



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

MARKET CONDUCT
EXAMINATION REPORT

OF

**UNIVERSAL PROPERTY & CASUALTY
INSURANCE COMPANY**
FORT LAUDERDALE, FL

As of: May 18, 2020
Issued: July 1, 2020

**BUREAU OF MARKET ACTIONS
PROPERTY AND CASUALTY DIVISION**

UNIVERSAL PROPERTY & CASUALTY INSURANCE COMPANY

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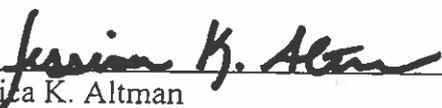
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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

ORDER

AND NOW, this 28th day of March, 2018, in accordance with Section 905(c) of the Pennsylvania Insurance Department Act, Act of May 17, 1921, P.L. 789, as amended, P.S. § 323.5, I hereby designate Christopher R. Monahan, Deputy Insurance Commissioner, to consider and review all documents relating to the market conduct examination of any company and person who is the subject of a market conduct examination and to have all powers set forth in said statute including the power to enter an Order based on the review of said documents. This designation of authority shall continue in effect until otherwise terminated by a later Order of the Insurance Commissioner.





Jessica K. Altman
Insurance Commissioner

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. §101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter and agrees that this Consent Order shall have the full force and effect of an order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Insurance Department finds true and correct each of the following Findings of Fact:

- (a) Respondent is Universal Property & Casualty Insurance Company, and maintains its address at 1110 West Commercial Boulevard, Fort Lauderdale, FL 33309.
- (b) A market conduct examination of Respondent was conducted by the Insurance Department covering the period from January 1, 2018 to December 31, 2018.
- (c) On May 18, 2020 the Insurance Department issued a Market Conduct Examination Report to Respondent (“Examination Report”).

(d) Respondent provided to the Insurance Department a response to the Examination Report on June 10, 2020.

(e) The Market Conduct Examination of the Respondent revealed the violations of the following:

- (i) 40 P.S. §323.3(a), requires every company subject to examination to keep all books, records, accounts, papers, documents and any computer or other recordings relating to its property, assets, business and affairs in such manner and for such time periods as the Department may require in order that its representatives may readily ascertain whether the company has complied with the laws of this Commonwealth;
- (ii) 40 P.S. §310.71, prohibits producers from transacting business within this Commonwealth without written appointment as required by the Act;
- (iii) 40 P.S. §1171.5(a)(9), prohibits cancellation of any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change

or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due or for any other reasons approved by the Commissioner;

- (iv) 40 P.S. §1171.5(a)(9)(ii), prohibits any cancellation or refusal to renew to become effective in a period of less than thirty days from the date of delivery or mailing;
- (v) 40 P.S. §1224(a)&(i), requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, except as to inland marine risks, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue;
- (vi) 18 Pa. C.S. §4117(k)(1), requires all applications for insurance and all claim forms shall contain or have attached thereto the following notice:
Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the

purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties;

(vii) 31 Pa. Code §59.9(b), requires an insurer give at least 30 days notice of termination and give that notice no later than the 60th day;

(viii) 31 Pa. Code §146.6 states that if an investigation cannot be completed within thirty (30) days, and every forty-five (45) days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Insurance Department makes the following Conclusions of Law:

(a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

(b) Respondent's violations of 40 P.S. §310.71 are punishable by the following, under (40 P.S. §310.91):

- (i) suspension, revocation or refusal to issue the certificate of qualification or license;
 - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;
 - (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.

- (c) Respondent's violations of 40 P.S. §§1171.5(a)(9) and 1171.5(a)(9)(ii) are punishable by the following, under Section 9 of the Unfair Insurance Practices Act (40 P.S. §1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (d) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
 - (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
 - (ii) for each method of competition, act or practice which the company did not know nor reasonably should have known was in violation of the law, a penalty of not more than one thousand dollars (\$1,000.00).

- (d) Violations of 1224(a)&(i) are punishable by the following under the Fire and Marine Insurance Act (40 P.S. §1235):
 - (i) imposition of a civil penalty not to exceed \$50 for each violation or not more than \$500 for each such willful violation;
 - (ii) suspension of the license of any rating organization or insurer, which fails to comply with an order of the Commissioner within the time limited by such Order, or any extension thereof which the Commissioner may grant.

- (e) Respondent's violations of 31 Pa. Code §146.6 are punishable under Sections 1 through 5 and Section 9 of the Unfair Insurance Practices Act (40 P.S. §§1171.1 – 1171.5 and 1171.9):
 - (i) cease and desist from engaging in the prohibited activity;
 - (ii) suspension or revocation of the license(s) of Respondent.

- (f) In addition to any penalties imposed by the Commissioner for Respondent's violations of 40 P.S. §§1171.1 – 1171.5, the Commissioner may, under (40 P.S. §§1171.10, 1171.11) file an action in which the Commonwealth Court may impose the following civil penalties:
 - (i) for each method of competition, act or practice which the company knew or should have known was in violation of the law, a penalty of not more than five thousand dollars (\$5,000.00);
 - (ii) for each method of competition, act or practice which the company did

not know nor reasonably should have known was in violation of the law,
a penalty of not more than one thousand dollars (\$1,000.00).

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Insurance Department orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.
- (b) Respondent shall pay Twenty-five Thousand Dollars (\$25,000.) in settlement of all violations contained in the Report.
- (c) Payment of this matter shall be made to the Commonwealth of Pennsylvania. Payment should be directed to Paul E. Towsen III, Pennsylvania Insurance Department, Office of Market Regulation, RE: Bureau of Market Actions, 1209 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment must be made no later than thirty (30) days after the date of this Order.
- (d) Respondent shall file an affidavit stating under oath that it will provide each of its directors, at the next scheduled directors meeting, a copy of the adopted Report and related Orders. Such affidavit shall be submitted within thirty (30)

days of the date of this Order.

- (e) Respondent shall comply with all recommendations contained in the attached Report.

6. In the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein may pursue any and all legal remedies available, including but not limited to the following: The Insurance Department may enforce the provisions of this Order in the Commonwealth Court of Pennsylvania or in any other court of law or equity having jurisdiction; or the Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

7. Alternatively, in the event the Insurance Department finds that there has been a breach of any of the provisions of this Order, the Department may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Insurance Department. Only the Insurance Commissioner or a duly authorized delegee is authorized to bind the Insurance Department with respect to the settlement of the alleged violations of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or a duly authorized delegee.

BY: UNIVERSAL PROPERTY & CASUALTY
INSURANCE COMPANY
Respondent



Chief Executive Officer



Secretary / Treasurer



CHRISTOPHER R. MONAHAN
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

I. INTRODUCTION

The Market Conduct Examination was conducted at the office of Universal Property & Casualty Insurance Company, hereinafter referred to as “Company”, located in Fort Lauderdale, Florida, from October 28, 2019 through November 1, 2019. Subsequent review and follow-up were conducted in the office of the Pennsylvania Insurance Department.

Pennsylvania Market Conduct Examination Reports generally note only those items to which the Department, after review, takes exception. However, the Examination Report may include management recommendations addressing areas of concern noted by the Department, but for which no statutory violation was identified. This enables Company management to review those areas of concern in order to determine the potential impact upon Company operations or future compliance. A violation is any instance of Company activity that does not comply with an insurance statute or regulation. Violations contained in the Report may result in imposition of penalties.

In certain areas of review listed in this Report, the examiners will refer to “error ratio.” This error ratio is calculated by dividing the number of policies with violations by the total number of policies reviewed. For example, if 100 policies are reviewed and it is determined that there are 20 violations on 10 policies, the error ratio would be 10%.

Throughout the course of the examination, Company officials were provided with status memoranda, which referenced specific policy numbers with citation to each section of law violated. Additional information was requested to clarify apparent violations. An exit conference was conducted with Company personnel to discuss the various types of violations identified during the examination and review written summaries provided on the violations found.

The courtesy and cooperation extended by the officers and employees of the Company, during the course of the examination is hereby acknowledged.

The following examiners participated in this examination and in preparation of this Report.

Paul Towsen, MCM
Market Conduct Division Chief
Pennsylvania Insurance Department

Vern Schmidt, MCM
Market Conduct Examiner II, EIC
Pennsylvania Insurance Department

Nanette Soliday, MCM
Market Conduct Examiner II
Pennsylvania Insurance Department

Joshua Gotwalt, MCM
Market Conduct Examiner I
Pennsylvania Insurance Department

II. SCOPE OF EXAMINATION

The Market Conduct Examination was conducted on Universal Property & Casualty Insurance Company, at their office located in Fort Lauderdale, Florida. The examination was conducted pursuant to Sections 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act of 1921 and covered the experience period of January 1, 2018, through December 31, 2018, unless otherwise noted. The purpose of the examination was to determine the Company's compliance with Pennsylvania insurance laws and regulations.

The examination focused on Company operations in the following areas:

1. Personal Property
 - Underwriting - Appropriate and timely notices of nonrenewal, midterm cancellations, 60-day cancellations, declinations, and rescissions.
 - Rating - Proper use of all classification and rating plans and procedures.
2. Claims
3. Complaints
4. Advertising
5. Producer Licensing
6. Underwriting Practices and Procedures

7. Forms

8. Data Integrity

9. MCAS Reporting

- Personal Property

III. COMPANY HISTORY

Universal Property & Casualty Insurance Company (UPCIC) is a wholly owned subsidiary of Protection Solutions, Inc., a Florida corporation. Protection Solutions, Inc. is wholly owned by Universal Insurance Holdings, Inc. UPCIC was first licensed in its home state of Florida in 1997 and has 20+ years experience writing in the market and has stood through various business cycles and periods of significant claims activity such as hurricanes, tornadoes, hailstorms, etc. UPCIC began its successful expansion to additional states in 2008 with South Carolina.

LICENSING

Universal Property & Casualty Insurance Company's last Certificate of Authority to write business in the Commonwealth was last issued on April 1, 2020.

Universal Property & Casualty Insurance Company is licensed to transact property and casualty insurance business in Alabama, Florida, Georgia, Hawaii, Iowa, Illinois, Indiana, Massachusetts, Maryland, Michigan, Minnesota, North Carolina, New Hampshire, New York, Pennsylvania, South Carolina, Virginia, and Wisconsin. The Company's 2018 annual statement reflects Direct Written Premium for all lines of business in the Commonwealth of Pennsylvania as \$10,795,882. Premium volume related to the areas of this review were:
Homeowners Multiple Peril \$10,795,882.

IV. UNDERWRITING

A. Property

1. Nonrenewals

A nonrenewal is considered to be any policy that was not renewed, for a specific reason, at the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which cancellation of a policy is permissible along with the form requirements of the nonrenewal notice.

From the universe of 71 property policies which were nonrenewed during the experience period, 40 files were selected for review. The property policies reviewed consisted of 39 homeowners and one condominium. All 40 files requested were received and reviewed. The 37 violations noted were based on 37 files, resulting in an error ratio of 93%.

The following findings were noted:

37 Violations 40 P.S. §1171.5(a)(9)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material

misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due whether such premium is payable directly to the company or its agent or indirectly under any premium finance plan or extension of credit; or for any other reasons approved by the Commissioner. The Company failed to provide a valid reason for nonrenewal for the 37 files noted.

The following concern was noted:

CONCERN: The Company is sending a Notice of Cancellation with no address and phone number to contact The Fair Plan. The Company should add the telephone number and address of The Fair Plan so the insured can contact if needed.

2. Mid-term Cancellations

A mid-term cancellation is any policy that terminates at any time other than the normal twelve-month policy anniversary date.

The primary purpose of the review was to determine personal lines compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(9) [40 P.S. §1171.5(a)(9)], which establishes the conditions under which

cancellation of a policy is permissible along with the form requirements of the cancellation notice.

From the universe of 1,192 property policies which were cancelled midterm during the experience period, 123 files were selected for review. The property files consisted of 75 homeowners, 35 tenant homeowner and 13 condominium. All 123 files requested were received and reviewed. The 54 violations noted were based on 52 files, resulting in an error ratio of 42%.

The following findings were noted:

3 Violations 40 P.S. §1171.5(a)(9)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due whether such premium is payable directly to the company or its agent or indirectly under any premium finance plan or extension of credit; or for any other reasons approved by the Commissioner. The

Company failed to provide a valid reason for cancellation for the three files noted.

51 Violations 40 P.S. §1171.5(a)(9)(ii)

Prohibits canceling any policy of insurance covering owner-occupied private residential properties or personal property of individuals that has been in force for sixty days or more or refusing to renew any such policy unless the policy was obtained through material misrepresentation, fraudulent statements, omissions or concealment of fact material to the acceptance of the risk or to the hazard assumed by the company; or there has been a substantial change or increase in hazard in the risk assumed by the company subsequent to the date the policy was issued; or there is a substantial increase in hazards insured against by reason of willful or negligent acts or omissions by the insured; or the insured has failed to pay any premium when due whether such premium is payable directly to the company or its agent or indirectly under any premium finance plan or extension of credit; or for any other reasons approved by the Commissioner. No cancellation or refusal to renew by any person shall be effective unless a written notice of the cancellation or refusal to renew is received by the insured either at the address shown in the policy or at a forwarding address. (ii) - State the date, not less than thirty days after the date of delivery or mailing on which such cancellation or refusal to renew shall become effective. The Company issued a cancellation notice that did not provide 30 days mailing notice prior to the

the cancellation effective date for the 51 files noted.

General Violation 40 P.S. §1171.5(a)(9)(ii)

The Company issued a notice of cancellation following an insured request. The notice that was issued did not provide 30 days mailing notice prior to the cancellation effective date.

Note: When an insured has requested the cancellation of a policy, a notice of cancellation was sent to the insured. A notice of cancellation has requirements that must be met. A confirmation of cancellation does not have requirements and is a more suitable form for confirming an insured request of cancellation.

The following concern was noted:

CONCERN: The Company is sending a Notice of Cancellation with no address and phone number to contact The Fair Plan. The Company should add the telephone number and address of The Fair Plan so the insured can contact if needed.

3. 60-Day Cancellations

A 60-day cancellation is any policy, which was cancelled within the first 60 days of the inception date of the policy.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5(a)(7)(iii) [40 P.S.

§1171.5(a)(7)(iii)], which prohibits an insurer from canceling a policy for discriminatory reasons and Title 31, Pennsylvania Code, Section 59.9(b), which requires an insurer who cancels a policy in the first 60 days to provide a 30 day mailing notice of the termination.

From the universe of 225 property policies, which were cancelled in the first 60 days of new business, 82 files were selected for review. The property policies consisted of 50 homeowners, 25 tenant homeowners and seven condominium. All 82 files requested were received and reviewed. The one violation noted was based on one file, resulting in an error ratio of 1%.

The following findings were noted:

1 Violation 31 Pa. Code §59.9(b)

The period of 60 days referred to in Section 5(a)(9) and (c)(3) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(9) and (c)(3) is intended to provide to insurers a reasonable period of time, if desired, to investigate thoroughly a particular risk while extending coverage during the period of investigation. An insurer may cancel a policy provided it gives at least 30 days notice of the termination and provided it gives notice no later than the 60th day. The insurer's decision to cancel during this 60 day period must not violate Section 5(a)(7)(iii) of the Unfair Insurance Practices Act. The Company issued a notice of cancellation that did not provide 30 days mailing notice prior to the cancellation effective date for the file noted.

General Violation 40 P.S. §59.9(b)

The Company issued a notice of cancellation following an insured request. The notice that was issued did not provide 30 days mailing notice prior to the cancellation effective date.

Note: When an insured has requested the cancellation of a policy, a notice of cancellation was sent to the insured. A notice of cancellation has requirements that must be met. A confirmation of cancellation does not have requirements and is a more suitable form for confirming an insured request of cancellation.

The following concern was noted:

CONCERN: The Company is sending a Notice of Cancellation with no address and phone number to contact The Fair Plan. The Company should add the telephone number and address of The Fair Plan so the insured can contact if needed.

4. Declinations

A declination is any application that is received by the Company and was declined to be written.

The primary purpose of the review was to determine compliance with Act 205, Unfair Insurance Practices Act, Section 5 [40 P.S. §1171.5], which defines unfair methods of competition and unfair or deceptive acts or practices.

The Company did not report any property declinations for the experience period.

5. Rescissions

A rescission is any policy which was void ab initio by the Company.

The primary purpose of the review was to determine compliance with Act 205, which establishes conditions under which action by the insurer is prohibited. The review also determines compliance with the rescission requirements established by the Supreme Court of Pennsylvania in *Erie Insurance Exchange v. Lake*.

From the universe of 665 property policies which were rescinded by the Company during the experience period, 83 files were selected for review. The property policies consisted of 50 homeowners, 25 tenant homeowners and 8 condominium. All 83 files requested were received and reviewed. Of the 83 files reviewed one file was identified as a 60 Day Cancellation. The one violation noted were based on one file, resulting in an error ratio of 1%.

The following findings were noted:

1 Violation 31 Pa. Code §59.9(b)

The period of 60 days referred to in Section 5(a)(9) and (c)(3) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(9) and (c)(3) is intended to provide to insurers a reasonable period of time, if desired, to investigate thoroughly a particular risk while extending coverage during the period of investigation.

An insurer may cancel the policy provided it gives at least 30 days notice of the termination and provided it gives notice no later than the 60th day. The insurer's decision to cancel during this 60 day period must not violate Section 5(a)(7)(iii) of the Unfair Insurance Practices Act. The Company issued a notice of cancellation that did not provide 30 days mailing notice prior to the cancellation effective date for the file noted.

The following concern was noted:

CONCERN: The Company is sending a Notice of Cancellation with no address and phone number to contact The Fair Plan. The Company should add the telephone number and address of The Fair Plan so the insured can contact if needed.

V. RATING

A. Personal Property

1. New business

New business, for the purpose of this examination, is defined as policies written for the first time by the Company during the experience period.

The purpose of the review was to measure compliance with Act 247, the Fire, Marine, and Inland Marine Rate Regulatory Act, Sections 4(a) and (i) (40 P.S. §1224(a), (i)), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Homeowner Rating – New Business without Surcharges

From the universe of 7,742 homeowner policies written as new business without surcharges during the experience period, 100 files were selected for review. All 100 policy files requested were received and reviewed. There were no violations noted.

Homeowner Rating – New Business with Surcharges

The universe of nine homeowner policies written as new business with surcharges was selected for review. All nine policy files requested were received and reviewed. There were no violations noted.

Condominium Rating – New Business without Surcharges

From the universe of 79 condominium policies written as new business without surcharges during the experience period, 40 files were selected for review. All 40 files selected were received and reviewed. There were no violations noted.

Condominium Rating – New Business with Surcharges

The Company reported no new business policies with surcharges for the experience period.

Tenant Homeowner Rating – New Business without Surcharges

From the universe of 711 tenant homeowner policies written as new business without surcharges during the experience period, 50 files were selected for review. All 50 files selected were received and reviewed. There were no violations noted.

Tenant Homeowner Rating – New Business with Surcharges

The Company reported no new business policies with surcharges for the experience period.

2. Renewals

A renewal is any policy, which was previously written by the Company and renewed on the normal twelve-month anniversary date.

The purpose of the review was to measure compliance with Act 247, the Fire, Marine, and Inland Marine Rate Regulatory Act, Sections 4(a) and (i) (40 P.S. §1224(a), (i)), which require every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates,

every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time.

Homeowner Rating – Renewal without Surcharges

From the universe of 9,428 homeowner policies renewed without surcharges during the experience period, 100 files were selected for review. All 100 files selected were received and reviewed. A universe of 2,017 policies that had Refrigerated Personal Property was also reviewed.

The following findings were noted:

2,017 Violations 40 P.S. §1224(a)&(i)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. (i) Beginning ninety days after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company used the incorrect approved rating for Homeowner policies that had Refrigerated Personal Property coverage.

This resulted in a \$20,271.31 overcharge on the universe list of policies that had this coverage. The Company must provide proof that refunds were issued for the insureds for the 2,017 files noted.

Homeowner Rating – Renewal with Surcharges

From the universe of 81 homeowner policies renewed with surcharges during the experience period, 35 files were selected for review. All 35 files selected were received and reviewed. There were no violations noted.

Condominium Rating – Renewal without Surcharges

From the universe of 58 condominium policies renewed without surcharges during the experience period, 25 files were selected for review. All 25 files selected were received and reviewed. A universe of 14 policies that had Refrigerated Personal Property was also reviewed.

The following findings were noted:

14 Violations 40 P.S. §1224(a)&(i)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also, no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. (i) Beginning ninety days after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in

accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company used the incorrect approved rating for Condominium policies that had Refrigerated Personal Property coverage. This resulted in a \$140.41 overcharge on the universe list of policies that had this coverage. The Company must provide proof that refunds were issued to insureds for the 14 files noted.

Condominium Rating – Renewal with Surcharges

The universe of one condominium policy renewed with surcharges during the experience period was selected for review. The file was received and reviewed. There was no violation noted.

Tenant Homeowner Rating – Renewal without Surcharges

From the universe of 390 tenant homeowner policies renewed without surcharges by The Company during the experience period, 50 files were selected for review. All 50 Files requested were received and reviewed. A universe of 45 policies that had Refrigerated Personal Property was also reviewed.

The following findings were noted:

45 Violations 40 P.S. §1224(a)&(i)

Requires every insurer to file with the Insurance Commissioner every manual of classifications, rules and rates, every rating plan and every modification of any rating plan, which it proposes to use in the Commonwealth. Also,

no insurer shall make or issue a contract or policy except in accordance with filings or rates, which are in effect at the time of issue. (i) Beginning ninety days after the effective date of this act no insurer shall make or issue a contract or policy except in accordance with the filings or rates which are in effect for said insurer as provided in this act or in accordance with subsections (g) or (h) of this section. This subsection shall not apply to contracts or policies for inland marine risks as to which filings are not required. The Company used the incorrect approved rating for Tenant Homeowner policies that had Refrigerated Personal Property coverage. This resulted in a \$242.90 overcharge on the universe list of policies that had this coverage. The Company must provide proof that refunds were issued to the insureds for the 45 files noted.

Tenant Homeowner Rating – Renewal with Surcharges

The universe of one tenant homeowner policy renewed with surcharges by the Company during the experience period was selected for review. The file was received and reviewed. There was no violation noted.

The Company was also asked to provide a listing of all policies from 2015-2017 and 2019 that had Refrigerated Personal Property. The universe consisted of 4,659 policies and resulted in refunds to Pennsylvania policyholders totaling \$45,683.70. No violations were assessed for these policies as they were outside of the experience period. The Company must provide proof that refunds were issued to 4,659 insureds affected.

VI. CLAIMS

The Company was requested to provide copies of all established written claim handling procedures utilized during the experience period. Written claim handling procedures were received and reviewed for any inconsistencies, which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature.

The Claims review consisted of the following areas of review:

- A. Homeowner Claims
- B. Condominium Claims
- C. Tenant Homeowner Claims

The primary purpose of the review was to determine compliance with 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices. The files were also reviewed to determine compliance with Act 205, Section 4 (40 P.S. §1171.4) and Section 5(a)(10)(vi) of the Unfair Insurance Practices Act (40 P.S. §1171.5(a)(10)(vi)).

A. Homeowner Claims

From the universe of 1,528 homeowner claims reported during the experience period, 75 files were selected for review. All 75 files were received and reviewed. The four violations noted were based on four files, resulting in an error ratio of 5%.

The following findings were noted:

4 Violations 31 Pa. Code §146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot be reasonably completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the four claims noted.

B. Condominium Claims

The universe of six condo homeowner claims reported during the experience period was selected for review. The six files were received and reviewed. The following violation was noted. The one violation noted was based on one file, resulting in an error ratio of 17%.

The following findings were noted:

1 Violation 31 Pa. Code §146.6

Every insurer shall complete investigation of a claim within 30 days after notification of the claim, unless such investigation cannot be reasonably completed within 30 days, and every 45 days thereafter, the insurer shall provide the claimant with a reasonable written explanation for the delay and state when a decision on the claim may be expected. The Company did not provide timely status letters for the claim noted.

C. Tenant Homeowner Claims

From the universe of 19 tenant homeowner claims reported during the experience period, 10 files were selected for review. Of the 10 claims requested, 10 files were received and reviewed. There were no violations noted.

VII. CONSUMER COMPLAINTS

The Company was requested to identify all consumer complaints received during the experience period and provide copies of their consumer complaint logs for the preceding four years. The Company identified 24 consumer complaints received during the experience period and provided all consumer complaint logs requested. All 24 files were received and reviewed.

The purpose of the review was to determine compliance with the Unfair Insurance Practices Act, (40 P.S. §§1171.1 – 1171.5). Section 5(a)(11) of the Act (40 P.S. §1171.5(a)(11)), requires a company to maintain a complete record of all complaints received during the preceding four years. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint. The individual complaint files were reviewed for the relevancy to applicable statutes and to verify compliance with 31 Pa. Code §146.5(b)(c). There were no violations noted.

The following synopsis reflects the nature of the 24 complaints that were received.

16	Cancellation / Nonrenewal	67%
8	Claims Related	33%
<hr/> 24		<hr/> 100%

VIII. ADVERTISING

The Company was requested to provide copies of all advertising, sales material and internet advertisements in use during the experience period. The Company provided two pieces of advertising which are provided to new agencies and existing agents. The Company does not conduct any consumer advertising. There were no violations noted.

IX. PRODUCER LICENSING

In order to determine compliance by the Company and its agency force with the licensing requirements applicable to Section 641.1-A(a) and Section 671-A of the Insurance Department Act No. of 1921, (40 P.S. §§310.41(a)a, 310.71), the Company was requested to furnish a list of all active producers during the experience period and a listing of all producers terminated during the experience period. Underwriting and rating files were checked to verify proper licensing and appointment.

The following findings were noted:

7 Violations 40 P.S. §310.71

- (a) Representative of the insurer – An insurance producer shall not act on behalf of or as a representative of the insurer unless the insurance producer is appointed by the insurer. An insurance producer not acting as a representative of an insurer is not required to be appointed.
- (b) Representative of the consumer – An insurance producer acting on behalf of or representing an insurance consumer shall execute a written agreement with the insurance consumer prior to representing or acting on their behalf that:
 - (1) Delineates the services to be provided; and
 - (2) Provides full and complete disclosure of the fee to be paid to the insurance producer by the insurance consumer.
- (c) Notification to Department – An insurer that appoints an insurance producer shall file with the Department a notice of appointment. The notice shall state for which companies within the

insurer's holding company system or group the appointment is made.

(d) Termination of appointment – Once appointed, an insurance producer shall remain appointed by an insurer until such time as the insurer terminates the appointment in writing to the insurance producer or until the insurance producer's license is suspended, revoked or otherwise terminated.

(e) Appointment fee – An appointment fee of \$15 will be billed annually to the insurer for each producer appointed by the insurer during the preceding calendar year regardless of the length of time the producer held the appointment with the insurer. The appointment fee may be modified by regulation.

(f) Reporting – An insurer shall, upon request, certify to the Department the names of all licensees appointed by the insurer.

The following producers were found to be writing policies but were not found in Insurance Department records as having an appointment. The Company failed to file a notice of appointment and submit appointment fees to the Department.

Susan P. Triggiani

Pamela Byer

Brian A. Mason

Carlos A. Rexach

Robert A. Bostock

Nathan J. Breece

Debbie L. Coin

X. UNDERWRITING PRACTICES AND PROCEDURES

As part of the examination, the Company was requested to supply manuals, underwriting guides, bulletins, directives or other forms of underwriting procedure communications for each line of business being reviewed.

Underwriting guides and supplements were furnished for homeowners, condominium, and tenant homeowners. The purpose of this review was to identify any inconsistencies which could be considered discriminatory, specifically prohibited by statute or regulation, or unusual in nature. There were no violations noted.

XI. FORMS

Throughout the course of the examination, all underwriting files were reviewed to identify the policy forms used in order to verify compliance with the Insurance Company Law, Section 354 (40 P.S. §477b), Approval of Policies, Contracts, etc., Prohibiting the Use Thereof Unless Approved. During the experience period of the examination, Section 354 provided that it shall be unlawful for any insurance company to issue, sell, or dispose of any policy contract or certificate covering fire, marine, title and all forms of casualty insurance or use applications, riders, or endorsements in connection therewith, until the forms have been submitted to and formally approved by the Insurance Commissioner. All underwriting files were reviewed to verify compliance with 75 Pa. C.S. §1822, which requires all insurers to provide an insurance fraud notice on all applications for insurance, all claims forms and all renewals of coverage and 18 Pa. C.S. §4117(k)(1), which requires all insurers to provide an insurance fraud notice on all applications for insurance and all claim forms.

The following finding was noted:

1 Violation 18 Pa. C.S. 4117(k)(1)

All applications for insurance and all claim forms shall contain or have attached thereto the following notice: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act,

which is a crime and subjects such person to criminal and civil penalties. The Company used a fraud warning that was not verbatim per statute on a claim form for the violation noted.

XII. DATA INTEGRITY

As part of the examination, the Company was sent a preliminary examination packet in accordance with NAIC uniformity standards and provided specific information relative to the exam.

The purpose of the packet was to provide certain basic examination information, identify preliminary requirements and to provide specific requirements for requested data call information. Once the Company provided all requested information and data contained within the data call, the Department reviewed and validated the data to ensure its accuracy and completeness to determine compliance with Insurance Department Act Section 903(a) [40 P.S. §323.3(a)]. There were no violations noted.

XIII. PROPERTY MCAS REPORTING

In Pennsylvania, insurers are required annually to submit a Market Conduct Annual Statement (MCAS) to the National Association of Insurance Commissioners (NAIC). The review of MCAS data was conducted pursuant to the authority granted by Section 903 and 904 (40 P.S. §§323.3 and 323.4) of the Insurance Department Act and covered the Market Conduct Annual Statement (MCAS) reporting for 2018.

The examination team reviewed the Company's 2018 MCAS Submissions. All companies that submit an MCAS filing must attest to the completeness and accuracy of their submission. The attestation is required once per filing period and applies to all submissions for a specific company code. No submissions will be accepted until an attestation is completed for the company. Below are the property sections that were reviewed.

A.	Number of dwellings which have policies in-force at the end of the period.
B.	Number of policies in-force at the end of the period.
C.	Number of new business policies written during the period.
D.	Dollar amount of direct written premium during the period.
E.	Number of Company-initiated nonrenewals during the period.
F.	Number of cancellations for non-pay, nonsufficient funds or insured's request.
G.	Number of Company-Initiated cancellations that occur in the first 59 days after effective date, excluding rewrites to a related Company.
H.	Number of Company-Initiated cancellations that occur 60 or more days after effective date, excluding rewrites to a related Company.
I.	Number of Complaints received directly from the consumer.
J.	Number of Claims open at the beginning of the Period
K.	Number of Claims opened during the period.
L.	Number of Claims closed during the period, with payment.
M.	Number of Claims closed during the period, without payment.
N.	Number of Claims remaining open at the end of the period.
O.	Number of Claims closed with payment within 0-60 days.
P.	Number of Claims closed with payment >60 days.
Q.	Number of Suits open at beginning of the period.

R	Number of Suits opened during the period.
S.	Number of Suits closed during the period.
T.	Number of Suits open at end of period.

The review consisted of three phases, as noted below.

Phase 1

The Company was asked to provide the claims and policy data listings that support the 2018 MCAS filing. Each list contained the claim and policy numbers for each category. The 2018 data submitted was validated to ensure the information was accurate and consistent with the information provided to the NAIC.

The following findings were noted:

2 Violations 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documentations and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company did not provide 2018 Homeowner data that was consistent with the information provided to the NAIC for two underwriting categories.

Phase 2

The Company was asked to provide a record of all claims and policy data listings which supported the 2018 MCAS filings. From each universe list of 2018 data, a random sample of five claims and underwriting files were requested, received and reviewed. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

The following findings were noted:

2 Violations 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documentations and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to provide accurate data for two files in one claim category.

Phase 3

A review was performed on various claims and underwriting files provided in the Market Conduct portion of the exam to ensure the MCAS data was inclusive of all the policies applicable to each line item. The files were reviewed to ensure compliance with the Commonwealth of Pennsylvania's Statutes and Regulations.

The following findings were noted:

7 Violations 40 P.S. §323.3(a)

Requires every company or person subject to examination in accordance with this act must keep all books, records, accounts, papers, documentations and any or all computer or other recordings relating to its property, assets, business and affairs in such manner and for such manner and for such time periods as the department, in its discretion, may require in order that its authorized representatives may readily verify the financial condition of the company or person and ascertain whether the company or person has complied with the laws of this Commonwealth. The Company failed to provide accurate data for seven files in four underwriting categories.

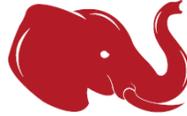
XIV. RECOMMENDATIONS

The recommendations made below identify corrective measures the Department finds necessary as a result of the number of some violations, or the nature and severity of other statutory or regulatory violations, noted in the Report.

1. The Company must ensure it issues notices of cancellations with a valid reason for cancellation in compliance with 40 P.S. §1171.5(a)(9), so that the violations noted in the report do not occur in the future.
2. The Company must review 40 P.S. §1171.5(a)(9)(ii) to ensure that a 30 days notice is provided, prior to cancellation so violations noted in the report do not occur in the future and if it issues a notice of cancellation following an insured request that it allows the proper number of days notice. **Note:** There is no requirement to send a notice of cancellation following an insured request. A confirmation notice would confirm cancellation and has no statutory requirements.
3. The Company must review 31 Pa. Code §59.9(b) to ensure it provides the proper number of days notice prior to cancellation effective date so that violations noted in the report do not occur in the future.
4. The Company must review 40 P.S. §1224(a)&(i) and take appropriate measures to ensure the homeowner rating violations noted in the report do not occur in the future.

5. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to status letters, as noted in the Report do not occur in the future.
6. The Company must review 18 C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all claim forms, as noted in the Report do not occur in the future.
7. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations noted in the Report do not occur in the future.
8. The Company must ensure all producers are appointed, as required by 40 P.S. §310.71 prior to accepting any business from any producer.

XV. COMPANY RESPONSE



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June 9, 2020

Paul E. Townsen
Property & Casualty Division Chief
Pennsylvania Insurance Department
Bureau of Market Actions
1321 Strawberry Square
Harrisburg, PA 17120

Re: Examination Warrant Number 19-M42-028
Universal Property & Casualty Insurance Company

Dear Chief Townsen:

We received the Report of Examination of Universal Property & Casualty Insurance Company (“Universal” or “Company”) on May 18, 2020. Before offering comments on some of the findings and alleged violations, the Company would like to formally acknowledge the courtesy and professionalism of the examination team. The examination team’s sensitivity to the effort and time it takes for Company employees to coordinate an examination is appreciated. We also would like to thank the examination team and those that participated in the Exit Call on April 21, 2020 for facilitating a collegial discussion.

Throughout the examination process, the Company has provided comments on the various topics raised during the examination. Some of those topics remain in the Report of Examination (“Examination”). Although we do not believe it would be productive to repeat all of our earlier comments in this response, the Company maintains and reaffirms its earlier reactions to the violations remaining in the Examination.

CANCELLATIONS INITIATED BY INSUREDS

The current Examination is the first for Universal in the Commonwealth of Pennsylvania. The examination process afforded the Company the opportunity to learn how the Pennsylvania Insurance Department (“Department”) interprets some of its regulations, particularly as some of those interpretations differ from practices in other states. For example, the Examination notes that on two occasions the Company sent notices of cancellation to policyholders who requested cancellation of their policies. During the Examination process, we learned that in Pennsylvania not only is there no obligation for the Company to send a notice confirming a cancellation initiated by the insured, but that doing so is deemed a violation of the insurance code. We further learned that although no



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document is required to be sent to an insured in connection with cancellations initiated by the insured, the Company may send a “Confirmation of Cancellation” or some similarly-styled document. Although we previously were not familiar with such a document either in practice or in the insurance code, at the Department’s request we have initiated the process to implement system changes to discontinue sending notices of cancellation for cancellations initiated by insureds and be replaced with confirmations. Even so, we continue to believe that the cancellation notices sent to two insureds who requested cancellation of their policies did not violate the Pennsylvania insurance code and should not be identified as violations in the report.

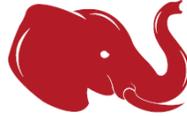
FAIR PLAN PHONE NUMBER AND ADDRESS

The Examination includes four references to a purported “concern” related to the absence of certain Fair Plan contact information within notices of cancellation or nonrenewal. For several reasons, we are uncertain why the Department considers this item to be a “concern” and believe it should be eliminated from the report.

First, we understand from the Exit Call that in Pennsylvania a “concern” is not a violation of the insurance code and seemingly does not require corrective or remedial action. In that case, identifying an issue as a “concern” seems to overstate its significance, especially when the issue is repeated four separate times in the report. The results of the Examination will be a public record, and we believe members of the public who are not immersed in the nuances of Pennsylvania’s examination process will not understand that despite its label as a “concern” the statements in the report appear to be only recommendations or suggestions.

The negative perception associated with labeling this issue as a concern seems especially unwarranted in light of the facts related to the Fair Plan notices. In each instance listed in the report, the Examination states that, “The Company should add the telephone number and address of The Fair Plan so the insured can contact if needed.” This is an unusual “concern” considering that the very notices of cancellation or nonrenewal that are the subject of the “concern” were previously filed with and approved by the Department. We are unsure why a concern would be raised only in an examination report when the suggestion more practically could have been raised during the filing process.

Additionally, the Department issued a Notice Concerning Proper Notice of Cancellation; Notice -201801 in January 2018. The Notice referenced Appendix A to Chapter 59, which provides “a recommended form of a notice that would meet the requirements of the section.” The text at Appendix A mentions potential eligibility for



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coverage through the Fair Plan but does not make any mention of a phone number or address for the Fair Plan. Thus, the 2018 Notice does not address the issue characterized as a concern in the report. We do not understand why an examination report would refer to a purported “concern” four times when there is no reference to the contact information in the insurance code, the Department’s Notice, or the form filing process. Accordingly, we believe these references might not be properly understood by other states’ regulators or the public and should not be included in the report.

REFRIGERATED PROPERTY SURCHARGE

During the Examination, it came to our attention that a programming error had resulted in the premium charged to the subset of our policyholders purchasing Refrigerated Personal Property being slightly higher than it should have been. The Company immediately initiated the process of reversing the effect of the premium difference to all of the affected policyholders. As we mentioned during the Examination, we did not limit our actions to policies within the exam period and instead addressed the programming error with respect to all affected policyholders dating back to the inception of our business in Pennsylvania. On average, policies with the Refrigerated Personal Property coverage received refunds of just under \$10.00.

In addition, we identified the source of the error, corrected it, and implemented procedures to protect against it occurring in the future. In summary, because our policy forms and rating rules are similar across states, when first entering the Pennsylvania program into our system, our programmer began by using the rating plan for another state as a template or guide. Unfortunately, he overlooked that the Refrigerated Personal Property rate is slightly lower in Pennsylvania than in the other state. We have been able to address this going forward by implementing cross-checks in the programming process as well as independent reviews by our compliance team. We regret the error and hope our comprehensive approach in responding and enhancing our procedures will mitigate its effects.

PROPERTY MCAS REPORTING

We are concerned with, and do not agree with, statements in the Examination suggesting that the Company did not maintain required books and records. More specifically, the Examination as presented would lead a reader to believe the Company somehow did not maintain books and records in such a manner as required to allow the Department to ascertain the Company’s compliance with the laws of the Commonwealth.



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This is not true, and the Company clearly provided all requested records in a manner that enabled the Department to successfully and efficiently conduct its examination.

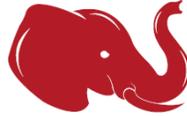
The concerning statements in the Examination relate to reconciliation of the Company's 2018 MCAS filing with its actual 2018 MCAS filing submitted to the NAIC. When compiling the data that populated the MCAS categories, we provided contemporary data as of the date of the examiners' request. The data reflected very small adjustments from the earlier NAIC submission. Of the nine underwriting categories in Phase 1, the data provided to the NAIC in seven of the MCAS categories reconciled at 100 percent to that provided in response to the Examination. These categories encompassed thousands of records. In two categories, there were exceedingly minor differences, both reflecting the contemporarily correct data. The error rate in one category was .035 percent (three out of 2,847); and the other was 0.92 percent (one out of 109). The discrepancies were simply a function of providing contemporary information to the examiners rather than literally a copy of what was provided to the NAIC. Each data set was correct as of the date provided. Taking this into account, and recognizing the negligible size of the discrepancies, we do not believe there is any basis to conclude the Company did not maintain books and records in a manner to facilitate the Examination. Indeed, the Examination progressed efficiently and without delay, with no impediment to the Department's ability to request and review samples.

RECOMMENDATIONS

The Examination identifies several recommendations with respect to some of the items mentioned in the report. The discussion above identifies steps the Company has taken already in most of these areas. The following responses further summarize the Company's actions in response to the listed items:

- 1. The Company must ensure it issues notices of cancellations with a valid reason for cancellation in compliance with 40 P.S. §1171.5(a)(9), so that the violations noted in the report do not occur in the future.*

As discussed in prior submissions, the Company's notices of cancellation included valid reasons falling within the categories of cancellation permitted by the statute. The referenced statute does not require specific words or phrases, unlike other provisions of the insurance code that specify certain statements to be included in notices. Although our notices reconcile to the statutory categories of cancellation, we understand that the Department prefers for the notices to identify both the reason for cancellation and the statutory category into which the cancellation falls. The



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Company improved the specificity of such notices to meet the preference of the Department in early 2019. Accordingly, we have already implemented a systems change resulting in future cancellation notices including both the reason and the category.

- 2. The Company must review 40 P.S. §1171.5(a)(9)(ii) to ensure that a 30 days notice is provided, prior to cancellation so violations noted in the report do not occur in the future and if it issues a notice of cancellation following an insured request that it allows the proper number of days notice. Note: There is no requirement to send a notice of cancellation following an insured request. A confirmation notice would confirm cancellation and has no statutory requirements.*

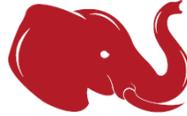
As described earlier in this letter, we previously were not aware that the Department considers notices of cancellation to be unnecessary, and in fact inappropriate, when cancellations are requested by insureds. We have revised our system to no longer send cancellation notices in these instances.

- 3. The Company must review 31 Pa. Code §59.9(b) to ensure it provides the proper number of days notice prior to cancellation effective date so that violations noted in the report do not occur in the future.*

The Examination noted inadvertent and isolated instances in which a programming error resulted in a limited number of notices being sent with less than 30 days' of cancellation. In January 2019, prior to the commencement of this examination, the Company corrected the system error which caused certain notices of cancellation to be sent with less than 30 days' notice.

- 4. The Company must review 40 P.S. §1224(a)&(i) and take appropriate measures to ensure the homeowner rating violations noted in the report do not occur in the future.*

As explained earlier in this letter, the rating errors were remedied through refunds to all affected policyholders, and we have implemented steps to prevent this issue from occurring in the future.



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- 5. The Company should review and revise internal control procedures to ensure compliance with the claims handling requirements of 31 Pa. Code, Chapter 146, Unfair Claims Settlement Practices so that the violations relating to status letters, as noted in the Report do not occur in the future.*

The Examination did not identify any errors in the handling of the claims themselves, but instead noted that in a limited number of instances the Company did not send 30-day or 45-day status letters. We have reviewed this issue and taken steps to help ensure the status letters are sent consistently.

- 6. The Company must review 18 C.S. §4117(k)(1) to ensure that violations regarding the requirement of a fraud warning on all claim forms, as noted in the Report do not occur in the future.*

We explained in prior correspondence that the claims forms included a fraud warning that was tailored to the claims process instead of the more generic statutory wording that encompasses applications and claims. Going forward, we have adjusted the fraud warning to include the statutory statement verbatim.

- 7. The Company must reinforce its internal data controls to ensure that all records and documents are maintained in accordance with 40 P.S. §323.3(a), so that violations noted in the Report do not occur in the future.*

Earlier in this letter, we express our concern that the report inaccurately portrays very isolated and immaterial discrepancies in data as failures to maintain books and records in a manner designed to facilitate the Examination. We continue to believe this is an inaccurate characterization and that the Company maintains and provided full access to all relevant books and records.

- 8. The Company must ensure all producers are appointed, as required by 40 P.S. §310.71 prior to accepting any business from any producer.*

Substantially all of the Company's producers were appointed. We have reviewed the seven instances in which this did not occur with our agency management team so they can take additional steps to further avoid these situations in the future.



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The Executive Management of Universal Property & Casualty Insurance Company again wishes to thank the Department for the opportunity to respond to the Examination's findings. While we do not agree with some of the statements in the report as described above, we recognize this examination process as an opportunity to learn more about Pennsylvania's regulatory environment and are committed to improving our processes whenever possible. On behalf of the Company, thank you again for the open dialogue.

Sincerely,

Dania Arnodo
Director of Regulatory Compliance
Ext. 6158
da4017@universalproperty.com