

Report on

Market Conduct Examination

of the

Universal Property and Casualty Insurance Company

Fort Lauderdale, Florida

by Representatives of the

North Carolina Department of Insurance

as of

October 11, 2023

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Raleigh, North Carolina
October 11, 2023

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Honorable Commissioners:

In accordance with the provisions of North Carolina General Statutes (NCGS) 58-2-131 through 58-2-134, a general examination has been made of the market conduct activities of the following entity:

Universal Property and Casualty Insurance Company (NAIC #10861)
NAIC Exam Tracking System Exam Number: NC-HOWENC-4
Fort Lauderdale, North Carolina
(hereinafter generally referred to as the Company)

The examination was conducted at the North Carolina Department of Insurance office located at 325 N. Salisbury Street, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

This examination commenced on January 17, 2023, and covered the period of January 1, 2019, through December 31, 2021. This examination was initiated by market analysis on April 22, 2022. All comments made in this report reflect conditions observed during the period of the examination.

The examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination consisted of an examination of the Company's practices and procedures in policyholder treatment, marketing, underwriting and rating, terminations, and claims practices. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0% tolerance level for consumer complaints, producers/adjusters who were not appointed and/or licensed, and the use of forms and rates/rules that were neither filed with nor approved by the Department; 7% for claims; and 10% for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the Company.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's practices and procedures in the following areas:

Policyholder Treatment – Consumer Complaints: The Company did not respond to some Departmental inquiries within seven calendar days of receipt.

Marketing – Producer Terminations: The Company did not properly notify the producer of the termination of their appointment.

Underwriting and Rating – Homeowners: Producers not appointed.

Terminations – Homeowners Cancellations and Nonrenewals: Summary of rights not provided to terminated policyholders.

Claims – 1st Party Property Damage and 3rd Party Property Damage: Adjusters not licensed; excessive amount of time taken to investigate, appraise and pay claims. Medical Payments: Adjusters not licensed; excessive amount of time taken to acknowledge and investigate claims. Bodily injury: Adjuster not licensed. Subrogated: Adjusters not licensed; excessive amount of time taken to reimburse the insured's deductible.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Web site <https://www.ncdoi.gov/insurance-industry/market-regulation>.

This examination identified various statutory violations, some of which had been discovered and corrected by the Company prior to the commencement of the examination. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina does not constitute acceptance of such violations.

POLICYHOLDER TREATMENT

Consumer Complaints

The Company's complaint handling procedures were reviewed to determine compliance with applicable North Carolina statutes and rules.

The Company's complaint register was reconciled with a listing provided by the Consumer Services Division of the Department. The Company's complaint register for the period under examination was in compliance with provisions of 11 NCAC 19.0103. Fifty complaints from the Department's listing of 168 were selected for review. The distribution of complaints requiring a response to the Department is shown in the chart below.

Type of Complaint	Total
Claims	42
Underwriting	6
Administrative	2
Total	50

The Company was deemed to be in violation of the provisions of 11 NCAC 01.0602 as it did not provide a response to the Department within seven calendar days of receipt for two complaint files reviewed (4.0% error ratio). The average service time to respond to a Departmental complaint was five calendar days. A chart of the Company's response time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	48	96.0
8 - 14	1	2.0
15 - 21	1	2.0
Total	50	100.0

Privacy of Financial and Health Information

The Company provided privacy of financial and health information documentation for the examiners' review. The Company exhibited policies and procedures in place so that nonpublic personal financial or health information is not disclosed unless the customer or consumer has authorized the disclosure. The Company was found to be compliant with the provisions of NCGS 58-39-25, 58-39-26, and 58-39-27.

MARKETING

Policy Forms and Filings

Policy forms and filings for the Company were reviewed to determine compliance with appropriate North Carolina statutes and rules. The review was based on the homeowners line of business.

Filings for the homeowners line of business were made by the North Carolina Rate Bureau on behalf of the Company.

Producer Licensing

The Company's procedures for appointment and termination of its producers were reviewed to determine compliance with the appropriate North Carolina statutes and rules.

The Company provided the examiners with listings of 2,981 appointed and 2,115 terminated producers for the period under examination. Fifty appointed and 50 terminated producer files were randomly selected for review. All appointment forms reviewed were submitted to the Department in accordance with the timetables stipulated under the provisions of NCGS 58-33-40.

The Company was deemed to be in violation of the provisions of NCGS 58-33-56(d) as it failed to properly notify 32 producers of the termination of their appointment (64.0% error ratio). The Company reported that this error had been discovered prior to the examination and

corrected. The examiners observed no occurrences of this error after July, 2021, indicating the issue has been corrected.

UNDERWRITING AND RATING

Overview

The Company's marketing in North Carolina is directed exclusively to the homeowners line of coverage. The Company's homeowners policies were reviewed for adherence to underwriting guidelines, file documentation, and premium determination. Additionally, the policies were examined to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules.

Homeowners

The Company provided a listing of 42,441 active homeowners policies issued during the period under examination. One hundred policies were randomly selected for review.

The Company's homeowners coverages were written utilizing manual and deviated rates. Policies were written on an annual basis. Risk placement was determined by the Company's underwriting guidelines and the underwriter. No discrepancies were noted in the Company's use of its underwriting guidelines. All policy files contained sufficient documentation to support the Company's classification of the risk.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26(i) and 58-33-40 as the producer was not appointed for 17 homeowners applications reviewed (17.0% error ratio).

TERMINATIONS

Overview

The Company's termination procedures were reviewed to determine compliance with the appropriate North Carolina statutes and rules, policy provisions, and the applicable policy manual rules. The review was based on the homeowners line of business.

Special attention was placed on the validity and reason for termination, timeliness in issuance of the termination notice, policy refund (where applicable), and documentation of the policy file. A total of 37,418 policies were terminated during the period under examination. The examiners randomly selected 150 terminations for review.

Homeowners Cancellations

One hundred cancelled homeowners policies were randomly selected for review from a population of 36,674.

The reason for cancellation was deemed valid for all policies reviewed. The review revealed the following reasons for cancellation:

Reason for Cancellation	Number of Policies	Percentage
Insured's request	46	46.0
Nonpayment of premium	29	29.0
Adverse Underwriting Decision	25	25.0
Total	100	100.0

The Company was not required to issue cancellation notices for 46 of the cancelled policies reviewed as these policies were cancelled at the request of the insured. Cancellation notices for the remaining 54 policies stated the specific reason for cancellation.

All premium refunds were deemed correct. The Company issued refunds in a timely manner.

The Company was deemed to be in violation of the provisions of NCGS 58-39-55(a) as it did not provide the policyholder with a summary of their rights established under NCGS 58-39-55(b), 58-39-45 and 58-39-50 for 22 cancelled homeowners policies reviewed (22.0% error ratio). The Company reported that this error had been discovered prior to the examination and corrected. The examiners observed no occurrences of this error after March of 2021, indicating the issue has been corrected.

The final area of this review encompassed documentation of the policy file. All policy files reviewed contained sufficient documentation to support the action taken by the Company.

Homeowners Nonrenewals

Fifty nonrenewed homeowners policies were randomly selected for review from a population of 744.

The reason for nonrenewal was deemed valid for all policies reviewed. The review revealed the following reasons for nonrenewal:

Reason for Nonrenewal	Number of Policies	Percentage
Adverse Underwriting Decision	41	82.0
Agent No Longer Appointed	9	18.0
Total	50	100.0

The Company was deemed to be in violation of the provisions of NCGS 58-39-55(a) as it did not provide the policyholder with a summary of their rights established under NCGS 58-39-55(b), 58-39-45 and 58-39-50 for 38 nonrenewed homeowners policies reviewed (76.0% error ratio). The Company reported that this error had been discovered prior to the examination and corrected. The examiners observed no occurrences of this error after February of 2021, indicating the issue has been corrected.

The Company was reminded of the policy termination provisions as it did not provide the policyholder with proper advance notice of termination for one nonrenewed homeowners policy reviewed (2.0% error ratio).

The final area of this review encompassed documentation of the policy file. All policy files contained sufficient documentation to support the action taken by the Company.

CLAIMS PRACTICES

Overview

The Company's claims practices were reviewed to determine compliance with the appropriate North Carolina statutes and rules and policy provisions. The license status for each

claim adjuster was reviewed to determine if the adjuster was properly licensed at the time of the claim handling. The review encompassed paid, medical payments, first and third-party bodily injury, closed without payment, subrogated, and litigated claims. Three hundred twenty-four claims were randomly selected for review from a population of 9,577.

Paid Claims

One hundred first-party property damage and 50 third-party property damage claims paid during the period under examination were selected for review from a population of 5,337. The claim files were reviewed for timeliness of payment, supporting documentation, and accuracy of payment.

The following types of claims were reviewed and the average payment time is noted in calendar days:

Type of Claim	Payment Time
First-party property damage	23.0
Third-party property damage	88.0

The Company was deemed to be in violation of the provisions of NCGS 58-33-26 as two first-party property damage claims reviewed were handled by adjusters who were not properly licensed (2.0% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-63-15(11)(b) as an excessive amount of time was taken to investigate nine first-party property damage claims reviewed (9.0% error ratio) and appraise seven first-party property damage claims reviewed (7.0% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-63-15(11)(f) as an excessive amount of time was taken to issue payment for ten first-party property damage claims reviewed (10.0% error ratio).

The Company was reminded of the provisions of NCGS 58-63-15(11)(n) as it failed to promptly provide a reasonable explanation of the basis in the insurance policy in relation to the facts or applicable law for denial of one first-party property damage claim reviewed (1.0% error ratio).

The Company was reminded of the provisions of NCGS 58-63-15(11)(h) as the settlement was not calculated correctly for one first-party property damage claim reviewed (1.0% error ratio). At the request of the examiners, an additional payment in the amount of \$207.80, including interest, was issued by the Company to the policyholder.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26 as two third-party property damage claims reviewed were handled by adjusters who were not properly licensed (4.0% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-63-15(11)(b) as an excessive amount of time was taken to investigate nine third-party property damage claims reviewed (18.0% error ratio) and appraise five third-party property damage claims reviewed (10.0% error ratio).

The Company is deemed to be in violation of the provisions of NCGS 58-63-15(11)(f) as an excessive amount of time was taken to issue payment for 13 third-party property damage claims reviewed (26.0% error ratio).

All other payments issued by the Company were deemed to be accurate. Deductibles were correctly applied and depreciation taken was reasonable.

All claim files reviewed contained documentation to support the Company's payments. The documentation consisted of appraisals, estimates, repair bills, or inventory listings.

Medical Payment Claims

All medical payment claims were selected for review from a population of 29. The claim files were reviewed to determine if the Company had engaged in any unfair claims practices.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26 as two claims reviewed were handled by adjusters who were not properly licensed (6.9% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-63-15(11)(b) as an excessive amount of time was taken to acknowledge four claims reviewed (13.8% error ratio) and investigate five claims reviewed (17.2% error ratio).

First and Third-Party Bodily Injury Claims

All first and third-party bodily injury claims were selected for review from a population of 41. The claim files were reviewed to determine whether the Company had engaged in any unfair claims practices.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26 as one claim reviewed was handled by an adjuster who was not properly licensed (2.4% error ratio).

Claims Closed Without Payment

Fifty closed without payment claims were randomly selected for review from a population of 3,813. The claim files were reviewed to determine if the Company's reasons for closing the claims without payment were valid.

The claim files reviewed contained documentation that supported the Company's reasons for closing the claims without payment. All reasons for denial or closing the claims without payment were deemed valid. Claims were denied on an average of 19 days for the 3-year period. The review of closed without payment claims disclosed no violations of the provisions of NCGS 58-63-15.

Subrogated Claims

Fifty subrogated claims were randomly selected for review from a population of 353. The claim files were reviewed to determine if the insured's deductible was properly reimbursed by the Company when subrogation was successful.

The Company was deemed to be in violation of the provisions of NCGS 58-33-26 as 24 claims were handled by adjusters who were not properly licensed (48.0% error ratio).

The Company was deemed to be in violation of the provisions of NCGS 58-63-15(11)(b) as 18 claims reviewed had delays in reimbursing the insured's deductible (36.0% error ratio).

The remaining reimbursements were deemed to be correct and were issued on a 3-year average of 5.5 calendar days from the date the Company collected the monies.

Litigated Claims

All litigated claims were selected for review from a population of four. The claim files were reviewed to determine if the Company had engaged in any unfair claims practices. The review of litigated claims disclosed no violations of the provisions of NCGS 58-63-15(11).

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company is directed to implement procedures to ensure that both staff and independent claims adjusters are properly licensed in North Carolina at the time of claim handling and that all producers are properly appointed to represent the Company in North Carolina.

The Company must notify terminated producers of their appointment termination in writing within 15 days after notifying the Commissioner as required in NCGS 58-33-56(a). The examiners acknowledge the Company had identified and corrected this issue prior to this examination.

The Company must respond to all Departmental inquiries, including inquiries regarding consumer complaints, within seven calendar days of receipt.

The Company must provide the policyholder with a summary of their rights established under NCGS 58-39-55(b), 58-39-45 and 58-39-50. The examiners acknowledge the Company had identified and corrected this issue prior to this examination.

The Company is directed to develop time standards for claim handling in North Carolina, including time to acknowledge, investigate, appraise, pay or deny claims, as well as the time to reimburse the insured's deductible for subrogated claims, and have these standards available

for the Department's review on demand. It is recommended these standards be incorporated into a comprehensive claims procedure manual.

Upon acceptance of the Report the Company shall provide the Department with a statement of corrective action plan to address the violations identified during the examination. The Department will conduct a future investigation, if warranted, to determine if the Company successfully implemented their statement of corrective action.

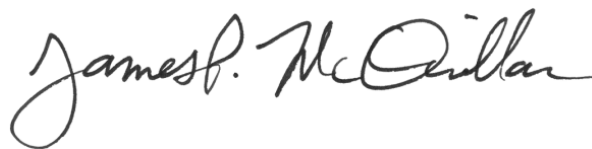
CONCLUSION

An examination has been conducted on the market conduct affairs of Universal Property and Casualty Insurance Company for the period January 1, 2019, through December 31, 2021.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures, including analyses of the Company's operations in the areas of policyholder treatment, marketing, underwriting and rating, terminations, and claims practices.

In addition to the undersigned, Paula Posey, MCM, and Brooke Green, CPCU, MCM, North Carolina Market Conduct Senior Examiners, participated in this examination.

Respectfully submitted,

A handwritten signature in black ink that reads "James P. McQuillan". The signature is written in a cursive, flowing style.

James P. McQuillan, CPCU, AIT, MCM
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in black ink that reads "Teresa Knowles". The signature is written in a cursive style with a large, looping initial "T" and a long, sweeping underline.

Teresa Knowles, MCM, ACS
Deputy Commissioner
Market Regulation Division
State of North Carolina