PM EST through Monday, May 30th in observance of the Memorial Day holiday.

We are grateful for your partnership and understanding. For questions or concerns regarding this notice, please reach out to the Marketing Department or your Marketing Representative.

Southern Fidelity Insurance Company

[LiveChat Now](#)

[866-471-8855](#)

[marketing@southernfidelityins.com](mailto:marketing@southernfidelityins.com)

**DEPARTMENT  
CONTACT GUIDE:**

*Chat & Phone Hours:*  
**9:00am-5:00pm EST Monday-Friday**

<b>CUSTOMER SERVICE:</b>  SFIC CSR: 866-874-7342 Fax: 850-521-1081 <a href="mailto:CSR@southernfidelityins.com">CSR@southernfidelityins.com</a>	<b>MARKETING:</b>  Agents' Toll Free Hotline: 866-471-8855 <a href="http://SFIC.LaunchDarkly.com">SFIC.LaunchDarkly.com</a> <a href="mailto:marketing@southernfidelityins.com">marketing@southernfidelityins.com</a>	<b>UNDERWRITING:</b>  Agents' Toll Free Hotline: 866-471-8855 <a href="http://SFIC.LaunchDarkly.com">SFIC.LaunchDarkly.com</a> <a href="http://www.southernfidelityins.com">www.southernfidelityins.com</a>	<b>NATIONAL FLOOD SERVICES:</b>  Agent Hotline: 800-637-1846 <a href="mailto:AgencyServices@NationalFloodServices.com">AgencyServices@NationalFloodServices.com</a>
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**CLAIMS:**  
  
SFIC Claims: 866-722-4995  
Fax: 850-521-3069  
[SFIC Report a Claim Online](#)  
  
Once a claim is filed, use this email to submit additional information pertaining to your claim. Please reference your claim number in the subject line.  
[Claims@southernfidelityins.com](mailto:Claims@southernfidelityins.com)  
Claims Mailing Address:  
Attn: Claims Processing  
PO Box 16029 Tallahassee, FL 32317

**PAYMENT & REMITTANCE:**  
  
Mailing Address:  
Southern Fidelity Insurance Company  
PO Box 31248  
Tampa, FL 33631-3148  
  
Overnight Address:  
Attn: Payment Processing  
4700 140th Ave, North Suite 106  
Clearwater, FL 33762



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INCLUDING STORM UPDATES, UNDERWRITING CHANGES, ETC.**

**OFFICE OF INSURANCE REGULATION**

**DAVID ALTMAIER**  
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 296496-22-CO

SOUTHERN FIDELITY INSURANCE COMPANY.

**CONSENT ORDER**

THIS CAUSE came on for consideration upon the FLORIDA OFFICE OF INSURANCE REGULATION (“OFFICE”) being notified by SOUTHERN FIDELITY INSURANCE COMPANY (“SOUTHERN FIDELITY”), that its reinsurance program expired on May 31, 2022 and full placement for the upcoming year was not accomplished. After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

**INTRODUCTION**

1. The OFFICE has jurisdiction over the parties and the subject matter of this proceeding.
2. SOUTHERN FIDELITY is a domestic property and casualty insurer authorized to transact insurance business in the state of Florida pursuant to a Certificate of Authority issued by the OFFICE pursuant to Chapter 624, Part III, Florida Statutes.

3. On May 26, 2022, SOUTHERN FIDELITY notified the OFFICE that it was not writing new policies or renewing existing policies pending final placement of its catastrophe reinsurance program for the 2022 hurricane season.

4. On June 2, 2022, SOUTHERN FIDELITY notified the OFFICE that its reinsurance program expired on May 31, 2022 and that it has been unable to place a complete reinsurance program for the reinsurance contract year beginning June 1, 2022.

5. SOUTHERN FIDELITY has approximately 78,000 policies in force in Florida and approximately 69,000 policies in force in Louisiana, South Carolina, and Mississippi as of May 31, 2022, which primarily provide personal residential insurance coverage.

6. SOUTHERN FIDELITY has represented that it is in active negotiations with other property insurers to effectuate the transition of some or all of SOUTHERN FIDELITY's policies to that insurer as part of a wind-down plan.

#### REMEDIAL MEASURES

7. In light of its deteriorating operational results and the lack of adequate reinsurance, the OFFICE finds that SOUTHERN FIDELITY is in hazardous financial condition. SOUTHERN FIDELITY must therefore file a plan of remediation with the OFFICE by 5:00 p.m. (EDT), June 8, 2022. The plan must, at a minimum, demonstrate SOUTHERN FIDELITY's ability to quickly provide for a successful transition of its policies to another insurer, fund a solvent run-off of its current and incurred-but-not reported liabilities, address potential reserve inadequacy issues and manage its non-Florida policies and losses. The plan must contain pro-forma projections and the assumptions used in their preparation, along with a cash flow analysis which demonstrates the viability of the plan. The plan must also include provisions, acceptable to the OFFICE, to provide

financial protection for policyholders during the period of time necessary to implement the plan.

8. Failure to file an acceptable remediation plan in compliance with the provisions of paragraph 7 will result in the OFFICE taking further regulatory action.

#### GENERAL TERMS

9. 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 written approval by the OFFICE is subject to statutory or administrative regulation limitations.

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

11. SOUTHERN FIDELITY expressly waives its rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings to which SOUTHERN FIDELITY may be entitled, either by law or by rules of the OFFICE. SOUTHERN FIDELITY 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, state or federal court action, or any appeal.

12. SOUTHERN FIDELITY agrees this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of SOUTHERN FIDELITY, or its authorized representatives, under the seal of a notary public, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically.

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

DONE and ORDERED this 3<sup>rd</sup> day of June 2022.



*David Altmaier*

David Altmaier, Commissioner  
Office of Insurance Regulation

By execution hereof, SOUTHERN FIDELITY INSURANCE COMPANY consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind SOUTHERN FIDELITY INSURANCE COMPANY to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for SOUTHERN FIDELITY INSURANCE COMPANY.

SOUTHERN FIDELITY INSURANCE COMPANY

By: Byron Wells

Print Name: Byron Wells

Title: CEO

Date: 6/3/2022

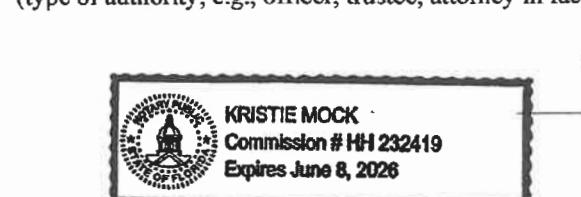
STATE OF FL

COUNTY OF Leon

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

or  online notarization, this 3 day of June 2022, by Byron Wells

as CEO for Southern Fidelity Insurance Co.  
(name of person) (company name)



Kristie Mock  
(Signature of the Notary)

Kristie Mock

(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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Tallahassee, FL 32301  
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Telephone: (850)577-0398

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Tallahassee, Florida 32312

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Property & Casualty Financial Oversight  
Florida Office of Insurance Regulation  
200 East Gaines Street  
Tallahassee, FL 32399  
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E-Mail: [Anoush.Brangaccio@flioir.com](mailto:Anoush.Brangaccio@flioir.com)

**CONSENT TO ORDER OF RECEIVERSHIP  
SOUTHERN FIDELITY INSURANCE COMPANY**

**IT IS HEREBY AGREED TO AS FOLLOWS:**

1. Southern Fidelity Insurance Company (hereinafter “Respondent”) is a Florida corporation and is a domestic property and casualty insurer authorized to transact insurance business in Florida and regulated by the Florida Office of Insurance Regulation.
2. Respondent admits that grounds exist for the appointment of a Receiver of the company for Rehabilitation or Liquidation pursuant to Sections 631.051 and 631.061, Florida Statutes.
3. Respondent specifically admits that it is insolvent as that term is defined in Section 631.011(14), Florida Statutes.
4. Pursuant to Sections 631.051 and 631.061, Florida Statutes, Respondent consents through a majority of its directors, stockholders, members or subscribers, to the entry of an Order of Liquidation, appointing the Florida Department of Financial Services, [hereinafter “the Department”] as the Receiver for Respondent, for purposes of liquidation, with the determination of the type of order to be sought and entered to be made at the sole discretion of the Department, and consents to any injunctions the receivership court, as defined by Section 631.021, deems necessary and appropriate, without the necessity of any hearing by the court. Respondent further waives any right to appeal the order entered by the receivership court as to the appointment of the Department as Receiver pursuant to Chapter 631, Part I, Florida Statutes, and agrees that said order shall be a final order. The Resolution of the Board of Directors is attached as Attachment A to this Consent.

By execution hereof, SOUTHERN FIDELITY INSURANCE COMPANY consents to the appointment of the Department of Financial Services as receiver for purposes of Rehabilitation or Liquidation, 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 SOUTHERN FIDELITY INSURANCE COMPANY to the terms and conditions of this Consent to Order of Receivership.

SOUTHERN FIDELITY INSURANCE COMPANY

By: Byron Wells

[Corporate Seal]

Print Name: Byron Wells

Title: CEO

Date: 6-9-22

STATE OF FL

COUNTY OF Leon

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

or  online notarization, this 9 day of June 2022, by Byron Wells  
as CEO for Southern Fidelity Insurance Co.  
(type of authority; e.g., officer, trustee, attorney in fact) (name of person)  
(company name)

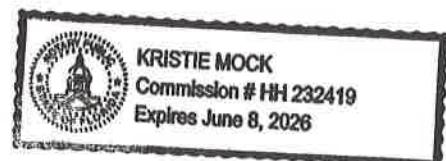
Kristie Mock  
(Signature of the Notary)

Kristie Mock  
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires 6/8/26



**RESOLUTION OF THE BOARD OF DIRECTORS OF  
SOUTHERN FIDELITY INSURANCE COMPANY**

**ATTACHMENT A**

The undersigned, being the majority of the Directors of Southern Fidelity Insurance Company, (hereinafter “the Company”) hereby makes the following resolutions as follows:

RESOLVED that the majority of the current Directors on the Board of Directors consent to the entry of an Order of Liquidation of the Company.

FURTHER RESOLVED, that pursuant to Sections 631.051 and 631.061, the majority of the Directors consent to the immediate appointment of the Florida Department of Financial Services (hereinafter “the Department”) as Receiver of the company, for the purposes of Liquidation, without further notice or hearing, and waive any and all rights to notice and hearing.

FURTHER RESOLVED, that the Majority of the Directors consent to waive any right to appeal any order entered by the receivership court appointing the Department as Receiver of the company, and that the order entered is a final order.

FURTHER RESOLVED, that the Chairman of the Board of Directors and the Officers of the company are hereby authorized to execute any and all consent agreements or documents on behalf of the company, and are authorized to take

any and all additional actions, including the Consent to Receivership under Chapter 631, Part I, Florida Statutes, as deemed necessary or appropriate by the Office of Insurance Regulation and/or the Department, without further approval of the shareholders or directors.

Directors of Southern Fidelity Insurance Company

By: B. W.

[Corporate Seal]

Print Name: Byron Wells

Title: CEO

Date: 6-9-22

STATE OF FL

COUNTY OF Leon

The foregoing instrument was acknowledged before me by means of  physical presence or  online notarization, this 9 day of June 2022, by Byron Wells (name of person) as CEO for Southern Fidelity Ins. Co. (company name)

(type of authority; e.g., officer, trustee, attorney in fact)

(company name)

Kristie Mock

(Signature of the Notary)

Kristie Mock

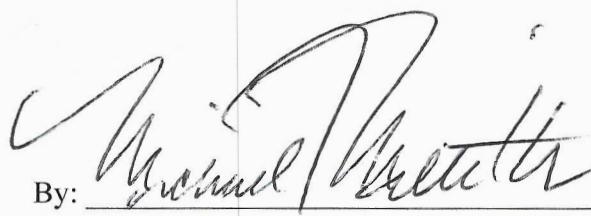
(Print, Type or Stamp Commissioned Name of Notary)

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

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

My Commission Expires 6/8/26





By: Michael J. Millette

[Corporate Seal]

Print Name: MICHAEL J. MILLETTE

Title: DIRECTOR

Date: JUNE 9 2022

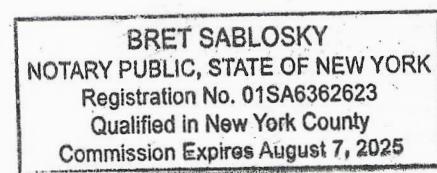
STATE OF NEW YORK

COUNTY OF NEW YORK

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

or  online notarization, this 9 day of JUNE 2022, by MICHAEL J MILLETTE

as DIRECTOR for SOUTHERN FIDELITY INSURANCE COMPANY  
(name of person) (company name)



Bret Sa

(Signature of the Notary)



BRET SABLOSKY

(Print, Type or Stamp Commissioned Name of Notary)

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

Type of Identification Produced NEW YORK DRIVER LICENSE

My Commission Expires AUG 7 2025



By: E. van Kerkhoven

[Corporate Seal]

Print Name: VON VENBERTSEN EDWARD

Title: Director

Date: 6/9/22

STATE OF \_\_\_\_\_

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me by means of  physical presence  
or  online notarization, this 6<sup>th</sup> day of June 2022, by \_\_\_\_\_  
as \_\_\_\_\_ for \_\_\_\_\_  
(name of person)  
(type of authority; e.g., officer, trustee, attorney in fact) (company name)

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

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

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

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

My Commission Expires \_\_\_\_\_