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INSURANCE REGULATION
Docketed by: EP

OFFICE OF INSURANCE REGULATION

MICHAEL YAWORSKY
COMMISSIONER

Index: OIR 2024-149

IN THE MATTER OF:

CASE NO.: 400587-24-CO

TAILROW INSURANCE EXCHANGE
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CONSENT ORDER

THIS CAUSE came for consideration as a result of TAILROW INSURANCE EXCHANGE's ("TAILROW") proposal to assume selected personal lines policies from CITIZENS PROPERTY INSURANCE CORPORATION ("CITIZENS"), which was submitted to the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") for its review on or about September 30, 2024. Following a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter and the parties herein.

2. CITIZENS has been established in accordance with the provisions of section 627.351(6), Florida Statutes, as amended, to provide insurance for residential and commercial property qualified risks under circumstances specified in the statute.

3. The Florida Legislature has enacted section 627.351(6)(q)3.a., to encourage and provide a means for the depopulation of CITIZENS. CITIZENS submitted a plan of depopulation titled "Citizens Property Insurance Corporation Personal Residential and Commercial Lines Non-Bonus Depopulation Plan" ("Plan"), which the OFFICE adopted in Order No. 199206-16, approved on November 30, 2016, and amended on December 2, 2016. In December 2022, the

Florida Legislature added section 627.351(6)(ii)3., through ch. 2022-271(8), Laws of Florida[1]. As a result of this statutory change, which applies to take-out offers that are part of an application to participate in depopulation submitted to the OFFICE on or after January 1, 2023, the Plan will conflict with Florida law. The Plan provides the terms and conditions that serve as the basis for this Consent Order except where the Plan conflicts with section 627.351(6)(ii)3., as added by ch. 2022-271(8); the Florida Statutes in effect at the time of the assumption will control. TAILROW shall abide by the terms and conditions of the Plan and section 627.351(6)(ii)3., as added by ch. 2022-271(8), as a condition of issuance of this Consent Order.

4. TAILROW is a Florida-domiciled property and casualty reciprocal insurer authorized to transact insurance in the state of Florida.

5. On or about September 30, 2024, TAILROW submitted a proposal to assume selected policies from CITIZENS. The policies are expected to be assumed on or about February 18, 2025, and the proposal provides for an assumption of up to 20,000 policies, consisting of 18,000 personal residential multi-peril policies and 2,000 personal residential wind-only policies from the CITIZENS' Account.

6. TAILROW understands that the selected policies to be assumed from CITIZENS on February 18, 2025, or at a later date approved by the OFFICE and CITIZENS, will not be subject to any incentive or bonus plan, whether statutory or otherwise.

7. Coverage offered by TAILROW must be "comparable coverage" as required by section 627.351(6), Florida Statutes. TAILROW cannot establish comparable coverage through

[1] If a policyholder receives a take-out offer from an authorized insurer, the risk is no longer eligible for coverage with the corporation unless the premium for coverage from the authorized insurer is more than 20 percent greater than the renewal premium for comparable coverage from Citizens. This applies to take-out offers that are part of an application to participate in depopulation submitted to the Office on or after January 1, 2023. Ch. 2022-271(8), Laws of Florida.

the offer of optional endorsements. Comparable coverage means, at a minimum, that the offer of coverage, without endorsements, include the same major covered perils at substantially similar levels of coverage as that already provided by CITIZENS. The premium calculation used to determine the 20% eligibility threshold detailed in section 627.351(6), must be calculated using offers of coverage that are comparable without the need to offer additional terms or endorsements.

8. Because of the potential harmful impact to Florida policyholders, TAILROW shall not make take-out offers to CITIZENS policyholders that are more than forty percent higher than the policyholder's estimated renewal premium with CITIZENS. TAILROW must use rates that have been approved by the OFFICE at the time of execution of this Consent Order. The estimated premium offered by TAILROW must reflect the cost of an offer of comparable coverage.

9. TAILROW is responsible for ensuring that it has entered or will enter into appropriate agreements with CITIZENS to effectuate the assumption of policies as authorized by this Consent Order. By entering into this Consent Order, TAILROW represents that it will comply with any such agreements between it and CITIZENS.

10. TAILROW must timely provide to CITIZENS all information required by the 2025 Assumption Calendar published by CITIZENS. TAILROW acknowledges that neither approval by CITIZENS nor entry into this Consent Order by the OFFICE constitutes a guarantee that the above-referenced policies will ultimately be available to TAILROW for assumption from CITIZENS, as the availability of policies for assumption may vary over time.

11. TAILROW shall limit its actual assumption of policies from CITIZENS to the number and type of policies authorized by the OFFICE in this Consent Order. The OFFICE based its review on TAILROW's current and projected reinsurance programs, catastrophe modeling, and financial statement projections, as well as the impact on policyholders. Such reinsurance program,

catastrophe modeling, and financial statement profiles were based upon TAILROW's current in-force book of property policies, TAILROW's projected voluntary market writings, and the actual number of policies available in CITIZENS prior to the anticipated assumption date identified by TAILROW as satisfying its filed and approved underwriting guidelines.

12. TAILROW submitted the reinsurance documentation and financial projections for the assumption of up to the number and types of CITIZENS' policies as set forth in paragraph five (5) above. Each additional assumption of CITIZENS policies by TAILROW shall be subject to advance written approval by the OFFICE.

13. TAILROW's acquisition of adequate reinsurance and maintenance of executed reinsurance agreements are material to the OFFICE's review and analysis of TAILROW's proposal to assume selected policies from CITIZENS and to the OFFICE's approval of assumptions in the proposal.

14. TAILROW agrees to submit evidence of bound reinsurance coverage prior to the assumption date of February 18, 2025. TAILROW agrees to submit reinsurance summary statements and executed copies of any reinsurance agreements entered into as a result of the assumption as soon as they are available after the assumption date of February 18, 2025.

15. TAILROW agrees that in order to participate in the assumption of policies from CITIZENS on February 18, 2025, it shall obtain a Financial Strength Rating acceptable to the secondary mortgage market by December 23, 2024, or before TAILROW sends any communication to selected policyholders, whichever is earlier.

16. TAILROW understands that it must send communication to selected CITIZENS policyholders that, at minimum, describes the purpose and function of a reciprocal insurer and how a reciprocal insurer differs from a property and casualty insurer, explains that the estimated

renewal premium includes a 10% surplus contribution, and defines the surplus contribution and under what circumstances a subscriber would or would not receive a return of the surplus contribution.

17. TAILROW agrees that any policyholder communication related to the assumption of CITIZENS policies on February 18, 2025, must be submitted to and receive approval by the OFFICE prior to being sent to selected CITIZENS policyholders, unless such policyholder communication has previously been approved by the OFFICE.

18. TAILROW expressly waives its right to any hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all other and further proceedings herein to which it may be entitled by law or by rules of the OFFICE. TAILROW agrees not to appeal or otherwise contest this Consent Order in any forum now or in the future available to it, including its right to any administrative proceeding, state or federal court action, or any appeal.

19. TAILROW represents that all explanations and documents made or submitted to the OFFICE as part of its proposal to assume selected policies from CITIZENS, including all attachments and supplements thereto, fully describe all transactions, agreements, and understandings relating to the assumption of policies from CITIZENS by TAILROW. However, all draft documents and non-executed agreements relating to TAILROW's plan shall not be deemed approved by this Consent Order until such time as executed agreements or final documents are submitted to and approved by the OFFICE.

20. The parties agree this Consent Order will be deemed executed when the OFFICE has signed a copy of this Consent Order bearing the signature of the authorized representative of TAILROW, notwithstanding the fact that the copy was transmitted to the OFFICE electronically.

TAILROW agrees the signature of its representative as affixed to this Consent Order shall be under seal of a Notary Public.

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

IT IS THEREFORE ORDERED that:

(A) Upon consideration of the proposal to assume selected policies from CITIZENS, including its attachments, the OFFICE approves the assumption of selected policies from CITIZENS, subject to adherence to the terms and conditions of this Consent Order by TAILROW.

(B) The OFFICE approves the assumption of CITIZENS' policies up to the amounts set forth above in paragraph five (5), in accordance with any agreements between TAILROW and CITIZENS, and this Consent Order.

(C) Regarding all reinsurance matters, TAILROW shall:

(i) Maintain catastrophe reinsurance at such levels that are acceptable to the OFFICE but in no event less than that evidenced to the OFFICE in the proposal to assume selected policies from CITIZENS;

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

(iii) Comply with the requirements of section 624.610, Florida Statutes, with regard to all of its reinsurance arrangements.

(D) TAILROW shall participate annually in any examination of TAILROW's reinsurance program as requested by the OFFICE. Based upon the OFFICE's review of the models and plans, TAILROW may be required at the OFFICE's sole discretion to take corrective action to cure any overexposure identified by the OFFICE. Such action may include obtaining additional amounts of reinsurance coverage as directed by the OFFICE or suspending writing of any additional business, including the CITIZENS policies.

(E) Upon the expiration of the assumed CITIZENS policies, TAILROW shall provide coverage substantially equivalent to that afforded by CITIZENS at rates that have been approved by the OFFICE at the time of execution of this Consent Order, unless such policies are cancelled or nonrenewed by TAILROW for a lawful reason.

(F) At the time TAILROW assumes any policy of insurance from CITIZENS, TAILROW shall either obtain a new policy application from each affected policyholder or maintain in its files a copy of the policyholder's application on file with CITIZENS. If TAILROW chooses the former option, TAILROW may not initiate any retroactive increase in rates or premium or any retroactive decrease in coverage provided under the assumed CITIZENS policy (if applicable) as a result of the information obtained from or through the new policy application.

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

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

WHEREFORE, the assumption of up to 20,000 policies, consisting of 18,000 personal residential multi-peril policies and 2,000 personal residential wind-only policies from the CITIZENS' Account, for the initial assumption starting on or about February 18, 2025, subject to the terms and conditions of this Consent Order, is hereby APPROVED.

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

DONE and ORDERED this 15th day of November, 2024.

Michael Yaworsky, Commissioner
Office of Insurance Regulation

By execution hereof, TAILROW RISK MANAGERS, LLC, as attorney-in-fact of TAILROW INSURANCE EXCHANGE, consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions therein. The undersigned represents that they have the authority to bind TAILROW INSURANCE EXCHANGE to the terms and conditions of this Consent Order.

TAILROW RISK MANAGERS, LLC
Attorney-in-Fact

[Corporate Seal]

Paresh Patel, President & Chief Executive Officer
Tailrow Risk Managers, LLC

STATE OF FLORIDA

COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me by means of ☑ physical presence or ☐ online notarization, this 15TH day of NOVEMBER 2024, by PARESH PATEL
(name of person)

as PRESIDENT & CHIEF EXECUTIVE OFFICER for TAILROW RISK MANAGERS, LLC
(type of authority; e.g., officer, trustee, attorney-in-fact) (company name)

MINDY ELIZABETH DOYLE
Notary Public - State of Florida
Commission # HH 097741
My Comm. Expires Feb 25, 2025
Bonded through National Notary Assn.

(Signature of the Notary)

MINDY ELIZABETH DOYLE
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known ✓ OR Produced Identification -

Type of Identification Produced -

My Commission Expires: FEB 25, 2025

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