

No. **2022-7270**

**Official Order
of the
Texas Commissioner of Insurance**

Date: 3/21/2022

Subject Considered:

Lighthouse Property Insurance Corporation
4224 Henderson Blvd, Tampa FL 33629

Consent Order
TDI Enforcement File No. 27472

General remarks and official action taken:

This is a consent order with Lighthouse Property Insurance Corporation (Lighthouse). Lighthouse violated several provisions of the Texas Insurance Code and Title 28 of the Texas Administrative Code as found in a targeted market conduct examination. Lighthouse has agreed to pay a \$90,000 administrative penalty for these violations.

Waiver

Lighthouse acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Lighthouse waives all these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

Findings of Fact

1. Lighthouse, company identification no. 52420, is a fire and casualty corporation holding a certificate of authority to transact business in Texas.
2. The Texas Department of Insurance conducted its first market conduct examination for the period of January 1, 2018, through December 31, 2018. The examination reviewed the sales, advertising, and marketing; underwriting and rating; claims practices; and consumer complaints/inquiries of Lighthouse's homeowners' business.

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3. The purpose of the examination was to verify compliance with the Texas Insurance Code and Title 28 of the Texas Administrative Code.
4. During the examination, the department found violations of the Texas Insurance Code and Texas Administrative Code in the sample of policies and claims reviewed.

Violations in the MGA Agreement

5. Lighthouse entered into an agreement and utilized a managing general agency with affiliate, Lighthouse Management, LLC, effective January 1, 2012. Lighthouse authorized Lighthouse Management, LLC to appoint agents, underwrite policies, issue policies, process cancellations, and process claims.
6. Lighthouse failed to appoint Lighthouse Management, LLC, as its managing general agent.
7. Lighthouse also failed to conduct the required managing general agency audit.

Sales, Advertising and Marketing Review

8. Lighthouse utilized 58 active agents and terminated two agents during the examination period. A sample of 100 homeowners' policies issued during the examination period revealed that eight policies were issued by an unappointed agent or subagent.
9. In 46 percent (23 of 50) of the new policies reviewed, the agent or subagent was not appointed to act as an agent or subagent on behalf of Lighthouse.
10. Lighthouse advertised directly to consumers but supplied its independent agents with marketing materials only. Lighthouse did not file the required statement of compliance, and in one instance, the source did not include the publication date.

Policy Forms and Filings

11. In 100 percent (50 of 50) of new policies reviewed, Lighthouse did not attach the toll-free telephone numbers, procedures for obtaining information, and procedures for filing complaints as the first, second, or third page of each policy.
12. In 100 percent (50 of 50) of new policies reviewed, Lighthouse did not attach the Home Consumer Bill of Rights to the policies.

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13. In 100 percent (50 of 50) of renewal policies reviewed, Lighthouse did not attach the toll-free telephone numbers and information and complaint procedures as the first, second, or third page of each policy. In addition, the notice requirements were deficient.

Issued Policies

14. Lighthouse failed to ensure premiums were accurately billed according to filed rates, applicable rating manuals, supplementary rating information, and additional information. Specifically, Lighthouse used incorrect protection classes to rate certain policyholders and used a rate filing to calculate premium for certain renewals prior to its effective date.
15. In some of the policies reviewed, although the correct premium was charged, the premium shown on the declaration pages was incorrect.

Cancellations and Nonrenewals

16. Lighthouse did not timely return the premium due to the insured in two percent (1 of 50) of the cancellations of policies reviewed.
17. Lighthouse cancelled two percent (1 of 50) of policies reviewed in effect for more than 59 days without a valid reason.
18. In six percent (3 of 50) of cancellations reviewed, Lighthouse failed to provide sufficient time of the cancellation notice to the insured.

Claims

19. The examination reviewed Lighthouse's claim files for compliance with policy provisions, timeliness, and accuracy of payments, supporting documentation, general claim handling, and legal compliance. Sampled claims included paid claims, denied, or closed without payment claims, and pending and litigated claims.
20. A review of claims found that Lighthouse:
 - a. failed to timely notify a claimant in writing of the acceptance or rejection of a claim;
 - b. failed to timely pay a claim;

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- c. failed to timely acknowledge receipt of a claim; and
- d. failed to adopt and implement reasonable standards for the prompt investigation of claims.

Consumer Complaints/Inquiries

- 21. The examination reviewed Lighthouse's complaint files for legal compliance. There were 13 complaints reviewed and 54 percent were considered confirmed.
- 22. Lighthouse's complaint log did not have the complaint identifier, function code, reason code, and line type.
- 23. Lighthouse failed to notify a claimant in writing of the acceptance of a claim.
- 24. Lighthouse failed to timely return premium due to an insured.

Subsequent Events, Disclosures, and Compliance Action Taken

- 25. Lighthouse provided a corrected complaint log with the complaint identifier, function code, and reason code.
- 26. Lighthouse filed its statement of compliance on February 24, 2021.
- 27. Lighthouse provided a response to the department's initial report and represented the following:
 - a. It implemented additional internal controls to ensure that all agents and subagents are properly appointed in accordance with its approved managing general agency contract.
 - b. A single page containing only the toll-free telephone numbers, procedures for obtaining information, and procedures for filing complaints was the first, second, or third page of each policy new policy.
 - c. The Home Consumer Bill of Rights is attached to new policies.
 - d. It ensured the factors and rates are accurate by including supplementary rating information and Golden Age Discount factors when filing with the department.
 - e. It ensured the Masonry Protection class is accurately disclosed pursuant to its underwriting guidelines.

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- f. It created a checklist to ensure policies are in effect pursuant to rate filings filed with the department and are accurately rated to determine the correct premium.
 - g. It created additional internal controls to ensure premiums are timely returned and that cancellation notices are timely provided.
28. To ensure compliance with all statutes and rules, including the prompt payment of claims requirements, Lighthouse represented it created additional internal controls to ensure reasonable standards for the prompt investigation of claims, timely acknowledgment of claims, timely written notice to the insured, timely payment of claims, timely notification of initial offer to settle a claim, timely written notice to the insured of settlement of claim, and timely written notice to the insured of acceptance of a claim.

Conclusions of Law

1. The commissioner of insurance has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051-82.055, and 84.021-84.044, and chs. 751, 861, and 862.
2. The commissioner of insurance has authority to informally dispose of this matter under TEX. INS. CODE § 82.055, TEX. GOV'T CODE § 2001.056, and 28 TEX. ADMIN. CODE § 1.47.
3. Lighthouse has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Lighthouse violated TEX. INS. CODE § 4053.054 by failing to properly appoint its managing general agent.
5. Lighthouse violated 28 TEX. ADMIN. CODE § 19.1204(b)(19)(B) by failing to conduct the required managing general agency audit on its managing general agent.
6. Lighthouse violated TEX. INS. CODE § 558.002(d) by failing to return premium due to the insured not later than the 15th business day after the effective date of cancellation or termination of the policy.

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7. Lighthouse violated TEX. INS. CODE § 4001.201 by allowing an unappointed person to issue or service policies on its behalf.
8. Lighthouse violated 28 TEX. ADMIN. CODE § 21.116(b) by not filing the statement of compliance.
9. Lighthouse violated 28 TEX. ADMIN. CODE § 1.601 because it did not attach the toll-free telephone numbers, procedures for obtaining information, and procedures for filing complaints as the first, second, or third page of each policy.
10. Lighthouse violated 28 TEX. ADMIN. CODE § 5.9970(d) by not attaching the Home Consumer Bill of Rights to each policy.
11. Lighthouse violated 28 TEX. ADMIN. CODE § 1.601 because it did not attach a single page that contained only the toll-free telephone numbers, procedures for obtaining information, and procedures for filing complaints as the first, second, or third page of each policy.
12. Lighthouse violated TEX. INS. CODE §§ 38.002 and 2251.101 because the rate algorithm filed with the department did not include the Golden Age Discount factor.
13. Lighthouse violated TEX. INS. CODE § 541.061(1) because although the correct premium was charged, the premium on the declarations page was incorrect.
14. Lighthouse violated TEX. INS. CODE § 558.002(d) because it did not return the premium due to the insured not later than the 15th business day after the effective date of cancellation or termination of the policy.
15. Lighthouse violated TEX. INS. CODE § 551.104 and 28 TEX. ADMIN. CODE § 5.7002(b) because it cancelled a policy in effect over 59 days for a reason not allowed by statute or rule.
16. Lighthouse violated TEX. INS. CODE § 551.104(e) because it did not provide the cancellation notice to the insured at least ten days before the date of cancellation.
17. Lighthouse violated TEX. INS. CODE § 542.003(b)(3) because it failed to adopt and implement reasonable standards for the prompt investigation of claims arising under its policies.

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18. Lighthouse violated TEX. INS. CODE § 542.055(a)(1) because it did not acknowledge receipt of the claim not later than the 15th day after the date it received notice.
19. Lighthouse violated TEX. INS. CODE § 542.056(a) because it failed to notify the claimant in writing of the acceptance or rejection of a claim not later than the 15th business day after the date it received all items, statements, and forms required to secure proof of loss.
20. Lighthouse violated TEX. INS. CODE § 542.057(a) because it failed to pay a claim or portion of a claim not later than the fifth business day after the date notice was made.
21. Lighthouse violated TEX. INS. CODE § 542.153(a) because it failed to notify the insured in writing of an initial offer to settle a claim not later than the 10th day after it was received.
22. Lighthouse violated TEX. INS. CODE § 542.153(b) because it failed to notify the insured in writing of settling a claim not later than the 30th day after it was settled.
23. Lighthouse violated 28 TEX. ADMIN. CODE § 21.2504 because its complaint record failed to contain the complaint identifier, function code, reason code, and line type.

Order

It is ordered that Lighthouse Property Insurance Corporation must pay an administrative penalty of \$90,000. The administrative penalty must be paid within 30 days from the date of this order. The administrative penalty must be paid as instructed in the invoice, which the department will send after entry of this order.

Lighthouse Property Insurance Corporation is further ordered to comply with the following:

1. Lighthouse Property Insurance Corporation must identify all the policies:
 - a. issued using the incorrect Masonry Veneer/Hardiplank Protection class in Texas from January 1, 2018, to December 31, 2018 (the "Review Period").
 - b. issued using SERFF filing number MERL-131488148 prior to its effective date of December 1, 2018, for renewal policies (the "Review Period.")

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2. For each policy in the respective Review Period, Lighthouse Property Insurance Corporation must calculate the premium using the protection class and rate filing on file with the department at that time.
3. For each policy in the Review Period, Lighthouse Property Insurance Corporation must calculate and determine whether the dollar amount of the premium charged for each policy is less than or more than the recalculated premium. If the premium charged is more than the recalculated premium, the difference constitutes the Overcharge.
4. Lighthouse Property Insurance Corporation must pay restitution in the form of a company check or account credit to each policyholder identified in the Review Period as having an Overcharge (the "Qualifying Policyholders"). The restitution check or account credit must include the dollar amount of the overcharge, plus simple interest due on the overcharge. The rate of interest shall be five percent per annum.
5. Lighthouse Property Insurance Corporation must mail the restitution checks or issue the account credits to the Qualifying Policyholders on or before June 30, 2022.
6. Any restitution checks that are returned to Lighthouse Property Insurance Corporation with an address correction must be promptly resent to the correct address. Funds from any restitution checks that are returned thereafter for incorrect addresses and from checks that are not negotiated must be delivered to the comptroller pursuant to the procedures set forth in TEX. PROP. CODE §§ 72.001 *et. seq.*
7. On or before August 30, 2022, Lighthouse Property Insurance Corporation must report the restitution paid to the Qualifying Policyholders by submitting a complete and sortable electronic spreadsheet to the department. The spreadsheet must contain the following information:
 - a. policy number,
 - b. policyholder name,
 - c. policyholder address,
 - d. effective date of the policy,
 - e. expiration date of the policy,
 - f. amount of Overcharge,
 - g. dollar amount of simple interest,

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- h. amount of Overcharge and interest,
 - i. date(s) restitution check or credit was processed,
 - j. the total sum of all Overcharges,
 - k. the total sum of all simple interest, and
 - l. the total sum of all restitution paid (total Overcharges plus the total of the simple interest).
8. Lighthouse Property Insurance Corporation must send all submissions required under the terms of this order by email to: EnforcementReports@tdi.texas.gov.

DocuSigned by:

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Cassie Brown
Commissioner of Insurance

Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Enforcement Division



Patrick Quigley, Staff Attorney
Enforcement Division

Affidavit

THE STATE OF FLORIDA

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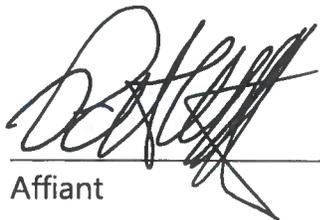
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COUNTY OF ORANGE

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Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

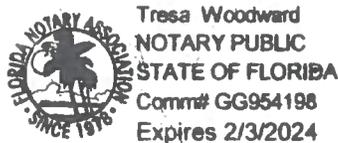
1. "My name is Patrick White. I am of sound mind, capable of making this statement, and personally acquainted with the facts stated herein.
2. I hold the office of Chief Executive Officer. I am the authorized representative of Lighthouse Property Insurance Corporation and am duly authorized to execute this affidavit.
3. Lighthouse Property Insurance Corporation has knowingly and voluntarily entered into the foregoing consent order and agree with and consent to the issuance and service of the foregoing consent order by the commissioner of insurance of the State of Texas."



Affiant

SWORN TO AND SUBSCRIBED before me on March 14, 2022.

(NOTARY SEAL)



Tresa Woodward
Signature of Notary Public

Tresa Woodward
Printed Name of Notary Public