

MARKET CONDUCT EXAMINATION REPORT

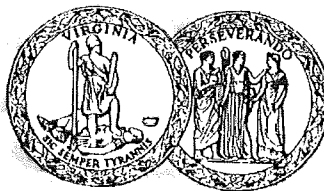
OF

**UNIVERSAL NORTH AMERICA INSURANCE
COMPANY**

AS OF

March 31, 2014

COMMONWEALTH OF VIRGINIA



JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

I, Gloria Warriner, Senior Insurance Market Examiner of the Bureau of Insurance, do hereby certify that the annexed copy of the Market Conduct Examination Report of Universal North America Insurance Company as of March 31, 2014, conducted at the company's offices in Carlsbad, California and Sarasota, Florida is a true copy of the original Report on file with the Bureau and also includes a true copy of the company's response to the findings set forth therein, and a true copy of the Bureau's review letters and the State Corporation Commission's Order in Case No. INS-2016-00053 finalizing the Report.

IN WITNESS WHEREOF, I have
hereunto set my hand and affixed
the official seal of the Bureau
at the City of Richmond, Virginia,
this 22nd day of June, 2016.

Senior Examiner's Name
Examiner in Charge

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INTRODUCTION

Pursuant to the authority of § 38.2-1317 of the Code of Virginia, a market conduct examination has been made of the homeowners line of business written by Universal North America Insurance Company at its offices in Tampa Bay, Florida and San Diego, California.

The examination commenced January 26, 2015 and concluded June 11, 2015. Brandon L. Ayers, Andrea D. Baytop, William T. Felvey, Karen S. Gerber, Ju'Coby D. Hendrick, Richard L. Howell, Melody R. Morrissette, and Gloria V. Warriner, examiners of the Bureau of Insurance, and Joyclyn M. Morton, Market Conduct Supervisor of the Bureau of Insurance, participated in the work of the examination. The examination was called in the Examination Tracking System on February 19, 2014 and was assigned the examination number of VA097-M14. The examination was conducted in accordance with the procedures established by the National Association of Insurance Commissioners (NAIC).

COMPANY PROFILE*

Universal North America Insurance Company ("UNAIC") is a wholly-owned subsidiary of Universal Insurance Holdings of North America, Inc. ("UIHNA") and is domiciled in San Antonio, Texas. UNAIC commenced operations in June 2005 and on April 2, 2008, and was assigned a financial strength rating (FSR) of "A-" (Excellent) and an issuer credit rating (ICR) of "A-" by A.M. Best. The rating and stable outlook, was affirmed in June 17, 2014, after a comprehensive evaluation of the company's financial position, operating performance, and market profile.

* Source: Historical Description January 30, 2014 provided by the company.

The table below indicates when the company was licensed in Virginia and the lines of insurance that the company was licensed to write in Virginia during the examination period. All lines of insurance were authorized as noted in the table.

GROUP CODE: 0071	UNAIC
NAIC Company Number:	10759
LICENSED IN VIRGINIA	11/15/2010
LINES OF INSURANCE	
Accident and Sickness	
Aircraft Liability	
Aircraft Physical Damage	
Animal	
Automobile Liability	
Automobile Physical Damage	
Boiler and Machinery	
Burglary and Theft	X
Commercial Multi-Peril	
Credit	
Farmowners Multi-Peril	
Fidelity	
Fire	X
General Liability	
Glass	X
Homeowner Multi-Peril	X
Inland Marine	X
Miscellaneous Property	7/7/2009
Ocean Marine	
Surety	
Water Damage	
Workers' Compensation	

The table below shows the company's premium volume and approximate market share of business written in Virginia during 2013 for the line of insurance included in this examination.* This business was developed through independent agents.

COMPANY AND LINE	PREMIUM VOLUME	MARKET SHARE
Homeowners Multiple Peril	\$9,127,491	.47%

*Source: The 2013 Annual Statement on file with the Bureau of Insurance and the Virginia Bureau of Insurance Statistical Report.

SCOPE OF THE EXAMINATION

The examination included a detailed review of the company's homeowners line of business written in Virginia for the period beginning April 1, 2013 and ending March 31, 2014. This review included rating, underwriting, policy terminations, claims handling, forms, policy issuance¹, statutory notices, agent licensing, complaint handling, and information security practices. The purpose of this examination was to determine compliance with Virginia insurance statutes and regulations and to determine that the company's operations were consistent with public interest. The Report is by test, and all tests applied during the examination are reported.

This Report is divided into three sections: Part One – The Examiners' Observations, Part Two – Corrective Action Plan, and Part Three – Recommendations. Part One outlines all of the violations of Virginia insurance statutes and regulations that were cited during the examination. In addition, the examiners cited instances where the company failed to adhere to the provisions of the policies issued on risks located in Virginia. Finally, violations of other related laws that apply to insurers, characterized as "Other Law Violations," are also noted in this section of the Report.

In Part Two, the Corrective Action Plan identifies the violations that rise to the level of a general business practice and are subject to a monetary penalty.

In Part Three, the examiners list recommendations regarding the company's practices that require some action by the company. This section also summarizes the violations for which the company was cited in previous examinations.

The examiners may not have discovered every unacceptable or non-compliant activity in which the company engaged. The failure to identify, comment on, or criticize

¹ Policies reviewed under this category reflected the company's current practices and, therefore, fell outside of the exam period.

specific company practices does not constitute an acceptance of the practices by the Bureau.

STATISTICAL SUMMARY

The files selected for the review of the rating and underwriting, termination, and claims handling processes were chosen by random sampling of the various populations provided by the company. The relationship between population and sample is shown on the following page.

In other areas of the examination, the sampling methodology is different. The examiners have explained the methodology for those areas in corresponding sections of the Report.

The details of the errors will be explained in Part One of this Report. General business practices may or may not be reflected by the number of errors shown in the summary.

**Population
Sample Requested**

<u>AREA</u>	<u>TOTAL</u>	<u>FILES REVIEWED</u>	<u>FILES NOT FOUND</u>	<u>FILES WITH ERRORS</u>	<u>ERROR RATIO</u>
Homeowners					
New Business	<u>3713</u> 53	53	0	38	72%
Renewal Business	<u>11571</u> 53	53	0	10	19%
Co-Initiated Cancellations ¹	<u>802</u> 35	35	0	17	49%
All Other Cancellations ²	<u>2845</u> 30	27	0	15	56%
Nonrenewals	<u>191</u> 10	10	0	0	0%
Rejected Applications	<u>171</u> 5	5	0	3	60%
Claims					
Property	<u>1612</u> 75	75	0	42	56%

Footnote 1 - One policy in First 90 was a renewal policy and reviewed in Over 90 category.
 Footnote 2 - Two policies in the Insured Requested category were cancellations in the First 90 and not reviewed. One policy in the Non-Pay category was an Insured Requested and not reviewed.

PART ONE – THE EXAMINERS' OBSERVATIONS

This section of the Report contains all of the observations that the examiners provided to the company. These include all instances where the company violated Virginia insurance statutes and regulations. In addition, the examiners noted any instances where the company violated any other Virginia laws applicable to insurers.

RATING AND UNDERWRITING REVIEW

Homeowners New Business Policies

The Bureau reviewed 53 new business policy files. During this review, the examiners found overcharges totaling \$175.00 and undercharges totaling \$134.00. The net amount that should be refunded to insureds is \$175.00 plus six percent (6%) simple interest.

- (1) The examiners found 33 violations of § 38.2-604 A 1 of the Code of Virginia. The company failed to provide the Notice of Information Collection and Disclosure Practices as required by the statute.
- (2) The examiners found two violations of § 38.2-610 A of the Code of Virginia. The company failed to provide the insured with written notice of an Adverse Underwriting Decision (AUD). The company issued the policy based upon information different than that which the insured furnished on his application.
- (3) The examiners found nine violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.
 - a. In eight instances, the company failed to use the correct discounts and/or surcharges.
 - b. In one instance, the company failed to follow its filed eligibility rule when rating this risk.

- (4) The examiners found five violations of § 38.2-2126 A of the Code of Virginia. The company provided a Credit Adverse Action notice that did not include the primary characteristic or advise the insured that they may request such information.
- (5) The examiners found one violation of § 38.2-2126 E of the Code of Virginia. The company used credit information that was obtained more than 90 days from the new business policy effective date.

Homeowners Renewal Business Policies

The Bureau reviewed 53 renewal business policy files. During this review, the examiners found overcharges totaling \$128.10 and undercharges totaling \$160.00. The net amount that should be refunded to insureds is \$128.10 plus six percent (6%) simple interest.

The examiners found ten violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In five instances, the company failed to use the correct discounts and/or surcharges.
- b. In one instance, the company failed to use the correct construction type.
- c. In two instances, the company failed to use the correct public protection classification.
- d. In two instances, the company failed to follow its filed eligibility rule when rating this risk.

TERMINATION REVIEW

The Bureau requested cancellation files in several categories due to the difference in the way these categories are treated by Virginia insurance statutes, regulations, and policy provisions. The breakdown of these categories is described

below.

Company Initiated Cancellations – Homeowners Policies

NOTICE MAILED PRIOR TO THE 90TH DAY OF COVERAGE

The Bureau reviewed 19 homeowner cancellations that were initiated by the company where the notice was mailed prior to the 90th day of coverage in the initial policy period. During this review, the examiners found no overcharges and no undercharges.

The examiners found one violation of § 38.2-2113 C of the Code of Virginia. The company failed to provide proper notice of cancellation to the lienholder.

NOTICE MAILED AFTER THE 89TH DAY OF COVERAGE

The Bureau reviewed 16 homeowner cancellations that were initiated by the company where the notice was mailed on or after the 90th day of coverage in the initial policy period or at any time during the term of a subsequent renewal policy. During this review, the examiners found no overcharges and no undercharges.

- (1) The examiners found 13 violations of § 38.2-2114 A of the Code of Virginia. The company cancelled a policy insuring an owner-occupied dwelling after the 89th day of coverage for a reason not permitted by the statute.
- (2) The examiners found 18 violations of § 38.2-2114 C of the Code of Virginia.
 - a. In two instances, the company failed to give the insured at least 30 days' notice of cancellation
 - b. In 16 instances, the company failed to advise the insured of his right to request a review by the Commissioner of Insurance.

All Other Cancellations – Homeowners PoliciesNONPAYMENT OF THE PREMIUM

The Bureau reviewed 19 homeowner cancellations that were initiated by the company for non-payment of the policy premium. During this review, the examiners found no overcharges and no undercharges.

The examiners found 15 violations of § 38.2-2114 C of the Code of Virginia. The company failed to advise the insured of his right to request a review by the Commissioner of Insurance.

REQUESTED BY THE INSURED

The Bureau reviewed eight homeowners and two owner-occupied dwelling fire policy cancellations that were initiated by the insured where the cancellation was to be effective during the policy term. During this review, the examiners found no overcharges and no undercharges.

The examiners found no violations in this area.

Company-Initiated Nonrenewals – Homeowner Policies

The Bureau reviewed ten homeowner nonrenewals that were initiated by the company.

The examiners found no violations in this area.

Rejected Applications – Homeowner Policies

The Bureau reviewed five homeowners insurance applications for which the company declined to issue a policy.

The examiners found three violations of § 38.2-604 A of the Code of Virginia. The company failed to provide the applicant a copy of the company's Notice of Insurance Information Collection and Disclosure Practices.

CLAIMS REVIEW**Homeowner and Dwelling Fire Claims**

The examiners reviewed 75 homeowner claims for the period of April 1, 2013 through March 31, 2014. The findings below appear to be contrary to the standards set forth by Virginia insurance statutes and regulations. As a result of this review, the examiners found overpayments totaling \$7.60 and underpayments totaling \$3,976.04. The net amount that should be paid to claimants is \$3,976.04 plus six percent (6%) simple interest.

- (1) The examiners found seven violations of 14 VAC 5-400-30. The company failed to document the claim file sufficiently to reconstruct events and/or dates that were pertinent to the claim.

These findings occurred with such frequency as to indicate a general business practice.

- (2) The examiners found four violations of 14 VAC 5-400-40 A. The company obscured or concealed from a first party claimant, directly or by omission, benefits, coverages, or other provisions of an insurance policy that were pertinent to the claim.
 - a. In two instances, the company failed to inform the insured of the benefits available under the Additional Living Expense coverage of the policy.
 - b. In one instances, the company failed to inform the insured of the replacement cost benefits available under the Dwelling Replacement Cost coverage of the policy.
 - c. In one instance, the company failed to properly inform the insured of the debris removal provisions in the policy.

- (3) The examiners found one violation of 14 VAC 5-400-50 A. The company failed to make an appropriate reply within ten working days to a pertinent communication from a claimant which reasonably suggested that a response was expected.
- (4) The examiners found five violations of 14 VAC 5-400-60 B. The company failed to notify the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.
- (5) The examiners found six violations of 14 VAC 5-400-70 A. The company failed to deny a claim or part of a claim, in writing, and/or failed to keep a copy of the written denial in the claim file.

These findings occurred with such frequency as to indicate a general business practice.

- (6) The examiners found three violations of 14 VAC 5-400-70 D. The company failed to offer the insured an amount that was fair and reasonable as shown by the investigation of the claim or failed to pay a claim in accordance with the insured's policy provisions.
 - a. In two instances, the company failed to properly pay the claim under the insured's Dwelling Replacement Cost coverage.
 - b. In one instance, the company failed to properly pay the claim under the insured's Additional Living Expense coverage.
- (7) The examiners found 32 violations of § 38.2-510 A 1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverages at issue.
 - a. In 22 instances, the company added language in a letter that was not found in the policy when advising the insured of their duties under their

policy.

- b. In ten instances, the company failed to properly represent the replacement cost provisions of the policy.

These findings occurred with such frequency as to indicate a general business practice.

- (8) The examiners found one violation of § 38.2-510 A 2 of the Code of Virginia. The company failed to acknowledge and act reasonably prompt upon communications with respect to claims arising under insurance policies.

- (9) The examiners found seven violations of § 38.2-510 A 3 of the Code of Virginia. The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies.

These findings occurred with such frequency as to indicate a general business practice.

- (10) The examiners found two occurrences where the company failed to comply with the provisions of the insurance contract.

- a. In one instance, the company failed to include the mortgagee on the check.

- b. In one instance, the company paid an insured more than he/she was entitled to receive under the terms of his/her policy.

REVIEW OF FORMS

Homeowner Policy Forms

The examiners reviewed the company's policy forms and endorsements used during the examination period and those that are currently used for the line of business examined. From this review, the examiners verified the company's compliance with

Virginia insurance statutes and regulations.

To obtain copies of the policy forms and endorsements used during the examination period for the line of business listed below, the Bureau requested copies from the company. In addition, the Bureau requested copies of new and renewal business policy mailings that the company was processing at the time of the Examination Data Call. The details of these policies are set forth in the Review of the Policy Issuance Process section of the Report. The examiners then reviewed the forms used on these policies to verify the company's current practices.

POLICY FORMS USED DURING THE EXAMINATION PERIOD

The company provided copies of 44 forms that were used during the examination period to provide coverage on policies insuring risks located in Virginia.

The examiners found no violations in this area.

POLICY FORMS CURRENTLY USED BY THE COMPANY

The examiners found no additional forms to review.

REVIEW OF THE POLICY ISSUANCE PROCESS

To obtain sample policies to review the company's policy issuance process for the line examined, the examiners requested new and renewal business policy mailings that were sent after the company received the Examination Data Call. The company was instructed to provide duplicates of the entire packet that was provided to the insured. The details of these policies are set forth below.

For this review, the examiners verified that the company enclosed and listed all of the applicable policy forms on the declarations page. In addition, the examiners verified that all required notices were enclosed with each policy. Finally, the examiners verified that the coverages on the new business policies were the same as those requested on the applications for those policies.

Homeowner Policies

The company provided five new business policies mailed on the following dates: August 27, 2014, September 23, 25, and 30, 2014, and October 15, 2014. In addition, the company provided five renewal business policies mailed on the following dates: May 8, 2014, June 15, 2014, July 21, 2014, and September 9 and 28, 2014.

NEW BUSINESS POLICIES

The examiners found no violations in this area.

RENEWAL BUSINESS POLICIES

- (1) The examiners found four violations of § 38.2-2118 of the Code of Virginia. The company failed to provide the Replacement Cost Coverage notice as required by the statute.
- (2) The examiners found five violations of § 38.2-2125 of the Code of Virginia. The company failed to provide the Flood Exclusion notice as required by the statute.

REVIEW OF STATUTORY NOTICES

To obtain copies of the statutory notices used during the examination period for the line of business listed below, the Bureau requested copies from the company. For those currently used, the Bureau used the same new and renewal business policy mailings that were previously described in the Review of the Policy Issuance Process section of the Report.

The examiners verified that the notices used by the company on all applications, on all policies, and those special notices used for property policies issued on risks located in Virginia complied with the Code of Virginia.

General Statutory Notices

- (1) The examiners found two violations of § 38.2-604 B of the Code of Virginia.
 - a. In one instance, the company failed to have available for use a long form Notice of Information Collection and Disclosure Practices prior to December 19, 2013.
 - b. In one instance, the company failed to include all of the information required by the statute in its Notice of Information Collection and Disclosure Practices available for use after December 19, 2013.
- (2) The examiners found one violation of § 38.2-604 C of the Code of Virginia. The company failed to have available for use a short form Notice of Information Collection and Disclosure Practices.

Statutory Property Notices

The examiners found no violations in this area.

Other Notices

The company provided copies of eight other notices that were used during the examination period.

The examiners found one violation of § 38.2-502 of the Code of Virginia. The company misrepresented the benefits, advantages, conditions or terms of the insurance policy. The company's Property Premium Discount Availability notice is incomplete regarding the eligibility of the Loss Free premium credit.

LICENSING AND APPOINTMENT REVIEW

A review was made of new business homeowner policies to verify that the agent of record for those policies was licensed and appointed to write business for the

company as required by Virginia insurance statutes. In addition, the agent or agency to which the company paid commission for these new business policies was checked to verify that the entity held a valid Virginia license and was appointed by the company.

Agent

The examiners found no violations in this area.

Agency

The examiners found no violations in this area.

REVIEW OF THE COMPLAINT-HANDLING PROCESS

A review was made of the company's complaint-handling procedures and record of complaints to verify compliance with § 38.2-511 of the Code of Virginia.

The examiners found no violations in this area.

REVIEW OF PRIVACY AND INFORMATION SECURITY PROCEDURES

The Bureau requested a copy of the company's information security program that protects the privacy of policyholder information.

The company submitted its security information as required by § 38.2-613.2 of the Code of Virginia.

PART TWO – CORRECTIVE ACTION PLAN

Business practices and the error tolerance guidelines are determined in accordance with the standards set forth by the NAIC. Unless otherwise noted, a ten percent (10%) error criterion was applied to all operations of the company, with the exception of claims handling. The threshold applied to claims handling was seven percent (7%). Any error ratio above these thresholds indicates a general business practice. In some instances, such as filing requirements, forms, notices, and agent licensing, the Bureau applies a zero tolerance standard. This section identifies the violations that were found to be business practices of Virginia insurance statutes and regulations.

General

Universal North America Insurance Company shall:

Provide a Corrective Action Plan (CAP) with its response to the Report.

RATING AND UNDERWRITING REVIEW

Universal North America Insurance Company shall:

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.

- (4) Provide the Notice of Information Collection and Disclosure Practices as required by the statute.
- (5) Provide the AUD notice as required by the statute.
- (6) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts and/or surcharges, construction type, public protection classification, and tier eligibility criteria.
- (7) Provide the primary characteristics of the Credit Adverse Action causing the notice to be necessary.

Termination Review

Universal North America Insurance Company shall:

- (1) Correct the errors that caused the overcharges and send refunds to the insureds or credit the insureds' accounts the amount of the overcharge as of the date the error first occurred.
- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insureds' accounts.
- (3) Complete and submit to the Bureau the enclosed file titled "Termination Overcharges Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has refunded or credited the overcharges listed in the file.
- (4) Provide the applicant the Notice of Insurance Information Collection and Disclosure Practices as required by the statute for rejected applications.
- (5) Obtain and retain proof of mailing the cancellation notices sent to the lienholder for one year from the date of cancellation.
- (6) Cancel a policy insuring an owner-occupied dwelling when the notice is mailed

after the 89th day of coverage only for those reasons permitted by the statute.

- (7) Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance for all policies cancelled by the company after the 90th day of coverage.

Claims Review

Universal North America Insurance Company shall:

- (1) Correct the errors that caused the overpayments and underpayments and send the amount of the underpayment to insureds and claimants.
- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.
- (3) Complete and submit to the Bureau the enclosed file titled "Claims Underpayments Cited during the Examination." By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file.
- (4) Properly document claim files to indicate that all events and dates pertinent to the claim can be reconstructed.
- (5) Document the claim file so that all applicable coverages have been discussed with the insured. Particular attention should be focused on Additional Living Expense coverage, Dwelling Replacement Cost coverage, and debris removal.
- (6) Make all claim denials, in writing, and keep a copy of the written denial in the claim file.
- (7) Properly represent pertinent facts or insurance provisions relating to coverages at issue.
- (8) Adopt and implement reasonable standards for the prompt investigation of

claims.

Review of Policy Issuance Process

Universal North America Insurance Company shall:

Provide the required notices when issuing a renewal policy.

Review of Statutory Notices

Universal North America Insurance Company shall:

- (1) Develop the long form Notice of Information Collection and Disclosure Practices to comply with the statute.
- (2) Have available the short form Notice of Information Collection and Disclosure Practices.
- (3) Amend the Property Premium Discount Availability notice to reflect the discounts on file.

PART THREE – RECOMMENDATIONS

The examiners also found violations that did not appear to rise to the level of business practices by the company. The company should carefully scrutinize these errors and correct the causes before these errors become business practices. The following errors will not be included in the settlement offer.

We recommend that the company take the following actions:

RECOMMENDATIONS

Rating and Underwriting

- The company should amend the numbering of the pages in the filed manual.
- The company should update Rule 20 in the filed manual to include the notice identifier the company is currently using.
- The company should include Interpolation guidelines in both the HO-4 and HO-6 rating manuals.
- The company should use the same term for the Affinity Discount in both the rating manual and the declaration page.
- The company should use credit information that was obtained less than 90 days from the effective date of the policy.

Termination

- The company should be clear that coverage is not in effect until payment is received from the insured.
- The company should make certain that terminations are recorded with the correct category as these numbers affect the company's MCAS data.

Claims

- The company should make notification to the insured, in writing, every 45 days of the reason for the company's delay in completing the investigation of the claim.

- The company should offer the insured an amount that is fair and reasonable as shown by the investigation of the claim, and pay the claim in accordance with the insured's policy provisions. Particular attention should be focused on the Dwelling Replacement Cost coverage and Additional Living Expense coverage.
- The company should make prompt, fair and equitable settlements of claims where liability is clear.

Policy Issuance Process

- The company should not list notices on the declarations page under the Surcharges, Credits, Endorsements and Forms section. Notices are not required by the Code of Virginia to be listed on the declarations page.

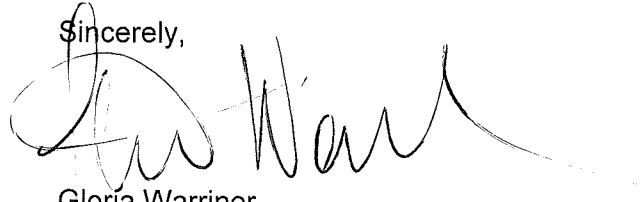
SUMMARY OF PREVIOUS EXAMINATION FINDINGS

This is the first time the Virginia Bureau of Insurance has conducted an examination of the company.

ACKNOWLEDGEMENT

The courteous cooperation extended by the officers and employees of the company during the course of the examination is gratefully acknowledged.

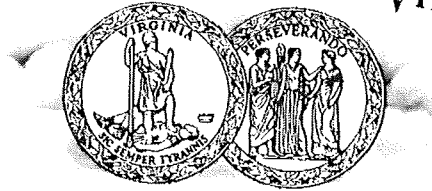
Sincerely,

A handwritten signature in black ink, appearing to read "Gloria Warriner". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Gloria Warriner
Senior Insurance Market Examiner

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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July 8, 2015

VIA UPS 2nd DAY DELIVERY

Steve Smith, Vice President
Personal Lines Property
Arrowhead General Insurance Agency, Inc.
2548 Campbell Place
Carlsbad, CA 92009

RE: Universal North America Insurance Company (NAIC# 10759)
Market Conduct Examination
Examination Period: April 1, 2013 – March 31, 2014

Dear Mr. Smith:

The Bureau of Insurance (Bureau) has conducted a market conduct examination of the above referenced company for the period of April 1, 2013, through March 31, 2014. The preliminary examination report (Report) has been drafted for the company's review.

Enclosed with this letter is a copy of the preliminary examination report and copies of review sheets that have been withdrawn or revised since June 11, 2015. Also enclosed are several reports that will provide you with the specific file references for the violations listed in the Report.

Since there appears to have been a number of violations of Virginia insurance laws on the part of the company, I would urge you to closely review the report. Please provide a written response. When the company responds, please use the same format (headings and numbering) as found in the Report. If not, the response will be returned to the company to be put in the correct order. By adhering to this practice, it will be much easier to track the responses against the Report. The company does not need to respond to any particular item with which it agrees. If the company disagrees with an item or wishes to further comment on an item, please do so in Part One of the Report. Please be aware that the examiners are unable to remove an item from the report or modify a violation unless the company provides written documentation to support its position.

Secondly, the company should provide a corrective action plan that addresses all of the issues identified in the Corrective Action Section of the Report, again using the same headings and numberings as are used in the Report.

Thirdly, if the company has comments it wishes to make regarding Part Three of the Report, please use the same headings and numbering for the comments. In particular, if the examiners identified issues that were numerous but did not rise to the level of a business practice, the company should outline the actions it is taking to prevent those issues from becoming a business practice.

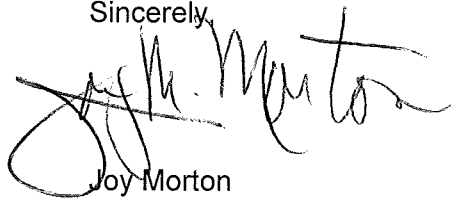
Finally, we have enclosed an Excel file that the company must complete and return to the Bureau with the company's response. This file lists the review items for which the examiners identified overcharges (rating and terminations) and underpayments (claims).

The company's response and the spreadsheet mentioned above must be returned to the Bureau by August 14, 2015.

After the Bureau has received and reviewed the company's response, we will make any justified revisions to the Report. The Bureau will then be in a position to determine the appropriate disposition of the market conduct examination.

We look forward to your reply by August 14, 2015.

Sincerely,

A handwritten signature in black ink, appearing to read "Joy Morton". The signature is fluid and cursive, with a large initial "J" and "M".

Joy Morton
Supervisor
Market Conduct Section
Property & Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov

Universal North America
101 Paramount Drive, Suite 220, Sarasota, FL 34232
T: (941) 378-8851 F: (941) 378-8835 UniversalNorthAmerica.com

August 14, 2015

VIA ELECTRONIC MAIL TO:

Ms. Joy Morton
Supervisor
Market Conduct Division
Property & Casualty Division
P. O. Box 1157
Richmond, VA 23218

**RE: Universal North America Insurance Company (“UNAIC” or
“Company”) Response to the Examination Report of the Company as of
March 14, 2014 or “Examination Report”)**

Dear Ms. Morton:

On behalf of Universal North America Insurance Company, please find enclosed the following items in response to your Preliminary Examination Report:

- Preliminary Examination Response
- Corrective Action Plan
- Restitution Excel File
- Exhibits Containing Supporting Documentation

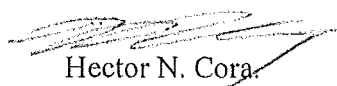
As requested, our response follows the same format as the Preliminary Examination Report and includes only items for which the Company seeks additional consideration. Supporting documentation has been provided in separate exhibits due to the personal identifiable information located in the documentation.

We thank you for taking the time to review our responses and appreciate the positive and open dialogue we have enjoyed with you and your team throughout the examination process.

Ms. Joy Morton
August 14, 2015
Page 2

If you have additional questions or need additional clarification, please do not hesitate to contact me at (941) 378-8851 extension 6534.

Regards,



Hector N. Cora
Legal and Regulatory Director

cc: Miguel Barrales
Gadiel Cardona
Kathy Moore
James Watje
Donald Grimm
Otto Kieslich

PART ONE – THE EXAMINERS’ OBSERVATIONS

Rating And Underwriting Review

Homeowners New Business Policies

(3) The examiners found ten violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

Company Response: The Company requests the Bureau reconsider the following review sheet and remove the violation:

RHO021 – The Age of Home factor applied to this policy is not a credit. It is a .15 multiplier, or charge. Thus, in this situation, the Age of Home factor does not apply to the maximum credit cap rule.

(4) The examiners found five violations of § 38.2-2126 A of the Code of Virginia. The company provided a Credit Adverse Action notice that did not include the primary characteristic or advise the insured that they may request such information.

Company Response: The Company requests the Bureau reconsider the five violations for removal:

RHO008, RHO020, RHO021, RHO022, RHO026. The adverse action notices provided do not violate 38.2-2126 A-2 as the regulation states that the insurer must provide notification to the applicant or insured of the “primary factors or characteristics that were used as the basis for the adverse action, or notify the applicant or insured that he may request such information...” In these instances, the insured lacked credit information which means that there were no primary factors to provide. Thus, the reason provided was accurate. As communicated in our earlier responses during the audit, our updated Adverse Action notices (instituted in 11/20/2013) provide new wording in this scenario that is more descriptive.

Homeowners Renewal Business Policies

The examiners found 11 violations of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau.

- a. In six instances, the company failed to use the correct discounts and/or surcharges.
- c. In two instances, the company failed to use the correct public protection classification.

Company Response: The Company requests the Bureau reconsider one violation for removal:

- a. RHO074. The application was submitted with a requested effective date of 10/24/2012 and stated that the insured purchased the risk on 10/24/2012. The policyholder had been continuously insured for 5 years. The most recent prior address and prior carrier were listed

on the application. The A+ Loss Report obtained during the application process reflected a prior loss at the risk location, but the date of loss of 2009 was prior to the time the insured purchased and occupied the home, meaning that the prior owner is the one who suffered the loss in question. When the system prompted the agent to provide details on the loss, the agent added the details to the application. The details were irrelevant to the Claim Free Credit, however, since the loss occurred to a prior resident before the insured purchased the home. The "History of Risk" designation on the application means that the loss occurred at the location, but prior to the insured's occupancy. The agent input the incorrect loss year on the application, which may have added to the confusion. A copy of the Chesapeake City Tax Assessors office website confirming the date of purchase will be provided under separate cover for reference.

Company-Initiated Nonrenewals – Homeowner Policies

The examiners found one violation of § 38.2-2113 A of the Code of Virginia. The company failed to obtain valid proof of mailing the nonrenewal notice to the insured.

Company Response: The Company requests the Bureau reconsider one violation for removal:

THO071. Additional documentation (first and last pages of the Standard Daily Report) for valid proof of mail was provided to the examiner by email on 6/8/2015. Copies of the documentation will be provided under separate cover.

Termination Review

Company-Initiated Cancellations – Homeowner Policies

Notice Mailed Prior to the 90th Day of Coverage

(1) The examiners found one violation of § 38.2-1906 D of the Code of Virginia. The company failed to use the rules and/or rates on file with the Bureau. The company failed to calculate the earned premium correctly.

Company Response: The Company requests the Bureau reconsider the violation for removal:

THO013. This policy was canceled back to the inception date after it was clear that the insured did not desire the coverage. The \$149.71 was written off. No money was collected, thus no refund is due. Please see the Restitution Spreadsheet under Terminations.

Notice Mailed After The 89th Day of Coverage

(1) The examiners found three violations of § 38.2-2113 C of the Code of Virginia. The company failed to obtain valid proof of mailing the notice of cancellation to the lienholder.

Company Response: The Company requests the Bureau reconsider three violations for removal:

THO021. Documentation of the mailing list and bulk mailing statement was provided to the examiner by email on February 6, 2105. Copies of the documentation will be provided under separate cover.

THO029 and THO032. The following responses and documentation were provided by email to the examiner on March 19, 2015 with information by Lexis/Nexis. Copies of the documentation are enclosed for your review:

- *Like many loss payees/mortgagees, Suntrust Mortgage utilizes a third party insurance tracking servicer, Assurant, to receive loss payee/mortgagee insurance notifications Suntrust Mortgage is entitled to receive on its behalf.*
- *This arrangement was made effective on January 10, 2013 (the "Effective Date"). Prior to such time, QBE was contractually entitled to receive Suntrust Mortgage's loss payee notices on its behalf, and said notices were to be mailed to P.O. Box 57028, Irvine, CA.*
- *Prior to the Effective Date QBE notified LexisNexis that Assurant entered into a contractual relationship with Suntrust Mortgage to begin servicing its account instead of QBE, and beginning on the Effective Date, at Suntrust Mortgage's request, LexisNexis began to forward all of Suntrust's loss payee notices to Assurant at PO Box 47047 Atlanta, GA.*
- *For the 10/29/2013 and 3/20/2014 Cancellations respectively:
The notice specific information provided by the carrier reflected the old loss payee address of PO Box 57028 Irvine CA.
However, the "mail to" address on the envelope reflected the PO Box 47047 Atlanta GA address as required by Suntrust Mortgage's designated 3rd party insurance tracking service.
Therefore the postage paid receipt, which requires the "mail to" name and address, also reflects the PO Box 47047 Atlanta GA address.*

(2) The examiners found 14 violations of § 38.2-2114 A of the Code of Virginia. The company cancelled a policy insuring an owner occupied dwelling after the 89th day of coverage for a reason not permitted by the statute.

Company Response: The Company requests the Bureau reconsider one violation for removal:

THO032. Proper documentation for Chesapeake was provided to the examiner by email on March 23, 2015. Copies of the documentation will be provided under separate cover.

Claims Review

Homeowner and Dwelling Fire Claims

The Bureau comprehensively reviewed 75 Homeowners claim files during its examination. The Bureau issued 85 citations across 56 of the claim files. The following comprises the Company's comments regarding some of the citations and specifies where it disagrees with the Bureau.

(1) The examiners cited 11 violations of Section 14 VAC 5-400-30/1, Proper documentation

Company Response: The Company respectfully requests the Bureau reconsider the following six review sheets and remove the violations:

CHO044 – The Examiner noted that the Company did not obtain the condominium agreement that outlines insurance responsibility for both the association and the insured.

The loss was reported on 12/16/13. The condominium Bylaws, Rules and Regulations were attached to the estimate of damages added to the claim file on 12/24/14. Appliances are the responsibility of the property owner and the Company views the furnace as an appliance. The loss to the furnace was paid as a covered loss.

CHO046 – The Examiner notes the claim file included a police report unrelated to the claim.

The intent of the Code cited is to assure all documents for the claim are contained in the record. The examiner does not indicate an absence of any needed document nor any inability to understand pertinent events and dates. The inadvertant upload of the unrelated police report to the electronic (paperless) claim file did not impair this ability. Also, once a document is uploaded to a claim file, it cannot be removed, as that violates claims system integrity.

CHO060 – the examiner notes that the claim adjuster requested the condominium bylaws but they were never received.

The By-laws were requested from the insured, with an explanation of their importance. The insured failed to return them. In virtually all condominium losses, the appliances are the sole responsibility of the unit owner. Consequently, the Universal examiner determined to timely pay the claim for the undisputed loss. No concerns were raised by the policyholder.

CHO063 – the examiner notes the claim file included documentation not relevant to the claim, the claim file did not indicate whether the house was cleaned after fiberglass overspray and the Company failed to document when the insured moved back into the home.

The Company could not locate any unrelated documents and the Bureau's examiner never identified or supplied any. The insured advised the Company of his conversation with "Kenney" at First Atlantic, who agreed to pay the insured to "fix it and make the job complete". The insured was satisfied with this solution. Notes in the file document the Insured's move back date of 04/06/14. The last Additional Living Expense payment included hotel and meals through 04/05/14.

CHO073 – the examiner notes that the settlement letter for this theft claim regards payment for "covered repairs," and feels that the term repair is inappropriate.

Repair is not a defined term in the policy. The dictionary defines repair as: *3. to remedy; make good; make up for*. The Company notes that "repair" is synonymous with "restore." There was no confusion on the part of the policyholder. The Insured's email in the file, dated 5/14/13, indicates how helpful she felt the examiner was.

CHO074 – The Examiner notes that the settlement letter incorrectly indicated the claim was paid at Actual Cash Value when it was paid at Replacement Cost Value.

The settlement letter clearly states the reader should refer to the table within the letter regarding any recoverable depreciation that was withheld. The table in the settlement letter for this claim does not

list any amount for recoverable depreciation as no recoverable was withheld. This does not constitute any misrepresentation of recoverable depreciation obligations. The policyholder suffered no detriment.

(2)

- a. The examiners cited three violations of Section 14 VAC 5-400-40-A/2 which relates to the requirement to inform first party claimants of Additional Living Expense coverage.

Company Response: The Company respectfully requests the Bureau reconsider the following review sheet and remove the violation:

CHO061 – The Examiner notes that the Company failed to inform the insured of the Additional Living expense coverage “from the time of loss to the time the repairs were completed.”

The claim file reflects that partial power was restored by the insured’s electrician before the first contact was made by the adjuster. The Insured told Universal’s examiner that there was no damage in the home (the loss involved a roof over a patio). The home was habitable and there would have been no reason to document a discussion of the Additional Living Expense coverage, which was not triggered.

- b. The examiners cited two violations of Section 14 VAC 5-400-40-A/7 regarding the duty to inform of building replacement cost coverage.

Company Response: The Company respectfully requests the Bureau reconsider the following review sheet and remove the violation:

CHO037 - The Examiner states that the claim file is not documented to indicate the insured was advised of the replacement cost requirements.

Coverage for this claim was properly declined based on policy language, which the Bureau is not disputing. In the absence of a covered loss, there is no cause to notify the Insured of policy benefits that are not triggered.

(5) The examiners cited seven violations of Section 14 VAC 5-400-70-A/1, Written denial and keep copy in the file.

Company Response: The Company respectfully requests the Bureau reconsider the following two review sheets and remove the violations:

CHO001 – The Examiner notes that the insured requested replacement of the entire roof and when only a partial repair was paid, a written denial should have been issued.

The insured never requested that Universal pay for the roof replacement. While an estimate for the replacement of the roof was given to the field adjuster informationally, the insured stated the roof was to be replaced due to wear and tear. She did not claim that the replacement of the entire roof was related to the windstorm event. The inspection of the roof revealed wind damage to 11 shingles. In

addition, the adjuster's settlement letter invited support of a greater claim, but none was ever submitted. The Company does not believe denial was required.

CHO048 – The Examiner notes that the Company failed to issue a denial for cost to replace a failed copper pipe.

The settlement letter, dated 1/28/14, requests the plumbing repair invoice in bold print and in a paragraph set off by itself. The policyholder never submitted the plumbing repair invoice. In the absence of any claim by the policyholder for this repair, no coverage declination was required.

(6)

- a. The examiners cited four violations of Section 14 VAC 5-400-70-D/12 regarding the failure to offer an amount that was fair and reasonable when handling claims for replacement cost.

Company Response: The Company respectfully requests the Bureau reconsider the following two review sheets and remove the violations:

CHO052 – The Examiner stated that mold damage had been incorrectly denied as it resulted from a covered loss.

The field adjuster that inspected the home specified that after speaking to the insured, he determined the mold was related to a prior event.

CHO061 – The Examiner states that there was an underpayment because there had been two estimates prepared on the claim.

The initial estimate was prepared by the Company's field adjuster. The supplemental estimate was prepared by the contractor selected by the insured. The supplemental estimate included all the items listed in the first estimate. The Company made payment based upon the supplemental estimate. Paying the amount of the initial estimate would result in paying for part of the covered damages twice.

- b. The examiners cited a violation of Section 14 VAC 5-400-70-D/14 regarding the failure to offer an amount that was fair and reasonable when handling claims for additional living expense.

Company Response: The Company respectfully requests the Bureau reconsider the following review sheet and remove the violation:

CHO049 – The Examiner notes that the insured stayed with a friend during the rebuild process, and states that the Company reopen the claim, determine the increase in the friend's expenses as well as the additional expenses incurred by the insured and issue payment.

The insurance policy has no provision to pay a third party for any potential expenses incurred in assisting the Insured. The Insured did not present any statement of expenses the Insured may have paid to the friend.

The claim file notes specify that while the insured chose to live elsewhere during repairs, the home was still fit for occupancy. The policy provides coverage when the residence "is not fit to live in." The insured at no time claimed the home was not fit for habitation or otherwise indicated a need for any form of reimbursement for Additional Living Expenses.

(7) The examiners found 35 violations of 38.2-510 A-1 of the Code of Virginia. The company misrepresented pertinent facts or insurance policy provisions relating to the coverages at issue.

- a. The Examiners cited 22 violations of Section 38.2-510 A-1/01, Misrepresentation facts or policy provisions.

Company Response: For 17 of the 22 citations, the Examiners note that the Company sent the insured a claim acknowledgement letter "advising of duties under the policy, but added language in paragraph (2) that is not in the policy."

The Company previously responded that this is simply a formatting issue with the template Claim Acknowledgement Letter itself and not an attempt to broaden the *Duties After a Loss* provision of the policy. The language in the policy states, "(2) Keep an accurate record of repair expenses." The language in the letters that is at issue in this violation directly follows this: "*Should you need to make repairs to protect your property, you should only make temporary repairs until an adjuster has been out to inspect the damage. Please be advised that until we have investigated this claim, we cannot commit to reimbursement of repair expenses.*"

The Company asserts that while it may inadvertently appear that this is represented as a part of the policy, it is not in quotation marks and it is added solely to help set expectations for the customer and in order to avoid disputes or indemnification problems later. In addition, the language used is in fact a paraphrase of a portion of the same policy conditions which states "f. as often as we reasonably require: (1) show the damaged property."

The template Claim Acknowledgement Letter was corrected during the first week of the examination. No policyholder suffered adversely from the formatting error.

- b. The examiners cited 13 violations of Section 38.2-510 A-1, Misrepresentation of Replacement Cost Provisions of the policy.

Company Response: For six of the 13 citations, the Examiners note that the Company sent the insured a claim settlement letter that specified the time period to claim Recoverable Depreciation benefits other than that stated in the policy (six months from the date of the last payment of Actual Cash Value benefits).

The primary defect in the template Settlement Letter cited 180 days rather than the six months. The template letter was corrected during the first week of the examination. The Company would like to point out that no policyholder suffered adversely from the misstatement of the window within which to claim Recoverable Depreciation benefits.

The Company respectfully requests the Bureau reconsider the following three review sheets and remove the violations:

CHO032 – the examiner notes that Company failed to accurately represent its obligations to the insured regarding his settlement.

In this claim, there was no replacement cost available. The depreciation was non-recoverable.

CHO051 – the examiner notes the Company incorrectly represented its obligations regarding Replacement Cost Benefits in the settlement letter.

The settlement letter clearly states the reader should refer to the table within the letter regarding any recoverable depreciation that was withheld. The table in the settlement letter for this claim does not list any amount for recoverable depreciation as no recoverable was withheld. This does not constitute any misrepresentation of recoverable depreciation obligations. The policyholder received full replacement cost in a timely manner and suffered no detriment.

CHO054 - the examiner notes that Company failed to accurately represent its obligations to the insured regarding his settlement.

This claim was paid at full replacement cost (net payment \$70.61), without any withholding of depreciation.

(8) The examiners cited a violation of Section 38.2-510 A-2/1, Prompt response - communications.

Company Response: The Company respectfully requests the Bureau reconsider the following review sheet and remove the violation:

CHO062 – the examiner notes that the insured reported a second loss on 2/15/14 and that the Company thought it referred to the first loss and states the Company did not take a report or assist the insured in making a report of a second loss.

The date of notice for the initial claim is 2/26/14. There is no evidence the insured attempted a loss report prior to 2/26/14.

On 4/2/14, when the Insured discussed the ground floor water intrusion, the Universal claim examiner advised him that the Insured could report a second loss. The insured did not file a second report. Had the insured wanted to formally report a second loss, the Company would have facilitated the intake, setup and investigation of a second claim.

(9) The examiners cited nine violations of Section 38.2-510 A-3/1, Standards – prompt investigation.

Company Response: The Company respectfully requests the Bureau reconsider the following five review sheets and remove the violations:

CHO037 – The examiner notes the Company closed the file after receiving the engineer’s invoice without completing the necessary correspondence with the insured.

The closing of the reserves had no material effect on the timely handling of the claim. Within two days of the reserve closing, the policyholder received a verbal communication of the claim denial. The written denial with a copy of the engineer’s report mailed the following week.

CHO058 – The Examiner notes that the company failed to investigate the claim in reference to cause of loss, failed to indicate if the plumbing was part of the structure that would be insured by the condominium association and failed to obtain the condo association contract/agreement.

The Company responded indicating these items were investigated and all supporting documentation was provided to the Bureau. This included a copy of field adjuster inspection, estimate, photos, condominium by-laws and insured’s lease. Section 14 VA Admin. Code Section 5-400-60(A) requires a status letter be sent to the insured if investigation remains incomplete after 45 days. Since the time period from notice of loss to payment was 21 days, the adjustment is in compliance with Virginia regulations.

CHO061 – The Examiner notes (1) that the Independent Adjuster wrote two estimates, the first one being an “inaccurate estimate”, and (2) that here is a statement in the file notes that the room involved in the loss was not built properly and subrogation potential may exist to be pursued.

The second estimate was actually one submitted by the customer’s contractor. The Company decided to pay it as a supplement, rather than impose additional inspections.

Regarding subrogation, the field adjuster commented that it did not appear the patio was connected properly to the house. Upon detailed review, the Universal examiner determined that the loss was due to weight of ice and snow and was not the result of any construction defect. This Company adjuster documented this in the claim file notes. Subrogation was ruled out and therefore not pursued.

CHO062 – The Examiner stated the field adjuster did not go up on the roof to determine the cause of the leak.

The Company provided supporting documentation clearly indicating that the field adjuster did inspect from on top of the roof, which included dated photographs of the exterior of the roof taken while standing on the roof. A narrative report indicating the field adjuster was allowed access to the roof was also in the claim file.

CHO072 - The Examiner indicates that no subrogation investigation was initiated.

The Company previously responded, attaching a copy of the subrogation file indicating active pursuit. Please note the Bureau made another citation (ClaimPropHO180924572) under a different Section, but for same issue. That citation was withdrawn by the Bureau after the Company’s initial response.

(10) The examiners cited two violations of Section 38.2-510 A-6/01, Standards-payment unreasonably delayed.

Company Response: The Company respectfully requests the Bureau reconsider the following two review sheets and remove the violations:

CHO008 – The Examiner notes the Company received the loss on 6/1/13, but did not assign it for an estimate until 6/26/13, the estimate was not completed until 7/5/13 and the loss not paid until 7/30/13.

The loss actually occurred on 6/1/13, but was not reported to the Company until 6/26/13. Inspection was assigned on 6/26/13 and occurred on 6/28/13. Additional documentation was requested by the Company due to an illegible plumber's report. This was received on Friday, 7/27/13. Payment was input that day, and the check printed and mailed on Monday, 7/30/15. Section 14 VA Admin. Code Section 5-400-60(A) requires a status letter be sent to the insured if investigation remains incomplete after 45 days. Since the time period from notice to payment for this claim was 35 days, the adjustment is in compliance with Virginia regulations.

CHO061 – The examiner notes that an initial estimate was written by Universal's field adjuster for \$2,461.26 on 2/28/14 and then the field adjuster wrote a second estimate for \$9,247.31 on 4/23/14. The examiner felt the initial estimate was erroneous.

The field adjuster did not write a second estimate. The new estimate was actually one written by the insured's contractor on 4/7/14 and submitted to Universal on 4/28/14. Universal's claim examiner reviewed the contractor's estimate and made a settlement with the policyholder on 4/29/14. There is no delay in the loss adjustment of this claim.

(11)

- a. The examiners cited a violation of Policy Provisions/25 – putting the lienholder as a payee on the loss settlement check.

Company Response: The Company respectfully requests the Bureau reconsider the following review sheet and remove the violation:

CHO060 – The Examiner notes that the Company failed to comply with its own *guidelines* and policy provisions regarding placing the mortgage company's name on the settlement check.

This claim was handled during a peak period, due the the 2014 "Polar Vortex." The payment cited was only \$286 above the Company's *guideline* for placing a mortgage holder on the settlement check. The flexing of some of the Company's *guidelines* during responses to major loss events is a discretionary decision for the Company, and is typical throughout the insurance industry.

b. The examiners cited two violations of Policy Provisions/26-Claim overpayment.

Company Response: The Company respectfully requests the Bureau reconsider the following two review sheets and remove the violations:

CHO044 – the examiner notes that the Company paid for the replacement of the furnace, resulting in the overpayment of \$1,530.47.

The policy of insurance for this claim states, "Section 1 - Property Coverages - Coverage A - Dwelling - We cover: 1. The alterations, appliances, fixtures and improvements..." The furnace is considered an appliance. Also, " Section 1 - Perils Insured Against - 1. Fire or lightning..." Damage was caused by fire which is a covered peril. Payment of the claim was appropriate.

CHO051 – the examiner notes that the Company paid for replacement of a broken pipe and overpaid the claim by \$7.60.

Part of the plumbing invoice for this claim was for insulation and labor to install it. This comes under "access and put back" and is covered.

PART TWO – CORRECTIVE ACTION PLAN

Rating and Underwriting Review

- (1) Correct the errors that caused the overcharges and undercharges and send refunds to the insureds or credit the insured's accounts the amount of the overcharge as of the date the error first occurred.

Company Response: The Company has provided refunds according to the spreadsheet provided. Refunds on policies have not been processed where the Company believes that it correctly calculated the rates. The spreadsheet notes the item being contested.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insured's accounts.

Company Response: 6% simple interest has been included with all refunds.

- (3) Complete and submit to the Bureau the enclosed file titled "Rating Overcharges Cited during the Examination".

Company Response: The "Rating Overcharges Cited during the Examination" file has been completed and is enclosed. Refunds on policies have not been processed where the Company believes that it correctly calculated the rates. The spreadsheet notes the item being contested.

- (4) Provide the Notice of Information Collection and Disclosure Practices as required by the statute.

Company Response: The Notice of Information Collection and Disclosure Practices began printing as required by statute on December 19, 2013. The review sheet violations were for applicants that were issued policies prior to this date.

- (5) Provide the AUD notice as required by the statute.

Company Response: Procedures are being put into place to ensure better accuracy in sending AUD notices when the company initiates premium increase based upon information received that is different than originally provided on the application. We expect to have this in place by September 1, 2015.

- (6) Use the rules and rates on file with the Bureau. Particular attention should be given to the use of filed discounts and/or surcharges, construction type, public protection classification, and tier eligibility criteria.

Company Response: Programming and underwriting procedures are being implemented to ensure greater accuracy in applying the New Loan and Loss Free discounts. We expect to have this in place by November 1, 2015.

- (7) Provide the primary characteristics of the Credit Adverse Action causing the notice to be necessary.

Company Response: As documented in the audit, the Credit Adverse Action letters were updated on November 20, 2013 and have provided acceptable wording since that time.

Termination Review

- (1) Correct the errors that caused the overcharges and send refunds to the insureds or credit the insured's accounts the amount of the overcharge as of the date the error first occurred.

Company Response: The Company has provided refunds according to the spreadsheet provided. Refunds on policies have not been processed where the Company believes that it correctly calculated the rates. The spreadsheet notes the item being contested.

- (2) Include six percent (6%) simple interest in the amount refunded and/or credited to the insured's accounts.

Company Response: 6% simple interest has been included with all refunds.

- (3) Complete and submit to the Bureau the enclosed file titled Termination Overcharges Cited during the Examination".

Company Response: The "Termination Overcharges Cited during the Examination" file has been completed and is enclosed.

- (4) Provide the applicant the Notice of Information Collection and Disclosure Practices as required by the statute for rejected applications.

Company Response: The Notice of Information Collection and Disclosure Practices began printing as required by statute on December 19, 2013. The review sheet violations were for applications that were submitted prior to this date.

- (5) Calculate return premium according to the filed rules and policy provisions.

Company Response: Return premium will be calculated according to the filed rules and policy provisions.

- (6) Obtain and retain proof of mailing the cancellations notices sent to the lienholder for one year from the date of cancellation.

Company Response: We believe proper proof of mailing for cancellation notices to the lienholder are being sent and retained. Please see our response in Part I under Termination Review.

- (7) Obtain and retain proof of mailing the nonrenewal notices sent to the insured for one year from the date of nonrenewal.

Company Response: Please see Termination Review section of Part 1. We believe our current process retains proper proof of mailing for non-renewal notices sent to the insured.

- (8) Cancel a policy insuring an owner occupied dwelling when the notice is mailed after the 89th day of coverage only for those reasons permitted by the statute.

Company Response: We have provided additional training to ensure proper adherence to this statute.

- (9) Provide the insured at least 30 days' notice of cancellation for cancellations effective after the 90th day of coverage.

Company Response: We have provided additional training to ensure proper adherence to this statute.

- (10) Provide the insured notice of his right to have the termination of his policy reviewed by the Commissioner of Insurance.

Company Response: Programming is being implemented to ensure that the Right to Review language is provided for both non-pay and other cancellations beyond the 90th day of coverage. We expect to have this in place by October 1, 2015.

Claims Review

- (1) Correct the errors that caused the overpayments and underpayments and send the amount of the underpayment to insureds and claimants.

Company Response: in accordance with page two of the Bureau's cover letter introducing the Market Conduct Examination Report for Universal North American Insurance Company (Universal or the Company), the Company attaches the completed Excel spreadsheet indicating those claims where Universal made payment corrections.

The Company asks that the Bureau please reconsider the following cases within this section:

CHO019: The Examiner asked that Universal pay the replacement cost depreciation. Universal contacted the insured, who indicates she had the work done for significantly less than estimated. Universal's estimate was \$6,888.03. Universal's payment, after applying depreciation and applying the \$1,000.00 deductible was \$4,461.99.

The insured's contractor actually completed the work for \$5,500 (see Exhibit Claims-1). The Loss Settlement provision of this HO-3 policy indicates, in relevant part, that Universal owes, "The necessary amount actually spent to repair or replace the damaged building."

Universal issued two payments on one check in the amount of \$40.29: indemnity owed in the amount of \$38.01(\$5,500 -\$4,461.99-\$1,000) above the Actual Cash Value payment and \$2.28 for interest. Universal feels its payment resolves this violation.

CHO026: This was paid as instructed by the Bureau with details on the enclosed sheet.

CHO049: The Examiner indicated that Additional Living Expense benefits should have been offered based upon a file note dated 2/7/2014 that stated *"insured has to move out of property while tear out takes place."* Subsequently the claim file reflects a 3/14/14 entry stating the insured *"...was living with a friend due to the flooring removed from her home and exposed slab and the contents were moved to one room. Advised that we would not owe ALE as this is an inconvenience and house is still livable."*

The policy indicates that coverage is afforded if the "home is not fit to live in". In addition, the insured never made a financial claim for this. The insured only expressed that she wanted the claim adjustment expedited.

The Company does not understand how the Bureau reached a figure of \$9,000 in Additional Living Expense owed on claim. The Company requests clarification from the Bureau, should the restitution request not be withdrawn.

CHO052: The Examiner stated that the Company incorrectly denied coverage for the mold damage. As previously pointed out by the Company on several review sheets, the mold damage was found to have been caused by a prior event unrelated to the claim.

The Company's independent adjuster report (see Exhibit Claims-2) states, on page 1, *"in the crawlspace, there was mold and joist damage due to some prior water loss from the bathroom. Most of the insulation was sagging or missing from the floor joist due to lack of maintenance. There was some damage caused by rodents. In the area where the condensation line would drain, I found no damage."* Please note this claim was the result of the leaking condensate line.

The Company respectfully requests that the \$9,000 restitution request be withdrawn. The Company does not understand how the Bureau reached the figure of \$9,000 for mold damage on this claim. The Company requests clarification, should the restitution request not be withdrawn.

CHO061: The Examiner states that "There were two estimates written on the loss. The first was \$2661.26. A second estimate was written for \$9,247.31. The total is \$11,708.57. Removing the \$2500 deductible, the payment to the insured should have been \$9208.57. The company paid the insured \$6747.31 which resulted in an underpayment of \$2461.26."

The initial estimate was prepared by the Company's field adjuster. The supplemental estimate was prepared by the contractor selected by the insured. The supplemental estimate included all the items listed in the first estimate. The Company made payment based upon the

supplemental estimate. Paying the amount of the initial estimate would result in paying for part of the covered damages twice.

- (2) Include six percent (6%) simple interest in the amount paid to the insureds and claimants.

Company Response: Interest was paid on those claims not still under discussion.

- (3) Complete and submit to the Bureau the enclosed (Excel) file titled "Claim Underpayments Cited during Examination". By returning the completed file to the Bureau, the company acknowledges that it has paid the underpayments listed in the file.

Company Response: The completed file reflecting payments on those claims not still under discussion is attached.

- (4) Properly document claim files to indicate that all events and dates pertinent to the claim can be reconstructed.

Company Response: Please note that this is an existing requirement within the Company's Claim Department. Additional training will continue to be provided to all Claim Examiners and Managers, reinforcing the importance of documenting claim files and attaching documents.

- (5) Document the claim file so that all applicable coverages have been discussed with the insured. Particular attention should be focused on Additional Living Expense, Replacement Cost coverage, and debris removal.

Company Response: Please note that this is an existing requirement within the Company's Claim Department. Additional training will continue to be provided to all Claim Examiners and Claim Managers regarding applicable coverages with specific emphasis on coverage exclusions, replacement cost provisions, Additional Living Expense and debris removal.

- (6) Make all claim denials, in writing, and keep a copy of the written denial in the claim file.

Company Response: Please note that this is an existing requirement within the Company's Claim Department. Additional training will continue to be provided to all Claim Examiners and Claim Managers reinforcing the requirement that all claim denials be made in writing and that a copy of written denial must always be contained in the claim file.

- (7) Properly represent pertinent facts or insurance provisions relating to coverages at issue.

Company Response: The Company created a new template Settlement Letter integrated within its Claim System, specific to Virginia policies, which correctly states the policy language

regarding Replacement Cost coverage provisions. Additional training will continue to be provided to all Claim Examiners and Claim Managers on applicable coverages with specific emphasis on coverage exclusions, replacement cost provisions, Additional Living Expense and debris removal.

- (8) Adopt and implement reasonable standards for the prompt investigation of claims.

Company Response: The Company will continue to provide training to all Claim Examiners and Claim Managers regarding 14 VAC-5-400 "Rules Governing Unfair Claim Settlement Practices" as well as Code of Virginia Title 38.2-510 "Unfair Claim Settlement Practices".

Review of Policy Issuance Process

Provide the required notices when issuing a renewal policy.

Company Response: All applicable notices are now provided when issuing a renewal policy. The Replacement Cost notice was implemented for renewals on June 4, 2015. The Flood Exclusion notice was implemented on January 23, 2015.

Review of Statutory Notices

- (1) Develop the long form Notice of Information Collection and Disclosure Practices to comply with the statute.

Company Response: The long form Notice of Information Collection and Disclosure Practices was corrected on August 6, 2015.

- (2) Amend the Property Premium Discount Availability notice to reflect the discounts on file.

Company Response: The corrected Property Premium Discount Availability notice will begin printing on October 1, 2015.

PART THREE – RECOMMENDATIONS

Rating and Underwriting

- The number of the pages in the filed manual will be corrected in a rule filing scheduled to be filed by the end of the year.
- Rule 20 will be corrected in a rule filing scheduled to be filed by the end of the year.
- The interpolation guidelines will be filed for HO-4 and HO-6 in a rule filing scheduled to be filed by the end of the year.
- The Company will amend the name of the discount to ensure that the same name is displayed in the rating manual and on the declarations page.

Termination

- The Company finds it necessary to offer the ability to bind coverage prior to receiving money for policies that in which the mortgagee is paying the premium. Often times, this is critical to the closing of escrow. It is our standard business practice to flat cancel the policy after it has become clear that the insured did not intend to purchase the policy and when no money has been received from the mortgagee. The letter requesting payment that was sent on the review sheet in question was sent to the policyholder in error.
- We have corrected our system to record terminations in the correct category for reporting purposes.

Policy Issuance Process

- While notices and disclosures are not required to be listed on the declarations page, we choose list them as part of a comprehensive effort to ensure that they are being supplied when required by regulation. We prefer to continue listing disclosures at this time.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
<http://www.scc.virginia.gov/division/b>

September 15, 2015

VIA UPS 2nd DAY DELIVERY

Hector Cora
Legal and Regulatory Director
Universal North America
101 Paramount Drive, Suite 220
Sarasota, FL 34232

Re: Market Conduct Examination
Universal North America Insurance Company
(NAIC# 10759)
Examination Period: April 1, 2013–March 31, 2014

Dear Mr. Cora:

The Bureau of Insurance (Bureau) has reviewed the August 14, 2015 response to the Preliminary Market Conduct Report of Universal North America Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report (Report). This response follows the format of the Report.

RATING AND UNDERWRITING REVIEW

Homeowners New Business

- (3) After further review, the violation for RHO021 has been withdrawn from the Report.
- (4) The violations for RHO008, RHO020, RHO021, RHO022, and RHO026 remain in the Report. The Company sent the Credit Adverse Action notice to the insured. The notice advised that the insured's credit score had a negative impact on his premium but it did not advise of the primary characteristics that caused the negative impact.

Homeowners Renewal Business

- (a) After further review, one of the violations for RHO074 has been withdrawn from the Report. The review sheet has been amended to reflect one violation instead of two as previously shown.

TERMINATIONS

Nonrenewal

After further review, the violation for THO071 has been withdrawn from the Report.

Notice Mailed Prior to the 90th Day of Coverage

- (1) After further review, the violation for THO013 has been withdrawn from the Report.

Notice Mailed After the 89th Day of Coverage

- (1) The violation for THO021 remains in the Report. The Company responded with another copy of proof of mailing the notice of cancellation to the insured. This violation involves valid proof of mailing the notice of cancellation to the lienholder because the Company did not provide the mailing list and bulk mailing statement for the lienholder.

The violations for THO029 and THO032 remain in the Report. Provide a copy of the correspondence between Assurant and Suntrust Mortgage requesting LexisNexis to begin forwarding all of Suntrust's loss payee notices to the Atlanta, GA address.

- (2) After further review, the violation for THO032 has been withdrawn from the Report.

CLAIMS

- (1) The violation for CHO044 remains in the Report. The Company stated that the furnace is considered an appliance. An appliance is an item that can be moved from the premises if the insured moves. The furnace is not an item that can be moved to a different location.

The violation for CHO046 remains in the Report. Section 14 VAC 5-400-30 states that "...files shall contain all notes and work papers pertaining to the

claim..." The Company failed to meet the requirements of the regulation by including documents in the file that were not pertinent to the claim.

After further review, the violation for CHO060 has been withdrawn from the Report.

The violation for CHO063 remains in the Report. This homeowner claim included an automobile declarations and a letter acknowledging an auto claim that were not relevant to this claim or even this insured. In addition, the claim file did not adequately document the time frame for ALE. The claim notes stated "it is unknown if the insured had to move back out." Further, the claim notes are not clear as to when the insured was able to move back into his home.

After further review, the violations for CHO073 and CHO074 have been withdrawn from the Report.

- (2a) The violation for CHO061 remains in the Report. The insured's sunroom was determined to be unsafe and in danger of collapse. The initial report to the Company stated "...snow was melting the roof caved in..." while the insured's husband was serving in the Navy overseas. In addition, the initial report also stated that the "Roof is a danger to small kids..." Given the facts as they were known at the original report of loss, informing the insured of ALE was clearly pertinent. The Company's reference to a power loss is not relevant to this claim. There was no record of a power loss in this claim.
- (2b) The violation for CHO037 remains in the Report. This claim was open for several months before coverage was denied. The Company did not know the loss would ultimately be denied at the initial report.
- (5) The violation for CHO001 remains in the Report. The claim notes stated 'I did explain to the insured that the damage we found didn't warrant a roof replacement.' Therefore, a written denial should have been sent to the insured.

The violation for CHO048 remains in the Report. The existence of a receipt of the invoice is not relative to the coverage. The pipe was not covered on the policy. The Company correctly denied coverage for replacing the pipe but a denial letter was not sent to the insured citing policy provisions supporting the denial.

- (6a) After further review, the violations for CHO052 and CHO061 have been withdrawn from the Report.
- (6b) The violation for CHO049 remains in the Report. The insured was entitled to Additional Living Expense benefits. The date of loss was 01/24/2014. The insured had to vacate his home for tear out to be accomplished 2/7/2014. On 2/12/2014, claim notes state that asbestos was discovered under the kitchen

and living room floors left the house uninhabitable. As a result, repairs could not begin until 3/13/2014. ALE was never offered to the insured. The insured was staying with a friend as he was not aware of the ALE coverage. No offer was made to determine if additional expenses were incurred at the friend's house as a result of the insured living there.

- (7a) The violations in this section remain in the Report. The policy is a contract between the Company and the insured. The Company cannot send communications to an insured that appear to reference contract provisions that do not exist.
- (7b) The violations in this section remain in the Report. It is the Company's obligation to accurately inform insureds of coverage and how the policy will respond 180 days is different than 6 months and can alter the time frame in which to make a claim. The inaccurate application of policy provisions can affect insureds' claim payments.

After further review, the violations for CHO032, CHO051 and CHO054 have been withdrawn from the Report.

- (8) The violation for CHO062 remains in the Report. The insured reported the kitchen water loss claim on 2/15/2014. The Company's file shows that the insured did in fact report the loss but the Company inadvertently confused the kitchen water loss with the water loss claim involving the roof/ceiling.
- (9) The violation for CHO037 remains in the Report. The Company has previously stated that closing a claim file does not "necessarily constitute final activity on the file". The examiner did not see any other claims files in the examination where the Company closed claims and continued to handle the claim. Closing a claim would logically mean that the claim process has ended. If it is the Company's practice to handle active claims on closed files, the Company is subjecting insureds to delays not only in investigations but also in payments since the claim would not be on an adjuster's diary for further action.

After further review, the violation for CHO058 has been withdrawn from the Report.

The violation for CHO061 remains in the Report. The Company's initial estimate was \$2,461.26. The insured's deductible was \$2500.00. The Company closed the claim as under the insured's deductible. The insured obtained an independent contractor who accurately estimated the loss at \$9,247.31. The report in the Company's file stated that the roof was "...incorrectly fastened to the main dwelling" and thus the collapse due to the weight of ice and snow. There was obvious subrogation potential against the contractor.

The violation for CHO062 remains in the Report. The Company did not promptly handle this claim. The Company "inspected" the loss 2/28/2014, the Company's report states " I did not access the roof. I found no visible damage from the ground". Two months later, on 4/28/2014, the Company finally completed an inspection of the roof.

The violation for CHO072 remains in the Report. This claim involves a vehicle driving into the insured's home. The original claim file given to the examiner did not include any subrogation material. Upon receiving the violation on review sheet ClaimPropHO180924572, the Company produced the subrogation file and the violation for lack of documentation was withdrawn. The issue in the current violation is not that the Company did not subrogate. The issue is that the Company has not yet investigated this loss that occurred 4/30/2013. The delay in the investigation has impacted the recovery of the damages as well as the insured's deductible. The Company has not ordered a police report to identify insurance coverage for the at-fault party and the Company has yet to investigate the cause of the accident.

- (10) After further review, the violations for CHO008 and CHO061 have been withdrawn from the Report.
- (11a) The violation for CHO060 remains in the Report. The Company must be consistent in its threshold practices when issuing payments to mortgagees.
- (11b) The violation for CHO044 remains in the Report. A furnace is not an appliance. A furnace is part of the building. For example, a furnace would not be removed upon the sale of the unit such a refrigerator or stove would be removed.

The violation for CHO051 remains in the Report. The pipe was excluded from coverage. The Company incorrectly paid for the pipe as part of the claim.

CORRECTIVE ACTION PLAN

Rating and Underwriting

- (1) RHO021 has been withdrawn from the Report. The Restitution spreadsheet has been revised to reflect this change.
- (5) Please confirm that the procedures were in place by September 1, 2015.

Terminations

- (1) THO013 has been withdrawn from the Report. The Restitution spreadsheet has been revised to reflect this change.
- (6) The Company still has not provided valid proof of mailing for the lienholder.

- (7) The one violation for valid POM to insureds on nonrenewals has been withdrawn.

Claims

- (1) The restitution for CHO019 has been adjusted to reflect the Company's payment of \$38.01 and \$2.28 interest.

The Company did not make restitution for CHO049. The Company did not disagree with this violation as cited in Part One of the Report. This violation remains in the Report. The insured's home was not livable. The contents were relocated to one room when the flooring was removed. The concrete slab was exposed. The home was not "fit to live in". Since the Company refused to allow ALE, the insured lived with a friend. The Company should contact the insured, determine the additional expenses incurred while living with the friend (increased electric, increased water bill, difference in mileage for insured's daily travel, etc.). The Restitution Spreadsheet reflects an estimate of expenses. Upon documentation of the actual expenses, the Restitution Spreadsheet will be adjusted accordingly.

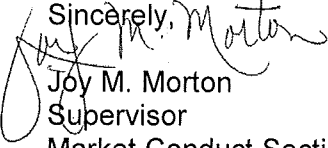
The Company did not make restitution for CHO052. The Company did not disagree with this violation as cited in Part One of the Report. However, upon additional review, this violation is withdrawn from the Report.

CHO061 has been withdrawn from the Report. The Restitution spreadsheet has been revised to reflect this change.

Review of Statutory Notices

- (1) The Company should submit the revised notice to the Bureau for review.
- (2) The Company should submit the revised notice to the Bureau for review. The Company should also advise how it intends to comply with the notice requirements until the required changes are made.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, and Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by October 8, 2015.

Sincerely,

Joy M. Morton
Supervisor
Market Conduct Section
Property and Casualty Division
(804) 371-9540
joy.morton@scc.virginia.gov



Universal North America Insurance Company
9901 IH 10 West, Suite 980, San Antonio, Texas 78230
T: (210) 877-5800 F: (210) 877-5801 www.universalthnorthamerica.com

October 21, 2015

VIA ELECTRONIC MAIL TO:

Ms. Joy Morton
Supervisor
Market Conduct Division
Property & Casualty Division
P. O. Box 1157
Richmond, VA 23218

**RE: Universal North America Insurance Company (“UNAIC” or
“Company”) Response to the Examination Report of the Company as of
March 14, 2014 or “Examination Report”**

Dear Ms. Morton:

On behalf of Universal Restitution and Preliminary Examination Report - Response #2, please find enclosed the following items in response to your Preliminary Examination Report:

- Examination Response
- Corrective Action Plan
- Restitution Excel File
- Exhibits Containing Supporting Documentation

As requested, our response follows the same format as the Preliminary Examination Report and includes only items for which the Company seeks additional consideration. Supporting documentation has been provided in separate exhibits due to the personal identifiable information located in the documentation.

We thank you for taking the time to review our responses and appreciate the positive and open dialogue we have enjoyed with you and your team throughout the examination process.

If you have any questions or concerns, please feel free to contact me by email at your convenience.

If you have additional questions or need additional clarification, please do not hesitate to contact me at (941) 378-8851 extension 6534.

Regards,



Hector N. Cora
Legal and Regulatory Director

Cc: Miguel Barrales
Gadiel Cardona
Kathy Moore
James Watje
Donald Grimm
Otto Kieslich

PART ONE – THE EXAMINERS’ OBSERVATIONS

Terminations

Notice Mailed After The 89th Day of Coverage

- (1) The violation for THO021 remains in the Report. The company responded with another copy of proof of mailing the notice of cancellation to the insured. This violation involves valid proof of mailing the notice of cancellation to the lienholder because the Company did not provide the mailing list and bulk mailing statement for the lienholder.

The violations for THO029 and THO032 remain in the Report. Provide a copy of the correspondence between Assurant and Suntrust Mortgage requesting LexisNexis to begin forwarding all of Suntrust’s loss payee notices to the Atlanta, GA address.

Company Response: The Company requests the Bureau reconsider three violations for removal:

THO021. Proof of mail for the lienholder is being provided under separate cover.

THO029 and THO032. Copy of the correspondence between Assurant and Suntrust Mortgage is being provided under separate cover.

Claims

(1)

CHO044: The Company respectfully disagrees with the Bureau’s position that the furnace is not an appliance. The Bureau draws its conclusion because the furnace would not be removed by the property owner upon sale of the condominium unit. The Company points out that a built-in wall oven, a built in dishwasher and a built-in over-the-range microwave oven are all clearly appliances and none would be removed by a property owner when selling a condominium unit. In addition, the term appliance is not defined by either the policy or the condominium association documents. The Company feels if the furnace status as an appliance is ambiguous, it is required of the Company to interpret coverage in favor of its policyholder. As such, it was appropriate for the Company to include the furnace damage as part of the covered loss.

CHO046: The Company respectfully disagrees. The cited statutory violation, 14 VAC 5-400-30, states *the Company failed to maintain all notes and work papers pertaining to the claim in the claim file in such detail that pertinent events and dates of such events can be reconstructed*. The Bureau did not cite the absence of any necessary document(s), which appears to be the intent of the statute. The citation focuses on the inadvertent upload of an unrelated document, a police report,

to the claim file. The Bureau did not comment that the extraneous document prevented the reviewer from understanding the events and dates documented in the claim file. Likewise, the Bureau did not observe that accidental inclusion of the document in question caused any harm to the adjustment of the claim. The Company feels the claim file met both the spirit and the letter of the statute.

CHO063: The Company respectfully disagrees. The cited statutory violation, 14 VAC 5-400-30, states *the Company failed to maintain all notes and work papers pertaining to the claim in the claim file in such detail that pertinent events and dates of such events can be reconstructed.* The Bureau did not cite the absence of any necessary document(s), which appears to be the intent of the statute. The citation focuses on the inadvertent inclusion of unrelated documents, an “automobile declarations and acknowledgement letter”, to the claim file. As previously explained, these items are not a part of the Company claim file. The documents appear to have erroneously been included in the process of duplicating the file for the Bureau. Furthermore, the Bureau did not comment that the extraneous document prevented the reviewer from understanding the events and dates documented in the claim file. Likewise, the Bureau did not observe that accidental inclusion of the document in question caused any harm to the adjustment of the claim. The Company feels the claim file met both the spirit and the letter of the statute. The Bureau also observes that the time frame for ALE coverage was not adequately documented, and that the notes are not clear as to when the insured was able to move back into his home. The file notes and communication from the insured document his move back date of 4/6/2014, with last ALE payment to include hotel and meals through 4/5/2014. The policy provides for the “shortest time necessary to repair or replace,” but there is no specific requirement that a date be set. The Company uses a reasonable standard which was applied here. Additionally, this file appears thoroughly documented with some 68 separate activity note entries and 34 attachments.

(2a)

CHO061: The Company respectfully disagrees. The cited statutory violation, 14 VAC 5-400-40-A, states *the Company obscured or concealed from a first party claimant, directly or by omission his benefits, coverage or other provisions of the insurance policy that were pertinent to the claim by failing to inform him of the coverage for additional living expenses that was pertinent to his claim.* The loss in question involved the partial collapse of a roofing structure over an exterior patio. The roof was shorn up prior to the loss report. The patio was completely isolated from the home, the livability of which was unimpaired by the event. In the absence of interruption of the safe enjoyment of the home, there was no aspect of this loss to trigger the need for Additional Living Expense coverage.

(2b)

CHO037: The Company respectfully disagrees. The Bureau Observation states that "The file is not documented to indicate the insured was advised of the replacement cost requirements." 14 VAC 50400-40-A states "The company obscured or concealed from the first party claimant his benefits, coverages or other provisions of the insurance policy that were pertinent to the claim by failing to inform him of the replacement cost benefits provided under the building coverage of his policy." This claim was denied. The replacement cost benefits were not pertinent. There are dozens of provisions that were not brought to this insured's attention, as they also were not pertinent to the claim. The Bureau contends that "This claim was open for several months before coverage was denied. The Company did not know the loss would ultimately be denied at the initial report." The Company is not aware of a requirement within this Cite or any other that imposes a requirement that all potential coverages be explained to an insured at the time of initial report. However, it is clear from within just days of the claim report that there was a coverage issue, as evidenced by the retention of an expert. To explain a benefit that the insured would be unlikely to receive would in itself be potentially misleading.

(5)

CHO001: The Company respectfully disagrees. The cited statutory violation, 14 VAC 5-400-70-A, states *the Company failed to give the claimant a written denial of the claim*. The file note dated 8/3/15 recounts that the claimant stated "the roof was replaced due to age." As the claimant did not claim the replacement was due to the weather event, no claim for the total roof was advanced. In the absence of a claim beyond the small repair, no partial denial was required.

CHO048: The Company respectfully disagrees. 14 VAC 5-400-70 A states "The Company failed to give the claimant a written denial of his claim and to maintain in the claim file of the insurer a copy of the denial." The Company requested that the insured provide a copy of his repair invoice, as part of that may have been covered (e.g., access costs). The insured did not provide this and thus the citation is inappropriately applied as this was not a part of "his claim" as required. Where no claim is made, no denial should be required.

(6b)

CHO049: The Company contacted the customer and resolved this matter in accordance with the Bureau's request (please see restitution spreadsheet, item 3). Please note that the policyholder indicated there were no documented costs and she agreed to a compromise within your estimated amount.

(7a) The Company concedes to the Bureau's criticism. The formatting of these templated Claim Acknowledgement Letters was corrected during the first week of the market conduct examination.

(7b) The Company concedes to the Bureau's criticism. The formatting of these templated Claim Settlement Letters was corrected during the first week of the market conduct examination.

(8) CHO062: The Company disagrees, but will concede this citation as there is no new information to share.

(9) CHO037: The Company respectfully disagrees. The citation referenced is § 38.2-510 A-3 "The company failed to adopt and implement reasonable standards for the prompt investigation of claims arising under insurance policies." The electronic claim file was inadvertently placed in a closed status by the adjuster after issuing a payment. The manager observed this within two days and alerted the adjuster. There was no impact to the insured, either in the form of delay or inaccurate coverage disposition. Diaries can be maintained on closed files, the only significant difference between a closed and open file is in regard to reserves, which were no longer required to be maintained on this file. Furthermore, there are many instances where closed files are actively worked, including subrogation, investigation of supplemental damages or reconsideration of coverage denials. There is no indication that by placing the file in a closed status just prior to issuing the denial that the company had failed to adopt and implement reasonable standards of investigation.

CHO061 has a violation that appears to be related to subrogation efforts. The Company respectfully points out that under Claims Violations (6a) and (10) of the Bureau's letter dated September 15, 2015, violations for CHO061 have been withdrawn. The Company requests the Bureau clarify if any violations for CHO061 are being maintained.

(11b) CHO044: The Company respectfully disagrees with the Bureau's position that the furnace is not an appliance. The Bureau draws its conclusion because the furnace would not be removed by the property owner upon sale of the condominium unit. The Company points out that a built-in wall oven, a built in dishwasher and a built-in over-the-range microwave oven are all clearly appliances and none would be removed by a property owner when selling a condominium unit. In addition, the term appliance is not defined by either the policy or the condominium association documents. The Company feels if the furnace status as an appliance is ambiguous, it is required of the Company to interpret coverage in favor of its policyholder. As such, it was appropriate for the Company to include the furnace damage as part of the covered loss.

CHO051: The Company concedes the pipe was excluded from coverage and that the Company overpaid the claim by \$7.60.

CORRECTIVE ACTION PLAN

Rating and Underwriting

(5) Please confirm that the procedures were in place by September 1, 2015.

Company Response: This will confirm that the procedures were implemented on August 11, 2015

Terminations

- (6) The Company still has not provided valid proof of mailing for the lienholder

Company Response: This corresponds to THO021 listed above under Part One. Proof of mail for the lienholder is being provided under separate cover.

Claims

- (1) Correct the errors that caused the overpayments and underpayments and send the amount of the underpayment to insureds and claimants.

Company Response: in accordance with the Bureau's response, the Company attaches the revised Excel spreadsheet indicating those claims where Universal made payment corrections. The following specific change was entered:

CHO049: the Company contacted the insured as requested, who advised that no documented costs were incurred. However, the insured was amenable to a per diem allowance for items such as mileage, utilities and so forth during the repair period. An ALE settlement was reached for the amount documented in the attached revised Restitution Spreadsheet. If the Bureau requires additional details the Company will provide (under separate cover for privacy considerations).

Review of Statutory Notices

- (1) The Company should submit the revised notice to the Bureau for review

Company Response: A copy of the revised long form Notice of Information Collection and Disclosure Practices is being provided under separate cover.

- (2) The Company should submit the revised notice to the Bureau for review. The Company should also advise how it intends to comply with the notice requirements until the required changes are made.

Company Response: A copy of the revised long form Notice of Information Collection and Disclosure Practices is being provided under separate cover. This notice was corrected on August 6, 2015 and has been available upon request since that date.

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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December 7, 2015

VIA UPS 2nd DAY DELIVERY

Hector Cora
Legal and Regulatory Director
Universal North America
101 Paramount Drive, Suite 220
Sarasota, FL 34232

Re: Market Conduct Examination
Universal North America Insurance Company
(NAIC# 10759)
Examination Period: April 1, 2013–March 31, 2014

Dear Mr. Cora:

The Bureau of Insurance (Bureau) has reviewed the October 21, 2015 response to the Preliminary Market Conduct Report of Universal North America Insurance Company. The Bureau has referenced only those items in which the Company has disagreed with the Bureau's findings, or items that have changed in the Report (Report). This response follows the format of the Report.

TERMINATIONS

Notice Mailed After the 89th Day of Coverage

- (1) After further review, the violations for THO021, THO029 and THO032 have been withdrawn from the Report. The Report has been amended to reflect this change.

CLAIMS

- (1) After further review, the violation for CHO044 has been withdrawn from the Report.

The violation for CHO046 remains in the Report. As this is an audit of the Company's claims process attaching irrelevant information to the claim file

makes it difficult to capture the information pertinent to this claim. If this information for another claim is filed with this claim, it is possible that claim information applicable to this claim is filed in another claim file.

The violation for CHO063 remains in the Report. As this is an audit of the Company's claims process attaching irrelevant information to the claim file makes it difficult to capture the information pertinent to this claim. If this information for another claim is filed with this claim, it is possible that claim information applicable to this claim is filed in another claim file.

Fiberglass insulation was blown into the insured's home after his furniture and personal belongings had been returned to the home. The impact of this to the insured's living conditions was never documented in the file. In addition, the Company notes on November 24, 2014 state that "...DKI made a mistake and left off much of the repairs for all rooms including painting...and removal of carpeting..." This was a 2/28/2014 fire loss. The impact on the insured's living conditions as a result of this significant error is not documented in the file.

- (2 a) After further review the violation for CHO061 has been withdrawn from the Report.
- (2 b) The violation for CHO037 remains in the Report. The Company cannot assume that a claim is likely to be denied prior to an investigation into causation. This is contrary to the insurance contract. The Company should have informed the insured of the available dwelling coverage in the event that coverage applied to the loss. This was a loss to the dwelling. Advising the insured of his dwelling coverage was clearly pertinent to the claim.
- (5) The violation for CHO001 remains in the Report. The insured submitted an estimate for the repair of the entire roof. The file notes indicate "I did explain to the insured that the damage we found did not warrant a roof replacement. However, I will review her roof estimate since she did have shingles blown off in an area down to the plywood. I will determine if a supplement toward the roof is due to her." The company inferred that there was a possibility that the roof may be covered.

After further review the violation for CHO048 has been withdrawn from the Report.
- (6 b) The Bureau acknowledges that the Company' has made the restitution for the insured's ALE for CHO049.
- (9) After further review the violation for CHO037 has been withdrawn from the Report.

The violation for CHO061 remains in the Report. There are no premium bearing violations for CHO061 still active, the violations for 14 VAC-5-400-70 D and § 38.2-510 A6 were withdrawn. The violations for § 38.2-510 A 3 and 14 VAC 5-400-40 A are still active violations.

- (10 b) After further review the violation for CHO044 has been withdrawn from the Report.

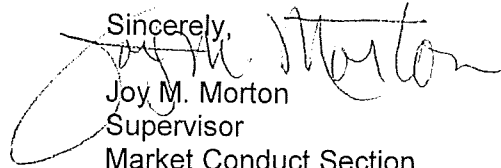
CORRECTIVE ACTION PLAN

TERMINATIONS

- (6) The one violation for valid POM to lienholder on notice mailed after the 89th day of coverage has been withdrawn.

We have made the changes noted above to the Market Conduct Examination Report. Enclosed with this letter is a revised version of the Report, technical reports, and Restitution spreadsheet. The Company's response to this letter is due in the Bureau's office by January 7, 2016.

Sincerely,



Joy M. Morton
Supervisor

Market Conduct Section
Property and Casualty Division

(804) 371-9540

joy.morton@scc.virginia.gov

Universal North America

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Universal North America®
Insurance with Values

December 29, 2015

VIA ELECTRONIC MAIL TO:

Ms. Joy Morton
Supervisor
Market Conduct Division
Property & Casualty Division
P. O. Box 1157
Richmond, VA 23218

RE: Market Conduct Examination
Universal North America Insurance Company - UNAIC
Response #3 to the Preliminary Market Conduct Report

Dear Ms. Morton:

On behalf of UNAIC, please find attached the following documents in response to the Preliminary Examination Report dated December 7, 2015:

- Preliminary Examination Report – Response #3 – Dec 29 2015
- VA Market Conduct Examination Report - UNAIC – NAIC 10759 as of March 31, 2015

The response follows the same format as the Preliminary Examination Report and includes only items for which the Company seeks additional consideration.

We thank you for taking the time to review our responses. Should you have any questions or need additional clarification, please do not hesitate to contact me at 916 678 6213.

Regards,

Gayle J. Sungar
Compliance Director

Cc: Richard Urra
Gadiel Cardona
Kathy Moore
James Watje
Donald Grimm
Tim Allen, ACM
Steve Smith, AGIA
Mark Corey, AGIA

PART ONE – THE EXAMINERS' OBSERVATIONS

Claims

(1)

CHO046: The Company respectfully disagrees and asks that the Bureau consider the specific wording of the statutory citation for applicability to this instance. 14 VAC 5-400-30 states "*the Company failed to maintain all notes and work papers pertaining to the claim in the claim file...*" The Bureau did not indicate that any documents failed to be maintained, but rather that one additional extraneous document out of 12 electronic attachments belonged to another claim file. The document is labeled as a police report, which itself is an item of public record, and clearly is not related to a homeowner claim for cracked countertops. It is reasonable to expect that any company or other agency dealing with thousands of records on a daily basis will occasionally place one in the wrong file, but there was no detrimental impact to this customer or any other party as a result. In addition, the advent of electronic data storage allows an item to be placed in multiple places, as opposed to a single paper copy which can be irretrievably lost when misfiled and thus the potential consequence is significantly mitigated.

CHO063: The Company respectfully disagrees for identical reasons cited in CHO046 above. The cited statutory violation, 14 VAC 5-400-30, states *the Company failed to maintain all notes and work papers pertaining to the claim in the claim file in such detail that pertinent events and dates of such events can be reconstructed*. In addition to the reasons above, in the subject case, the extraneous document was an "automobile declarations and acknowledgement letter", which is not actually a part of the claim file, but was erroneously included only in the paper copy of the file that was provided to the Bureau (presumably a document simply in the copy area that was accidentally added). This item is not a part of the Company claim file. The Bureau also observes that the time frame for ALE coverage was not adequately documented, and that the notes are not clear as to when the insured was able to move back into his home. The file notes and communication from the insured document his move back date of 4/6/2014, with last ALE payment to include hotel and meals through 4/5/2014. The Company previously provided copies of the dated receipts. Finally, the Bureau cites a comment from the file that "...DKI made a mistake and left off much of the repairs..." There appears to be a misunderstanding about the nature of this note, which is included to explain to the file the difference in original and subsequent contractor payments. In other words, all of the work had already been completed at this stage, the contractor simply failed to include it on a revised estimate and, as the same file note indicated, additional payment was made. The "significant error" noted only negatively

impacted the contractor that failed to bill accurately, the insured's living conditions were not affected.

(2b)

CHO037: The Company respectfully disagrees. The Bureau Observation states that "The file is not documented to indicate the insured was advised of the replacement cost requirements." 14 VAC 50400-40-A states "The company obscured or concealed from the first party claimant his benefits, coverages or other provisions of the insurance policy that were pertinent to the claim by failing to inform him of the replacement cost benefits provided under the building coverage of his policy." The Company had responded that the claim was denied, and thus replacement cost benefits were not pertinent. The Bureau's December 7, 2015 contention is that "The Company should have informed the insured of the available dwelling coverage in the event that coverage applied to the loss. This was a loss to the dwelling. Advising the insured of his dwelling coverage was clearly pertinent to the claim." The Company does not disagree that Dwelling coverage in general was a pertinent discussion, but the Bureau's cited concern was due to a failure to discuss a Loss Settlement provision related to depreciation and replacement cost, an item that is appropriate to discuss once coverage is confirmed. Please note also that the "Contact-Initial" note with the insured on the phone and dated 11/8/2013 states "COV TYPE: DWELLING, LIMITS \$208,500, DEDUCTIBLE: \$500." The Homeowners policy Section I – Property Coverages includes 9 pages of provisions that could apply to a Dwelling claim and not all such provisions reasonably need to be discussed on each claim unless and until they are relevant, which was never the case here insofar as replacement cost coverage was concerned.

(5)

CHO001: While the Company continues to disagree, after further review this will no longer be contested.

CHO061: While the Company continues to disagree, after further review this will no longer be contested.

Gloria Warriner

From: Gloria Warriner
Sent: Wednesday, January 20, 2016 8:36 AM
To: 'Steve Smith'; Joy Morton
Subject: RE: Reply to Universal North American Insurance response of December 29, 2015

Good morning Steve,

A correction has been made to the following statement:

Concerning the documentation of the extent of the ALE for CHO063, the Company's file does not document the reason ALE benefits were terminated prior to furniture being moved back into the home and thereby deeming the home to be habitable.

Thank you.

Gloria Warriner

From: Gloria Warriner
Sent: Tuesday, January 19, 2016 3:37 PM
To: 'Steve Smith'; Joy Morton
Subject: Reply to Universal North American Insurance response of December 29, 2015

Good afternoon Steve,

In an attempt to wrap this up without sending another letter, we are responding to the Company's December 29, 2015 response to the Preliminary Market Conduct Report of Universal North America Insurance Company.

To the violations reference for CHO46 and CHO063, the Rules Governing Unfair Claim Settlement Practices (14 VAC 5-400 et seq.) require that claim files contain all notes and work papers pertaining to the claim. The document in the Company's file did not pertain to the claim. It is not acceptable for unrelated documents to be placed in claim files nor is it acceptable for a document to be potentially missing from the relevant claim file. If this information is in the file, how do we know that evidence applicable to their claim has not been placed in another claim file?

The Company had the opportunity to review the sample claim files that were provided to the Bureau. The Company attested to the accuracy of the claim file copies.

Concerning the documentation of the extent of the ALE for CHO063, the Company's file does document the reason ALE benefits were terminated prior to furniture being moved back into the home and thereby deeming the home to be habitable.

Concerning the contractor, the file does not reflect the explanation as stated in the Company's response. The Company's response clarifies the question but the claim file must stand on its own and the file was not documented such that it could be reconstructed.

To the violation reference for CHO037 has been withdrawn from the Report.

Please contact us if you have any questions.

Gloria Warriner
BOI-SCC
Market Conduct Section
804.371.9969

Gloria Warriner

From: Steve Smith <ssmith@arrowheadgrp.com>
Sent: Friday, January 22, 2016 1:26 PM
To: Gloria Warriner; Joy Morton
Cc: Gayle Sungar; Richard Urra; Tim Allen; Gadiel Cardona; Donald Grimm; Kathy Moore; Mark Corey
Subject: RE: Reply to Universal North American Insurance response of December 29, 2015

Gloria,

Thank you for your email of January 19, 2016 responding to our letter of December 29, 2015.

While the Company continues to respectfully disagree with the remaining violations as noted in our 12/29/15 letter, we do not have any new points or additional information to present.

Thank you,

Steve Smith
VP - Personal Lines, Property
Arrowhead General Insurance Agency, Inc.
2548 Campbell Place, Carlsbad, CA 92009
TEL 760.710.6888 | CELL 949.285.4184
TOLL 800.333.5553 x6888 | FAX 760.710.6940
ssmith@arrowheadgrp.com | ArrowheadGrp.com
CA License #0699809



From: Gloria Warriner [<mailto:Gloria.Warriner@scc.virginia.gov>]
Sent: Tuesday, January 19, 2016 12:37 PM
To: Steve Smith; Joy Morton
Subject: Reply to Universal North American Insurance response of December 29, 2015

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To the violation reference for CHO037 has been withdrawn from the Report.

Please contact us if you have any questions.

Gloria Warriner
BOI-SCC
Market Conduct Section
804.371.9969

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COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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TDD/VOICE: (804) 371-9206
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January 28, 2016

VIA UPS 2nd DAY DELIVERY

Hector Cora
Legal and Regulatory Director
Universal North America
101 Paramount Drive, Suite 220
Sarasota, FL 34232

Re: Market Conduct Examination
Universal North America Insurance Company NAIC# 10759
Examination Period: April 1, 2013–March 31, 2014

Dear Mr. Cora:

The Bureau of Insurance (Bureau) has concluded its review of the company's response. Based upon the Bureau's review of the company's October 21, 2015 letter and January 22, 2016 email, we are now in a position to conclude this examination. Enclosed is the final Market Conduct Examination Report of Universal North America Insurance Company (Report).

Based on the Bureau's review of the Report and the company's responses, it appears that a number of Virginia insurance laws and regulations have been violated, specifically:

Sections 38.2-502, 38.2-510 A 1, 38.2-510 A 3, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-610 A, 38.2-1906 D, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2118, 38.2-2125, 38.2-2126 A, and 38.2-2126 E of the Code of Virginia as well as 14 VAC 5-400-30, and 14 VAC 5-400-70 A, of the Virginia Administrative Code.

Violations of the laws mentioned above provide for monetary penalties of up to \$5,000 for each violation as well as suspension or revocation of an insurer's license to engage in the insurance business in Virginia.

In light of the above, the Bureau will be in further communication with you shortly regarding the appropriate disposition of this matter.

Sincerely,

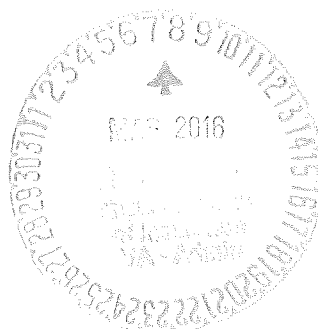
Joy M. Morton
BOI Manager
Market Conduct Section
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joy.morton@scc.virginia.gov

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March 4, 2016

VIA FEDEX STANDARD OVERNIGHT
TRK#775802110109

Rebecca Nichols Deputy Commissioner
Property and Casualty Bureau of Insurance P.
Tyler Building, 1300 E. Main Street.
Richmond, VA 23219

400117

RE: Universal North America Insurance Company
NAIC 10759
Market Conduct Examination Settlement Offer

Dear Ms. Nichols:

This will acknowledge receipt of the Bureau of Insurance's letter dated January 29, 2016, concerning the above referenced matter.

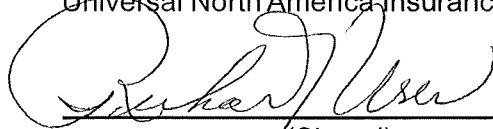
We wish to make a settlement offer on behalf of the insurance company listed below for the alleged violations of §§ 38.2-502, 38.2-510 A 1, 38.2-510 A 3, 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-610 A, 38.2-1906 D, 38.2-2113 C, 38.2-2114 A, 38.2-2114 C, 38.2-2118, 38.2-2125, 38.2-2126 A, and 38.2-2126 E, of the Code of Virginia as well as 14 VAC 5-400-30, and 14 VAC 5-400-70 A, of the Virginia Administrative Code to indicate a general business practice.

1. We enclose with this letter a check payable to the Treasurer of Virginia in the amount of \$12,800.00.
2. We agree to comply with the corrective action plan set forth in the company's letters of August 14, 2015 and October 21, 2015.
3. We confirm that restitution was made to 11 consumers for \$4,535.89 in accordance with the company's August 14, 2015 and October 21, 2015 letters.
4. We further acknowledge the company's right to a hearing before the State Corporation Commission in this matter and waive that right if the State Corporation Commission accepts this offer of settlement.

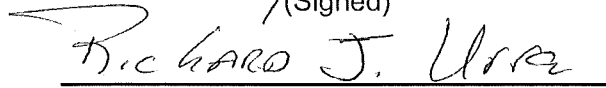
This offer is being made solely for the purpose of a settlement and does not constitute, nor should it be construed as, an admission of any violation of law.

Sincerely,

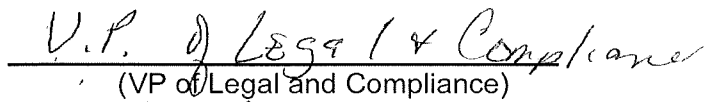
Universal North America Insurance Company



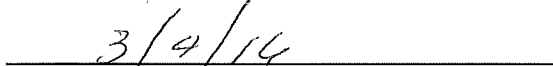
(Signed)



(Richard J. Urra)



(VP of Legal and Compliance)



(3/4/2016)

Enclosure-Check
gjs

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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Universal North America Insurance Company has tendered to the Bureau of Insurance the settlement amount of \$12,800.00 by their check numbered 2241 and dated March 3, 2016, a copy of which is located in the Bureau's files.

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, APRIL 11, 2016

SGC-CLERK'S OFFICE
DOCUMENT CONTROL CENTER

2016 APR 11 A 10:37

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COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. INS-2016-00053

UNIVERSAL NORTH AMERICA
INSURANCE COMPANY,
Defendant

SETTLEMENT ORDER

Based on a market conduct examination performed by the Bureau of Insurance ("Bureau"), it is alleged that Universal North America Insurance Company ("Defendant"), duly licensed by the State Corporation Commission ("Commission") to transact the business of insurance in the Commonwealth of Virginia ("Virginia"), violated § 38.2-502 of the Code of Virginia ("Code") by misrepresenting the benefits, advantages, conditions or terms of insurance policies; violated §§ 38.2-604 A, 38.2-604 B, 38.2-604 C, 38.2-610 A, 38.2-2118, 38.2-2125, and 38.2-2126 A of the Code by failing to accurately provide the required notices to insureds; violated § 38.2-1906 D of the Code by making or issuing insurance contracts or policies not in accordance with the rate and supplementary rate information filings in effect for the Defendant; violated §§ 38.2-2113 C, 38.2-2114 A, and 38.2-2114 C of the Code by failing to properly terminate insurance policies; violated § 38.2-2126 E of the Code by failing to rate the policy with proper credit information; and violated §§ 38.2-510 A (1) and 38.2-510 A (3) of the Code, as well as 14 VAC 5-400-30 and 14 VAC 5-400-70 A of the Commission's Rules Governing Unfair Claim Settlement Practices, 14 VAC 5-400-10 *et seq.*, by failing to properly handle claims with such frequency as to indicate a general business practice.

The Commission is authorized by §§ 38.2-218, 38.2-219, and 38.2-1040 of the Code to impose certain monetary penalties, issue cease and desist orders, and suspend or revoke a defendant's license upon a finding by the Commission, after notice and opportunity to be heard, that a defendant has committed the aforesaid alleged violations.

The Defendant has been advised of its right to a hearing in this matter whereupon the Defendant, without admitting any violation of Virginia law, has made an offer of settlement to the Commission wherein the Defendant has tendered to Virginia the sum of Twelve Thousand Eight Hundred Dollars (\$12,800), waived its right to a hearing, agreed to comply with the corrective action plan set forth in its letters to the Bureau dated August 14, 2015, and October 21, 2015, and confirmed that restitution was made to 11 consumers in the amount of Four Thousand Five Hundred Thirty-five Dollars and Eighty-nine Cents (\$4,535.89).

The Bureau has recommended that the Commission accept the offer of settlement of the Defendant pursuant to the authority granted the Commission in § 12.1-15 of the Code.

NOW THE COMMISSION, having considered the record herein, the offer of settlement of the Defendant, and the recommendation of the Bureau, is of the opinion that the Defendant's offer should be accepted.

Accordingly, IT IS ORDERED THAT:

(1) The offer of the Defendant in settlement of the matter set forth herein is hereby accepted.

(2) This case is dismissed, and the papers herein shall be placed in the file for ended causes.

AN ATTESTED COPY hereof shall be sent by the Clerk of the Commission to:
Richard J. Urra, VP of Legal & Compliance, Universal North America, 101 Paramount Drive,

Suite 220, Sarasota, Florida 34232; and a copy shall be delivered to the Commission's Office of General Counsel and the Bureau of Insurance in care of Deputy Commissioner Rebecca Nichols.

168410220