

No. **2024-8813**

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

Date: 9/12/2024

Subject Considered:

Centauri Specialty Insurance Company
4081 Lakewood Ranch Boulevard N, Suite 200
Lakewood Ranch, Florida 34240-8548

Consent Order
TDI Enforcement File No. 32985

General remarks and official action taken:

This is a consent order with Centauri Specialty Insurance Company (Centauri). The Texas Department of Insurance (TDI) conducted a targeted market conduct examination and found violations of Texas law. Centauri has agreed to pay restitution and an administrative penalty of \$200,000.

Waiver

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

Findings of Fact

Licensure and Background

1. Centauri is a foreign fire and casualty company holding a certificate of authority to transact business in the state of Texas.

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2. TDI conducted a targeted market conduct examination of Centauri on its homeowners line of business for the period of January 1, 2021, through December 31, 2021.
3. The purpose of the examination was to determine Centauri's compliance with the Texas Insurance Code and Title 28 of the Texas Administrative Code related to sales, advertising, marketing, underwriting and rating, claims practices, and consumer complaints.
4. During the period of the examination, Centauri produced homeowners policies through two managing general agencies (MGAs), affiliate Centauri Specialty Managers, Inc. (CSM),¹ and the unaffiliated Arrowhead General Insurance Agency, Inc. (Arrowhead).²
5. During the examination, TDI found violations of the Texas Insurance Code and the Texas Administrative Code.

MGA Agreement with CSM

6. Effective September 1, 2016, Centauri entered into an MGA and claims administration agreement with CSM.
7. Centauri did business with CSM during the examination period, but:
 - a. did not appoint CSM to act as its MGA until August 30, 2023; and
 - b. did not conduct an annual MGA examination of CSM during that period.
8. After the market conduct examination, TDI investigated this issue further and found that Centauri did not conduct any annual MGA examinations of CSM between September 1, 2023, and the date of this order.

MGA Agreement with Arrowhead

9. Effective January 1, 2012, Centauri entered into a general agency agreement with Arrowhead. Under the terms of the agreement, Arrowhead's duties were to

¹ TDI firm identification no. 100924.

² TDI firm identification no. 17123.

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produce, solicit, underwrite, administer, and market Centauri's insurance products and services.

10. Although the duties performed by Arrowhead on behalf of Centauri were in the capacity of an MGA, Centauri did not enter into an MGA agreement with Arrowhead.
11. Centauri did not conduct any semiannual MGA examinations of Arrowhead, with which it had done business during the examination period.
12. Effective July 1, 2021, Centauri terminated the general agency agreement with Arrowhead, revoking its authority to write new business and requiring it to non-renew all policies in force in accordance with state law. TDI records show that on February 2, 2023, Centauri canceled Arrowhead's appointment.
13. During the examination, Centauri represented to TDI that it discontinued business with Arrowhead in 2021. When TDI's examiners requested more information about the discontinuation of business, Centauri refused to respond, denying TDI's examiners free and full access to information about that discontinuation of business in its books, records, employees, officers, and directors.
14. According to TDI's records, Centauri did not cancel its appointment with Arrowhead until February 2, 2023, and therefore Centauri was required to conduct semiannual MGA examinations of Arrowhead from 2012 until the cancellation of that appointment. However, TDI has no evidence that any such semiannual MGA examinations of Arrowhead were ever conducted by Centauri.

Sales, Advertising, and Marketing

15. The examination reviewed a random sample of 100 policies issued during the exam period to determine compliance with agents' licensing and appointment requirements.
16. In 33% (33 of 100) of the policies reviewed, the agents listed on the declarations pages were not appointed or were not timely appointed to issue or service Centauri policies.
17. In 16% (16 of 100) of the policies reviewed, the agents listed on the declarations pages were not licensed.

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18. The examination reviewed two advertisements to determine compliance with statutes and rules.
19. In 100% (2 of 2) of the advertisements reviewed, Centauri's full licensed name did not appear at or before the first appearance of any shortened or substitute name in the body of the text of the advertisement.

Underwriting and Rating

20. TDI reviewed randomly sampled policies to determine accuracy of rating, use of proper forms and endorsements, timely handling of transactions and policy service requests, adherence to consistent and nondiscriminatory underwriting practices, mandatory coverages, and compliance with statutes and rules.
21. In 100% (100 of 100) of the issued policies reviewed, Centauri did not prominently place the Notice of Toll-Free Telephone Numbers and Information and Complaint Procedures in the insured's package of documents, because it was not within the first, second, or third page of the set of documents.
22. In 100% (100 of 100) of the issued policies reviewed, Centauri's Notice of Toll-Free Telephone Numbers and Information and Complaint Procedures was not in a form consistent with the prescribed figure.

Claims

23. Staff conducted stratified sampling to include all homeowners policy and coverage types for claims Centauri processed in 2021 to determine compliance with policy provisions, timeliness and accuracy of payment, supporting documentation, general claims handling, adjuster licensing, and compliance with statutes and rules.
24. In 1% (1 of 100) of the paid claims reviewed, Centauri did not attempt in good faith to effect a prompt, fair, and equitable settlement of a claim submitted in which liability had become reasonably clear.

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25. Centauri failed to notify the claimant in writing of the acceptance or rejection of the claim not later than the 15th business day after receiving all items, statements, and forms required by the insurer to secure final proof of loss, in:
 - a. 1% (1 of 100) of the paid claims reviewed;
 - b. 4% (1 of 25) of the pending claims reviewed; and
 - c. 8% (4 of 49) of denied or closed claims reviewed.
26. In 8% (8 of 100) of the paid claims reviewed, and in 4% (1 of 25) of the pending claims reviewed, Centauri failed to pay the claim not later than the fifth business day after the date it notified the claimant it would pay all or part of the claim.
27. In 7% (7 of 100) of the paid claims reviewed, and in 4% (1 of 25) of the pending claims reviewed, Centauri delayed payment of the claim and failed to pay statutory interest at the rate of 18% on the late-paid claim.
28. In 4% (4 of 100) of the paid claims reviewed, Centauri failed to notify the insured in writing of the initial offer to settle a claim not later than the 10th day after the initial offer was made, and failed to notify the insured in writing not later than the 30th day after the claim was settled.

Complaints

29. TDI sampled 29 complaints received in 2021 for compliance with statutes and rules, including 26 sent to TDI and three sent directly to Centauri. Of the 29 complaints, 22 pertained to claims handling practices. TDI reviewed the 22 claims associated with those complaints.
30. In 9% (2 of 22) of these claims reviewed, Centauri failed to notify the claimant in writing of the acceptance of the claim not later than the 15th business day after receiving all items, statements, and forms required by the insurer to secure final proof of loss.
31. In 9% (2 of 22) of these claims reviewed, Centauri failed to pay the claim not later than the fifth business day after the date it notified the claimant it would pay all or part of the claim.

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32. Centauri failed to maintain all of the required categories in its complaint records. Specifically, Centauri failed to maintain these categories: function and reason line type; company disposition after receipt; date closed; and the state of origin.
33. However, before the exam concluded, Centauri provided a complete complaint record to TDI.

Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051 – 82.055, 84.021 – 84.044, 542.002(2), 542.052(3), 751.001 *et seq.*, and 801.051 – 801.053; and TEX. GOV'T CODE §§ 2001.051 – 2001.178.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. Centauri 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. Centauri violated 28 TEX. ADMIN. CODE § 1.601(a)(2)(A) and (B) by failing to prominently place the Notice of Toll-Free Telephone Numbers and Information and Complaint Procedures in the insured's package of documents, and issuing it in a form that was not consistent with the prescribed figure.
5. Centauri violated 28 TEX. ADMIN. CODE §§ 19.1204(b)(19) and (20) by failing to conduct annual and semi-annual examinations of its affiliated and unaffiliated MGAs, respectively, and failing to provide, make available, and maintain for the commissioner's review required information from each of those MGAs.
6. Centauri violated 28 TEX. ADMIN. CODE § 21.104(a)(1) by failing to state its full licensed name at or before the first appearance of any shortened or substitute name in the body of the text in an advertisement.
7. Centauri violated 28 TEX. ADMIN. CODE § 21.2504(c)-(e), (g), and (i) by failing to maintain its complaint record.

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8. Centauri violated TEX. INS. CODE § 542.003(b)(4) by not attempting in good faith to effect a prompt, fair, and equitable settlement of a claim submitted in which liability has become reasonably clear.
9. Centauri violated TEX. INS. CODE § 542.056(a) by failing to notify a 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 the final proof of loss.
10. Centauri violated TEX. INS. CODE § 542.057(a) by failing to pay claims not later than the fifth business day after the date Centauri notified the claimant it would pay all or part of the claim.
11. Centauri violated TEX. INS. CODE §§ 542.058(a) and 542.060(a) by failing to pay statutory interest on late-paid claims.
12. Centauri violated TEX. INS. CODE § 542.153 by failing to notify insureds in writing of an offer to settle a claim not later than 10 days after the initial offer was made, and failed to notify the insured in writing not later than the 30th day after the claim was settled.
13. Centauri violated TEX. INS. CODE § 751.303 by failing and refusing to give TDI's examiners additional information from its books, records, employees, officers, and directors about the discontinuance of its business with its managing general agent, Arrowhead.
14. Centauri violated TEX. INS. CODE § 4001.201 by using unappointed agents to issue or service policies.
15. Centauri violated TEX. INS. CODE § 4051.051 by using unlicensed agents to sell policies.
16. Centauri violated TEX. INS. CODE § 4053.054 by failing to report an appointment for CSM to act as its managing general agent.
17. Centauri violated TEX. INS. CODE § 4053.102 by accepting business from Arrowhead without a written managing general agency contract.

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Order

The commissioner orders Centauri Specialty Insurance Company to comply with the following:

1. Centauri must identify all first-party, late-paid claims in its homeowners line of business in which Centauri or any of its MGAs failed to pay statutory interest, as contemplated by TEX. INS. CODE §§ 542.058 and 542.060 (the "Qualifying Claimants") for the time period of January 1, 2021, to the date of this order (the "Review Period").
2. Not later than 30 days from the date of this order, Centauri must calculate and pay as restitution the statutory interest due on all identified late-paid claims within the Review Period.
3. Centauri must pay this restitution in the form of a company check or account credit to each Qualifying Claimant identified in the Review Period.
4. Centauri must mail the restitution checks and/or issue the account credits to the Qualifying Claimants within 60 days of the date of this order.
5. Any restitution checks that are returned to Centauri with an address correction must be promptly re-sent 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 reported and delivered to the Comptroller of Public Accounts pursuant to the procedures and deadlines set forth in TEX. PROP. CODE §§ 72.001 *et. seq.*, 73.001 *et. seq.*, and 74.001 *et. seq.*
6. Within 180 days from the date of this order, Centauri must report the restitution paid to the Qualifying Claimants by submitting a complete and sortable, electronic spreadsheet to TDI. The spreadsheet must contain the following information:
 - a. name of the MGA that produced the policy;
 - b. policy number;
 - c. claim number;
 - d. claimant name;
 - e. claimant address;
 - f. date of loss;
 - g. type of coverage;

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- h. date liability was accepted;
 - i. date Centauri or its MGA secured final proof of loss;
 - j. total amount of original claim payment(s);
 - k. date(s) of original claim payment(s);
 - l. number of days of interest due;
 - m. dollar amount of statutory interest due;
 - n. date of mailing of restitution check or issuance of credit; and,
 - o. total of all statutory interest payments.
7. All submissions required under the terms of this order must be sent electronically to: EnforcementReports@tdi.texas.gov.
8. All submissions required under the terms of this order must be made solely by Centauri. Any submissions made by or through individual MGAs will not be accepted by TDI and will not constitute compliance by Centauri with the terms of this order.

It is further ordered that on and after the date of this order, Centauri Specialty Insurance Company must conduct examinations of its affiliated and unaffiliated MGAs on the scheduled basis required by 28 TEX. ADMIN. CODE § 19.1204(19)(A)-(C), and must retain and make available for the commissioner's review the information in 28 TEX. ADMIN. CODE § 19.1204(20) for a period of at least three years from completion of each examination.

It is also further ordered that Centauri Specialty Insurance Company must pay an administrative penalty of \$200,000 within 30 days from the date of this order. The administrative penalty must be paid as instructed in the invoice, which TDI will send after entry of this order.

Signed by:

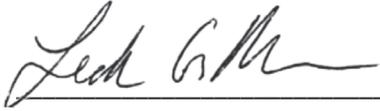
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Cassie Brown
Commissioner of Insurance

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Recommended and reviewed by:



Leah Gillum, Deputy Commissioner
Fraud and Enforcement Division



Anna Kalapach, Staff Attorney
Enforcement

Affidavit

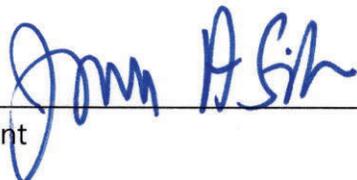
STATE OF NEBRASKA §
§
COUNTY OF DOUGLAS §

Before me, the undersigned authority, personally appeared Jeffrey A. Silver, who being by me duly sworn, deposed as follows:

"My name is Jeffrey A. Silver. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

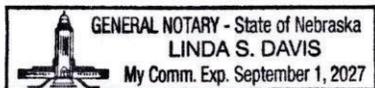
I hold the office of Secretary and am an authorized representative of Centauri Specialty Insurance Company. I am duly authorized by said organization to execute this statement.

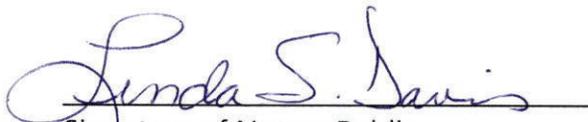
Centauri Specialty Insurance Company has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."


Affiant

SWORN TO AND SUBSCRIBED before me on August 15, 20 24.

(NOTARY SEAL)




Signature of Notary Public

Linda S. Davis
Printed Name of Notary Public