

NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA



STATE OF NORTH CAROLINA
COUNTY OF WAKE

BEFORE THE COMMISSIONER OF INSURANCE

IN THE MATTER OF
THE LICENSURE OF
ORCHID UNDERWRITERS AGENCY, LLC
LICENSE NO. 15485539

VOLUNTARY SETTLEMENT
AGREEMENT

NOW COME, ORCHID UNDERWRITERS AGENCY, LLC (hereinafter "ORCHID") and the N.C. Department of Insurance Agent Services Division (hereinafter "Agent Services Division"), and hereby voluntarily and knowingly enter into the following Voluntary Settlement Agreement (hereinafter "this Agreement").

WHEREAS, the Department has the authority and responsibility for enforcement of the insurance laws of this State, and for regulating and licensing insurance agents and agencies; and

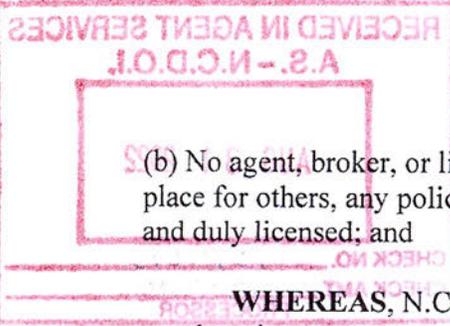
WHEREAS, ORCHID held non-resident corporate business entity and surplus lines licenses issued by the Department during all periods relevant hereto; and

WHEREAS, investigators conducted an agency review to verify that agency employees transacting insurance in North Carolina were appropriately licensed, to analyze the agency's financials, and to randomly review files to verify proper underwriting during the period February 3 through June 11, 2021; and

WHEREAS, at all times relevant herein, ORCHID employs 173 people, of which 9 employees are licensed in North Carolina and 4 employees hold a surplus lines license and Agent Services Division investigators determined that some employees of ORCHID procured coverage for insurance policies written through admitted insurers without being properly licensed or appointed, and some employees of the agency procured insurance coverage through non-admitted insurers without having a surplus lines license; and

WHEREAS, N.C. Gen. Stat. § 58-21-65(a) provides: For insureds whose home state is this State, no agent or broker licensed by the Commissioner shall directly procure any contract of surplus lines insurance with any non-admitted domestic surplus lines insurer or non-admitted insurer, unless he possesses a current surplus lines insurance license issued by the Commissioner; and

WHEREAS, N.C. Gen. Stat. § 58-33-26 provides:
(a) No person shall act as or hold himself or herself out to be an agent, broker, limited representative, adjuster, or motor vehicle damage appraiser unless duly licensed.



(b) No agent, broker, or limited representative shall make application for, procure, negotiate for, or place for others, any policies for any kinds of insurance as to which that person is not then qualified and duly licensed; and

WHEREAS, N.C. Gen. Stat. § 58-33-40(a) provides that no person shall solicit, negotiate, or otherwise act as an agent for an insurer unless appointed by such insurer; and

WHEREAS, procuring insurance coverage through admitted and non-admitted insurers without being properly licensed or appointed constitute violations of the provisions of N.C. Gen. Stats. §§ 58-33-26(a) & (b), 58-21-65(a) and 58-33-40(a); and

WHEREAS, N.C. Gen. Stat. § 58-33-46(a)(2) provides that the Commissioner may place on probation, suspend, revoke, or refuse to issue or renew any license issued under Article 58 of the General Statutes of North Carolina for violating any insurance law of this or any other state, violating any administrative rule, subpoena, or order of the Commissioner or of another state's regulator; and

WHEREAS, N. C. Gen. Stat. § 58-2-70 provides that whenever the Commissioner has reason to believe that any person has violated any law that would subject the license or certification of that person to suspension or revocation, the Commissioner is authorized, in lieu of a hearing, to negotiate a mutually acceptable agreement as to the status of the person's license or certificate or to any civil penalty or restitution; and

WHEREAS, ORCHID denies that it violated the insurance laws of this State or any other law. However, it agrees to the relief set forth in this Agreement to fully resolve this matter without further administrative or judicial proceedings; and the Department has agreed not to pursue additional civil ramifications, including penalties, sanctions, remedies, or restitution based on these matters against ORCHID; and

WHEREAS, this Agreement is civil in nature and does not preclude criminal prosecution that may result from investigations by the Department's Criminal Investigation Division for violations of criminal laws; and

NOW, THEREFORE, in exchange for the consideration and promises and agreements set out herein, ORCHID and the Department hereby agree to the following:

1. Immediately upon the signing of this Agreement, ORCHID shall pay a civil penalty of **\$15,000.00** to the Department. The form of payment shall be by certified check, cashier's check or money order. The check or money order for the payment of this civil penalty shall be payable to the "North Carolina Department of Insurance." ORCHID shall remit the civil penalty by certified mail, return receipt requested, to the Agent Services Division along with a copy of this signed Agreement. The civil penalty and the signed Agreement must be received by the Department no later than **September 8, 2022**. The civil penalty shall be subject to disbursement in accordance with the provisions of Article IX, Section 7 of the North Carolina Constitution for the benefit of public schools.

2. This Agreement does not in any way affect the Agent Services Division's disciplinary power in any future examination of ORCHID or in any complaints involving ORCHID unrelated to the specific matters addressed in this Agreement.
3. ORCHID enters into this Agreement, on behalf of itself, freely and voluntarily and with the knowledge of its right to have an administrative hearing on this matter. ORCHID understands it may consult with an attorney prior to entering into this Agreement.
4. The parties to this Agreement agree that this Agreement shall have the full force and effect of an Order of the Commissioner. ORCHID understands that N.C.G.S. § 58-33-46(a)(2) provides that a corporate license may be revoked for violating an Order of the Commissioner.
5. This Agreement, when finalized, will be a public record and will **not** be held confidential by the Department. Following the execution of this Agreement, all licenses issued by the Department to ORCHID shall reflect that Regulatory Action has been taken against it. The Department is free to disclose the contents of this Agreement with third parties upon request or pursuant to any law or policy providing for such disclosure.
6. The parties have read and understand this Agreement and agree to abide by the terms and conditions stated herein.
7. Be aware that if a state or federal regulator other than the N.C. Department of Insurance has issued an occupational or professional license to your business entity, that regulator may require you to report this administrative action to it. The N.C. Department of Insurance cannot give you legal advice as to the specific reporting requirements of other state or federal regulators.

Orchid Underwriters Agency, LLC

N.C. Department of Insurance
Agent Services Division


By: Steven Carlsen
Chief Executive Officer


By: Angela Hatchell
Deputy Commissioner

Date: August 10, 2022

Date: 8/31/2022