

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
HANOVER EXCESS & SURPLUS, INC.
LICENSE NO. 0002349635

VOLUNTARY SETTLEMENT
AGREEMENT

NOW COME, HANOVER EXCESS & SURPLUS, INC. (hereinafter "HANOVER E&S") and the North Carolina Department of Insurance (hereinafter "Department"), 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, HANOVER E&S held a resident corporate business entity license issued by the Department during the periods covered by the audit; and

WHEREAS, the Department conducted a review of HANOVER E&S during the periods November 2, 12, 13, 16, December 9, 17 and 29, 2020 and January 5, 7, 8, 11, 13, and 14, 2021; the review was elevated to target status based on violations observed; and

WHEREAS, N.C. Gen. Stat. § 58-33-26(a) & (b) provide:

(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. § 58-21-65(a) provides:

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

WHEREAS, Department investigators determined that some employees of HANOVER E&S were procuring coverage for insurance policies written through admitted insurers without being properly licensed, and some employees of the agency procured insurance coverage through non-admitted insurers without having a surplus lines license; and

WHEREAS, procuring insurance 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, HANOVER E&S has agreed to settle, compromise, and resolve the matters referenced in this Agreement on behalf of itself and makes no admissions with respect to such matters, and the Department has agreed not to pursue additional penalties, sanctions, remedies, or restitution based on these matters against HANOVER E&S; and

WHEREAS, the parties to this Agreement mutually wish to resolve this matter by consent before the Department initiates an administrative hearing and have reached a mutually agreeable resolution of this matter as set out in this Agreement.

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

1. Immediately upon the signing of this Agreement, HANOVER E&S 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." HANOVER E&S shall remit the civil penalty by certified mail, return receipt requested, to the Department along with a copy of this signed Agreement. The civil penalty and the signed Agreement must be received by the Department no later than **May 06, 2021**. 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 Department's disciplinary power in any future examination of HANOVER E&S or in any complaints involving HANOVER E&S unrelated to the specific matters addressed in this Agreement.
3. HANOVER E&S 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. HANOVER E&S 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. HANOVER E&S 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 HANOVER E&S 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. The Department, upon request, routinely provides a copy of the voluntary settlement agreement to all companies that have licensed the business entity.
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.

HANOVER EXCESS & SURPLUS, INC.

DEPARTMENT OF INSURANCE

[Redacted Signature]

By: Matthew H. Letson
President

[Redacted Signature]

By: Angela Hatchell
Deputy Commissioner

Date: 4/27/2021

Date: 4/30/2021