

Targeted Market Conduct Examination Report

***HERITAGE PROPERTY & CASUALTY
INSURANCE COMPANY***

NAIC Company Code: 14407

NAIG Group Code: 4861

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Executive Summary

The Florida Office of Insurance Regulation ("OIR") performed a targeted market conduct examination of Heritage Property & Casualty Insurance Company ("Heritage" or "Company") pursuant to Section 624.3161, Florida Statutes ("F.S.")

Purpose and Scope of the Examination

OIR has primary responsibility for the regulation, compliance and enforcement of statutes related to the business of insurance and the monitoring of industry markets. OIR conducted a targeted market conduct examination of Heritage pursuant to Section 624.3161, F.S. The purpose of a market conduct examination is to review an insurer's operating practices to determine if they comply with the Florida Insurance Code, rules related to the business of insurance, procedures adopted by the Company, the provisions contained within a contract of insurance issued by the Company and orders issued by OIR; and to hold insurers accountable when issues or violations are identified.

The examination was initiated to review and evaluate Heritage's Hurricane Ian claims-handling operations and the implementation of limited or excluded water damage coverage on certain policies. The examination scope period for Hurricane Ian claims was from September 28, 2022, to February 28, 2023.

The examination was performed by a contracted examination firm, The INS Companies. The examination began April 11, 2023, and ended March 11, 2024. The last examination of Heritage was completed on February 5, 2021, and consisted of a targeted review of Heritage's Hurricane Michael claims-handling operations. In reviewing materials for this report, the examiners relied on records provided by the Company.

Examination Procedures

The conduct of this examination and the procedures, statistical sampling, and examination processes used were consistent with and in accordance with those standards and procedures contained in the *Market Regulation Handbook* promulgated by the National Association of Insurance Commissioners ("NAIC"). The number of randomly selected items reviewed in each sample is consistent with the recommended sample size in the *Market Regulation Handbook's* Acceptance Samples Table. Examination results with a 95% confidence level permit those results to be extrapolated to the population identified in each of the areas examined.

In preparation for the examination, Heritage was requested to provide the total number, or universe, of Hurricane Ian claims reported with a Florida exposure during the examination's scope period.

Company Profile

Heritage Property & Casualty Insurance Company is a domestic insurer licensed and authorized to conduct business in Florida on August 17, 2012. The Company is authorized to write homeowners multi-peril, mobile home multi-peril, fire, allied lines and other liability lines of business.

Examination Findings

The following Findings are compiled from the examiners' review of Heritage's Hurricane Ian claims and Heritage's implementation of limited or excluded water damage coverage.

Hurricane Ian Claims

To facilitate a thorough review of Heritage's claims files, the claims universe was divided into three categories: claims closed with payment, claims closed without payment, and reopened claims. For purposes of this examination, the selection of claims reviewed for each of the categories was defined as follows:

- **Claims Closed With Payment:** The first or initial Hurricane Ian claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed with payment during the examination's scope period. Heritage identified a universe of 5,518 residential property claims that were closed with payment during the examination scope period. A random sample of 108 claims was selected and reviewed by the examiners.
- **Claims Closed Without Payment:** The first or initial Hurricane Ian claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed without payment for any reason during the examination's scope period. Heritage identified a universe of 3,807 residential property claims that were closed without payment during the examination scope period. A random sample of 108 claims was selected and reviewed by the examiners.
- **Reopened Claims:** The first or initial Hurricane Ian claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed for any reason and that was reopened upon request for additional costs for loss or damage previously disclosed to the insurer. Heritage identified a universe of 4,802 residential property claims that were reopened during the examination scope period. A random sample of 108 claims was selected and reviewed by the examiners.

Finding 1: The examiners determined that in 98 instances out of 324 claims reviewed, an error rate of 30.2%, Heritage did not acknowledge receipt of claims communications within 14 calendar days, as required by Section 627.70131(1)(a), F.S. (2022).¹

Finding 2: The examiners determined that in 139 instances out of 324 claims reviewed, an error rate of 42.9%, Heritage did not ensure that licensed field adjusters provided policyholders with a printed or electronic document containing his or her name and state adjuster license number when the claims

¹ Section 627.70131, Florida Statutes (2023), has reduced 14-day timeframes to 7 days, the 45-day timeframe to 30 days and the 90-day time frame to 60 days. Other additions and deletions were also made to the law.

investigation involved a physical inspection of the property, as required by Section 627.70131(3)(b), F.S.

Finding 3: The examiners determined that in 66 instances out of 324 claims reviewed, an error rate of 20.4%, Heritage did not include the name and license number of the adjuster communicating about the claim in a subsequent communication with the policyholder regarding the claim, as required by Section 627.70131(3)(c), F.S.

Finding 4: The examiners determined that in 70 instances out of 324 claims reviewed, an error rate of 21.6%, Heritage did not pay or deny initial, supplemental, or reopened claims within 90 days, as required by Section 627.70131(7)(a), F.S.

Finding 5: The examiners determined that in 59 instances out of 216 claims closed with payment and reopened claims reviewed, an error rate of 27.3%, Heritage did not accurately calculate the correct amount of interest owed at the rate set forth in Section 55.03, F.S. when payment of the claim was made 90 days after the insurer received notice of the claim, or more than 15 days after there were no longer factors beyond the control of the insurer to reasonably prevent payment, as required by Section 627.70131(7)(a), F.S.

Finding 6: The examiners determined that in four instances out of 216 claims closed with payment and reopened claims reviewed, an error rate of 1.9%, Heritage did not pay interest when the claim payment was made 90 days after receiving notice of the claim, or more than 15 days after there were no longer factors beyond the control of the insurer which reasonably prevented such payment, as required by Section 627.70131(7)(a), F.S.

Finding 7: The examiners determined that in 46 instances out of 324 claims reviewed, an error rate of 14.2%, Heritage did not provide a Homeowner Claims Bill of Rights to the policyholder within 14 days after receiving an initial communication with respect to a residential property insurance claim, as required by Section 627.7142, F.S.

Finding 8: The examiners determined that in 13 instances out of 324 claims reviewed, an error rate of 4.0%, Heritage utilized adjusters who were not properly appointed, as required by Section 626.112(1)(a), F.S.; or utilized emergency adjusters before the appropriate license was issued by the Florida Department of Financial Services, as prohibited by Rule 69B-220.001(5)(a), F.A.C. (2022)².

Finding 9: The examiners determined that in 10 instances out of 324 claims reviewed, an error rate of 3.1%, Heritage did not maintain complete claims records, as required by Section 624.443, F.S.

Finding 10: The examiners determined that in 186 instances out of 324 claims reviewed, an error rate of 57.4%, Heritage's adjusters did not initiate voice-to-voice contact with the insured within one business day of receiving a claim assignment, as required by Heritage's claims-handling manual dated June 2022.

² Rule 69B-220-001, Florida Administrative Code (2023), established that adjusting work cannot begin until an emergency adjuster license has been issued.

Conclusion

This targeted market conduct examination of Heritage Property & Casualty Insurance Company was designed to review and evaluate Heritage's Hurricane Ian claims-handling operations. It does not document what regulatory or administrative action may be taken by OIR.

Examination Final Report Submission

OIR hereby issues this final report based upon information from the draft report, additional research conducted by the OIR, and additional information provided by Heritage Property & Casualty Insurance Company.



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