

2002 PROPERTY AND CASUALTY TARGET MARKET CONDUCT EXAMINATION

OF

UNIVERSAL PROPERTY & CASUALTY INSURANCE COMPANY

BY

THE FLORIDA OFFICE OF INSURANCE REGULATION

FILED DOWN: 3/22/04



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EXECUTIVE SUMMARY

Universal Property & Casualty Insurance Company (Company) is a domestic property and casualty insurer licensed to conduct business in the State of Florida during the scope of this property and casualty market conduct examination. The scope of this examination was January 2001 through September 2002. The examination began on June 16, 2002 and ended on September 14, 2002. The last property and casualty market conduct examination of this insurer by the Office of Insurance Regulation of the Financial Services Commission within the Department of Financial Services, formerly known as, Florida Department of Insurance was concluded in December 1998.

The purpose of this examination was to review the issues behind the volume of consumer complaints received by the Office of Insurance Regulation (Office) and to verify that business practices of the Company are in compliance with Florida Statutes and Rules. From a review of the consumer complaints filed against the Company, the office focused on claim delays, claim denials, claim settlements, reasons for cancellations/nonrenewals, premium issues and untimely return of unearned premiums.

A total of four hundred twenty-eight (428) files were examined for this Company. There were one hundred thirty-seven (137) errors identified. The following represents general findings; however, specific details are found in each section of the report.

Files Reviewed

- Ninety-eight (98) complaint files
- One hundred (100) homeowners files
- One hundred (100) cancellation and nonrenewals
- One hundred (100) claim files
- Thirty (30) agent/agency files

Findings

- Complaints - eight (8) errors
 - failure to return premiums timely
 - failure to properly adjust claims
 - failure to provide a specific reason for cancellations or nonrenewals
 - cancellation of policies without a valid reason after the 90 day underwriting period had expired
- Homeowners – forty-two (42) errors
 - failure to apply or use correct Building Code Effectiveness Grading Schedule (BCEGS) codes
 - use of incorrect territories
 - use of incorrect protection classes
 - charging a non applicable no prior insurance surcharge
- Cancellations and nonrenewals – sixty-eight (68) errors
 - return premiums calculated incorrectly
 - untimely return of unearned premiums

- failure to provide timely notice of cancellations
- Claims – nineteen (19) errors
 - use of unlicensed and unappointed adjusters
 - failure to properly adjust claims by applying depreciation on contents claims with less than \$500.00 of damages

Corrective Actions

- Requested to rerate all homeowner policies issued since 1/1/01 to verify proper application of BCEGS credits. See Pending Issues Section.
- Requested to rerate all homeowner policies issued since 1/1/01 to verify the proper territory was used. See Pending Issues Section.
- Requested to process all outstanding return premium refunds that were overdue more than 15 working days as of June 30, 2002.
- Requested to discontinue the practice of allowing clerical staff to sign the recoverable depreciation letter that is sent to claimants advising them of their right to recover depreciation.

As a result of the findings of this examination, \$427,170.80 was returned to Florida consumers due to overcharges of premium, return of unearned premiums, and underpayments of claims. In addition, approximately \$220,000 will be refunded by the Company due to the above-mentioned rerate requests. Therefore upon completion of all refunds, approximately \$647,000 will be refunded by the Company. See Pending Issues Section.

The Company was requested to complete all corrective actions within ninety (90) days of receipt of this examination report, with written documentation to the Office that the corrective action has been taken.

CERTIFICATE OF AUTHORITY – AUTHORIZED LINES

GENERAL COMMENTS

The Certificate of Authority and Renewal Invoices were reviewed for all years within the scope of the examination.

EXAM FINDINGS

The review included verification of the lines of business the Company was authorized to write during the scope of the examination versus those lines actually being written. It also included verification that notification requirements were met for any lines of business that were discontinued.

No errors were found.

COMPANY OPERATIONS/MANAGEMENT

HISTORY/MANAGEMENT

Universal Property & Casualty Insurance Company was incorporated on November 5, 1997, under the laws of the State of Florida. The Company is owned by Universal Insurance Holdings, Inc., a company incorporated under the laws of the State of Delaware. The Company received its original Certificate of Authority from the State of Florida in 1997.

The Company's home office is located at 2875 NE 191st Street, Suite 300, Miami, Florida. The Company's website can be accessed at: www.universalproperty.com.

The following is a list of the Company's corporate officers:

| | |
|------------------|---------------------------|
| Bradley I. Meier | President & CEO, Director |
| James M. Lynch | Vice President and CFO |
| Norman M. Meier | Director |
| Irwin L. Kellner | Director |
| Reed J. Slogoff | Director |
| Joel M. Wilentz | Director |

COMPANY PROCESSES/STATISTICAL AFFILIATIONS

Computer System

The Company utilizes the services of an outside computer data processing company called Virtual Insurance Processing Systems (VIPS), which handles all software development. Another outside vendor, Microtech covers all LAN, WAN, and workstation needs.

Hardware inventory includes Dell Computers using Windows 2000 operating system. Access to computers is password protected.

Anti-Fraud Plan

The Company has filed a Plan with the Department of Financial Services, Division of Fraud, as required by Section 626.9891, Florida Statutes.

The Plan does meet the requirements by contracting with a firm to provide this service.

The Company has contracted with International Claims Specialists to provide Special Investigative Unit (SIU) services.

Disaster Recovery Plan

The Company has developed a Disaster Recovery Plan for use with Florida business. VIPS provides this service for the Company. The data setup keeps a copy of the data on its server with a mirror copy on the MGA server. Server backups are conducted daily and stored in a high-end data safe. The server backup includes the operating system and all programming as well.

Internal Audit Procedures

The Company has developed Internal Audit Procedures for use in reviewing Florida business. File reviews are conducted on a weekly basis to verify compliance with the Company's underwriting guidelines. The claims supervisor performs claim file reviews on a daily basis.

Privacy Plan

The Company has developed a Plan to meet the requirements of Rule 4-128.001, Florida Administrative Code. The Company provides a written Privacy Notice to each new and renewal policyholder.

Statistical Affiliations

The Insurance Service Office (ISO) acts as the Company's official statistical agent for all lines.

Credit Reports

The Company does use Credit Reports as an underwriting tool. There are no credits or surcharges applied due to the results of credit reports, it only determines if the risk is eligible to be written with the Company. The credit score is determined based on a point system where points are assigned by category in a range from one (1) to five (5). Any risk developing a score of five (5) points or higher is not eligible for coverage. The Company's filed underwriting guidelines state that a credit report may be obtained on new business, therefore, credit reports are ordered randomly at the underwriter's discretion. The Company's written procedures establish the criteria for ordering credit reports. The Company's application form contains wording specifying that credit reports may be used as part of the Company's underwriting. If the underwriter decides that a credit report will be requested, the Company provides the insured with another notice stating that a credit report is being ordered. If the risk is not accepted, the Company provides the insured with a written notice stating the specific reason and the means of obtaining a copy of the credit report.

OPERATIONS/MARKETING

Marketing

The Company offers insurance only in the State of Florida. Since January 2002, business is serviced through Universal Risk Advisors, Inc., a licensed and appointed managing general agent (MGA) that is also owned by Universal Insurance Holdings, Inc., located in Miami, Florida. Previously, the Company had contracted with Universal Property and Casualty Management, an unaffiliated company, to service all business produced in Florida.

The Company markets its business using fliers, brochures and on-line advertising through the internet.

Agents/Agencies/MGA/Exchange of Business/Direct Response/Internet/Adjusters and Claims Handling

The Company markets products statewide through licensed and appointed independent agents, with some exceptions as noted in the Agents/MGA Review Section of this report.

The Company also uses brokering agents in accordance with the exchange of business requirements.

Universal Adjusting Corp., an independent adjusting firm also owned by Universal Insurance Holdings, Inc., handles claims for the Company.

Lines of Business

During the scope of the examination, the Company wrote the following lines of business: homeowners, dwelling fire, inland marine and other liability.

REVIEW OF POLICIES

HOMEOWNERS

Description of Product/Lines of Business

The Company has independently filed its homeowners program in the State of Florida. The type of policies in the program includes: HO-3, HO-4, HO-6 and HO-8 policies.

Premium and Policy Counts

Direct Premiums Written and in-force policy counts for the scope of the examination are as follows:

| <u>Year</u> | <u>DPW</u> | <u>Policy Count</u> |
|-------------|------------|---------------------|
| 2001 | 25,007,349 | 33,781 |
| 2002* | 26,460,914 | 35,792 |

*as of 5/31/02

According to the Company, the increase in direct premiums written and policy counts is due to favorable market conditions.

Examination Findings

One hundred (100) policy files were examined.

Forty-two (42) errors were found.

Errors affecting premium resulted in twenty-eight (28) overcharges totaling \$1,937.94 and four (4) undercharges totaling \$198.00.

The errors are broken down as follows:

1. Sixteen (16) errors were due to failure to follow the filed rating plan, rating schedule or rating rule. This constitutes a violation of Section 627.062, Florida Statutes. These errors were due to the use of incorrect territories. These errors resulted in four (4) undercharges totaling \$198.00 and twelve (12) overcharges totaling \$1,167.38, which have been refunded by the Company. The Company was requested to rerate all policies issued after January 1, 2001. Exhibit I. It has been estimated that approximately \$220,000 will be refunded to approximately 5,700 Florida consumers.
2. Twelve (12) errors were due to failure to follow the filed rating plan, rating schedule or rating rule. This constitutes a violation of Section 627.062, Florida Statutes. These errors were due to failure to apply or use correct BCEGS codes. These errors resulted in twelve (12) overcharges totaling \$414.56, which have been refunded by the Company. The Company was requested to rerate all

policies issued after January 1, 2001. Exhibit II. A total of \$91,181.42 has been refunded to Florida consumers.

3. Ten (10) errors were due to failure to follow the filed rating plan, rating schedule or rating rule. This constitutes a violation of Section 627.062, Florida Statutes. These errors were due to the use of incorrect protection classes. These errors did not have any monetary effect.
4. Four (4) errors were due to failure to follow the filed rating plan, rating schedule or rating rule. This constitutes a violation of Section 627.062, Florida Statutes. These errors were due to charging a non-applicable no prior insurance surcharge. These errors resulted in four (4) overcharges totaling \$356.00, which have been refunded by the Company.

CANCELLATIONS/NONRENEWALS REVIEW

DESCRIPTION OF CANCELLATION/NONRENEWAL PROCEDURES

Based upon the Company's procedures, cancellation/nonrenewal notices are intended to provide the minimum number of days required by law for the type of cancellation or nonrenewal. Notices are sent to the insured and lienholder when applicable. Return premiums are calculated as of the effective date of the cancellation. All cancellations are made on a pro-rata basis.

CANCELLATION REVIEW

Eighty (80) cancelled policies were examined.

Sixty-eight (68) errors were found.

Fourteen (14) errors resulted in underreturns totaling \$281.28. In addition, \$328,173 was also returned due to a rerate.

Thirty-two (32) errors resulted in overreturns totaling \$344.00.

The errors are broken down as follows:

1. Forty-six (46) errors were due to failure to follow the filed rating plan, rating schedule or rating rule. This constitutes a violation of Section 627.062, Florida Statutes. These errors were due to incorrect return premium calculations. These errors resulted in thirty-two (32) overreturns totaling \$344.00, and fourteen (14) underreturns totaling \$281.28, which have been paid by the Company.
2. Eighteen (18) errors were due to failure to return premiums timely. This constitutes a violation of Rule 4-167.001, Florida Administrative Code. The Company was requested to provide a list of all pending refunds as of June 30, 2002. This list revealed that there were 1,667 overdue refunds owed to insureds totaling \$328,173. The Company completed the refund process on August 14, 2002. Exhibit III.
3. Four (4) errors were due to failure to provide timely notice of cancellation. This constitutes a violation of Section 627.4133, Florida Statutes.

NONRENEWAL REVIEW

Twenty (20) nonrenewed policies were examined.

No errors were found.

COMPLAINTS/INVESTIGATION REVIEW

A complete record of all the complaints received by the Company since the date of the last examination has been maintained as is required by Section 626.9541(1)(j), Florida Statutes. Procedures for handling these complaints have been established by the Company.

Consumer complaints received during the scope of examination were reviewed and findings are as follows:

COMPLAINTS/INVESTIGATIONS REFERRED BY MARKET CONDUCT

| Item Number | Alleged Violation | Violation Found | Line of Business & Comments |
|-------------|---------------------------|-----------------|--|
| 98 | PASCO COUNTY NON-RENEWALS | NONE | HO - ISSUE RESOLVED COMPANY CONTINUED TO RENEW POLICIES |

Examination Findings

One (1) complaint referral from the DFS was examined.

No errors were found.

COMPLAINTS RECEIVED FROM DOI

| Consumer Services Ref. No. | Alleged Violation | Violation Found | Line of Business & Comments |
|----------------------------|---|-----------------|--------------------------------|
| S-0001-0067227 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0040502 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0058160 | CANCELLATION DUE TO CREDIT | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0041830 | IMPROPER CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0021892 | NONRENEWAL DUE TO REDUCING HURRICANE EXPOSURE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0055072 | CANCELLATION DUE TO CREDIT | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0055303 | REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0000470 | NO POLICY RECEIVED | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0004031 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0018488 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0014880 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0061925 | NO POLICY RECEIVED | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0009046 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0045269 | APPLICATION DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0003848 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |

| Consumer Services Ref. No. | Alleged Violation | Violation Found | Line of Business & Comments |
|----------------------------|---|-----------------|----------------------------------|
| S-0102-0012386 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0017561 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0020155 | NO POLICY RECEIVED | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0006570 | NONRENEWAL DUE TO REDUCING HURRICANE EXPOSURE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0021667 | NONPAY CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0056999 | PREMIUM ISSUE | NONE | DF - COMPANY'S POSITION UPHELD |
| S-0001-0067281 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0033876 | NO POLICY RECEIVED | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0013777 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0012042 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0033541 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0033541 | CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0018015 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0020777 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0026886 | NONRENEWAL DUE TO REDUCING HURRICANE EXPOSURE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0004897 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0044666 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0050926 | NONPAY CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0007555 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0069088 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0003567 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0017144 | NONRENEWAL DUE TO REDUCING HURRICANE EXPOSURE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0055467 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0005721 | ENDORSEMENT NOT ISSUED | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0055058 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0029318 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0034442 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0025845 | CLAIM DELAY | 626.877 F.S. | HO - PAYMENT OF ALE WAS DELAYED. |
| S-0102-0027404 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0020901 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |

| Consumer Services Ref. No. | Alleged Violation | Violation Found | Line of Business & Comments |
|----------------------------|----------------------------|-----------------|---|
| S-0102-0023723 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0022914 | CLAIM SETTLEMENT | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0023112 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0020988 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0015260 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0014894 | CLAIM SETTLEMENT | 626.877 F.S. | HO - APPLIED A HURRICANE DEDUCTIBLE. ISSUE RESOLVED PRIOR TO EXAM |
| S-0102-0018261 | CLAIM SETTLEMENT | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0015829 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0015769 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0015465 | CLAIM SETTLEMENT | NONE | HO - APPLIED A HURRICANE DEDUCTIBLE. ISSUE RESOLVED PRIOR TO EXAM |
| S-0102-0009055 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0059283 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0001-0049685 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0050042 | CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0045049 | PREMIUM REFUND | RULE 4-167.001 | HO - FAILURE TO RETURN UNEARNED PREMIUM WITHIN 15 WORKING DAYS |
| S-0102-0059233 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0059859 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0027834 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0037709 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0036187 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0048941 | IMPROPER CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0048816 | NON PAY CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0042541 | NONRENEWAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0044963 | REQUESTED COPY OF DEC PAGE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0062349 | PROOF OF COVERAGE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0038204 | NONRENEWAL | 627.4091 F.S. | HO - FAILURE TO PROVIDE SPECIFIC REASON FOR NONRENEWAL |
| S-0102-0042663 | NONPAY CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0061435 | RATE INCREASE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0042468 | REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0059641 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0038674 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |

| Consumer Services Ref. No. | Alleged Violation | Violation Found | Line of Business & Comments |
|----------------------------|---------------------|-----------------|--|
| S-0102-0040797 | PREMIUM REFUND | RULE 4-167.001 | HO - FAILURE TO RETURN UNEARNED PREMIUM WITHIN 15 WORKING DAYS |
| S-0102-0047422 | PREMIUM REFUND | RULE 4-167.001 | HO - FAILURE TO RETURN UNEARNED PREMIUM WITHIN 15 WORKING DAYS |
| S-0102-0036862 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0063914 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0036187 | NONRENEWAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0052619 | NONRENEWAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0063690 | RATE INCREASE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0039870 | PREMIUM ISSUE | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0038674 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0054811 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0035135 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0034085 | NONPAY CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0043626 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0041558 | PREMIUM REFUND | RULE 4-167.001 | HO - FAILURE TO RETURN UNEARNED PREMIUM WITHIN 15 WORKING DAYS |
| S-0102-0049300 | NONPAY CANCELLATION | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0058296 | PREMIUM REFUND | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0033647 | CANCELLATION | 627.062 F.S. | HO - CANCELLED AFTER 90 DAYS. POLICY HAS BEEN REINSTATED. |
| S-0102-0046286 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0050008 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0037165 | CLAIM DELAY | NONE | HO - COMPANY'S POSITION UPHELD |
| S-0102-0054143 | CLAIM DENIAL | NONE | HO - COMPANY'S POSITION UPHELD |

Examination Findings

Ninety-seven (97) DFS complaint files were examined.

Eight (8) errors were found.

Two (2) errors resulted in two (2) underpayment totaling \$5,429.68.

The errors are broken down as follows:

1. Four (4) errors were due to failure to return premiums timely. This constitutes a violation of Rule 4-167.001, Florida Administrative Code.

2. One (1) error was due to failure to properly adjust claims. This constitutes a violation of Section 626.877, Florida Statutes. This error was due to the application by the Company of a hurricane deductible while a hurricane had not been declared. This error resulted an underpayment totaling \$1,816.00, which has been paid by the Company prior to this examination when the Office brought it to the Company's attention when the complaint was filed.
3. One (1) error was due to failure to properly adjust claims. This constitutes a violation of Section 626.877, Florida Statutes. This error was due to failure to pay additional living expenses. This error resulted in an underpayment totaling \$3,613.68, which has been paid by the Company.
4. One (1) error was due to failure to provide a specific reason for nonrenewal. This constitutes a violation of Section 627.4091, Florida Statutes.
5. One (1) error was due to failure to follow the filed rating plan, rating schedule, rating rule or underwriting rule. This constitutes a violation of Section 627.062, Florida Statutes. This error was due to the policy being cancelled after the 90 day underwriting period for an invalid reason.

As indicated in the Executive Summary section of the report, this examination addressed the reasons behind the volume of consumer complaints filed against the Company. It was found that the untimely return of unearned premiums indicates a business practices in violation of Florida Statutes and Rules. The Company advised that this problem was due to a data conversion process when Universal Risk Advisors, Inc., the Company's MGA, took over the policy administration function. Exhibit IV.

There were discussions with the Company for alternatives to help reduce the number of complaints. The Company was receptive to the various ideas and agreed to be proactive toward the goal of minimizing the number of complaints.

The Company took prompt corrective action for non-compliance issues and in most cases corrections were made the same day the issues were brought to their attention, including issuance of refunds owed to insureds.

CLAIMS REVIEW

DESCRIPTION OF CLAIMS REVIEWED – NON-PPA/MEDICAL REVIEWS

Homeowners claims reviewed included: theft, liability, wind, water damage, lightning, mold, vandalism and fire.

Examination Findings

One hundred (100) claims were examined.

Nineteen (19) errors were found.

Two (2) errors resulted in underpayments totaling \$167.48.

The errors are broken down as follows:

1. Seventeen (17) errors were due to the use of unlicensed/unappointed adjusters. This constitutes a violation of Section 626.112, Florida Statutes. These errors were due to the Company allowing their clerical staff to sign the recoverable depreciation letter that was sent to insureds advising them of their right to recover depreciation even though licensed adjusters supervised the files. The Company was requested to discontinue this practice. Exhibit V.
2. Two (2) errors were due to failure to properly adjust claims. This constitutes a violation of Section 626.877, Florida Statutes. These errors were due to not adjusting the claim according to policy provisions. The contents losses were below \$500 therefore, depreciation is not applicable. These errors resulted in two (2) underpayments totaling \$167.48, which have been paid by the Company.

AGENTS/MGA REVIEW/ADVERTISING/MARKETING

DESCRIPTION OF MGA ARRANGEMENTS

Universal Risk Advisors, Inc., act as the Company's MGA in the State of Florida. The MGA agreement is in compliance with Florida Statutes and the MGA is properly licensed and appointed.

Examination Findings

Ten (10) applications/policies written during the scope of examination were examined.

Twenty (20) agencies with a direct written premium in excess of \$25,000 per year during the scope of the examination were examined.

No errors were found.

ADVERTISING MATERIALS

Advertising materials that were examined were found in compliance with Section 626.9541, Florida Statutes.

PENDING ISSUES/CORRECTIVE ACTIONS

The following issues were pending at the conclusion of the examination field work:

Homeowners

1. The Company was requested to rerate all policies issued after January 1, 2001 to verify that the correct territory was used. Exhibit I. It has been estimated that approximately \$220,000 should be refunded to approximately 5,700 Florida consumers.

The Company was requested to complete all pending issues within ninety (90) days of receipt of this examination report, with written documentation to the Office that the corrective action has been taken.

EXHIBITS

| <u>SUBJECT</u> | <u>EXHIBIT NUMBER</u> |
|--|------------------------------|
| HOMEOWNERS – RERATE (TERRITORIES) | I |
| HOMEOWNERS – RERATE (BCEGS CREDITS) | II |
| CANCELLATIONS/NONRENEWALS – RETURN PREMIUMS | III |
| COMPLAINTS – RETURN PREMIUMS | IV |
| CLAIMS – CLERICAL STAFF | V |