

FILED

MAY 06 2021

INSURANCE REGULATION

Docketed by:



OFFICE OF INSURANCE REGULATION

DAVID ALTMAIER
COMMISSIONER

IN THE MATTER OF:

CASE NO.: 280396-21-CO

UNIVERSAL INSURANCE COMPANY
OF NORTH AMERICA

CONSENT ORDER

THIS CAUSE came on for consideration upon a request filed with the FLORIDA OFFICE OF INSURANCE REGULATION ("OFFICE") by UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA ("UICNA" or "the Company") for approval to cancel 13,294 policies with 45 days' notice. Approval of such a request requires a finding by the OFFICE that the early cancellation of some or all of the insurer's policies is necessary to protect the best interests of the public or policyholders and the OFFICE approves the insurer's plan for early cancellation of some or all of its policies. The early cancellation of policies permitted by Section 627.4133(2)(b)6., Florida Statutes is an extraordinary statutory remedy reserved to address insurers which are or may be in hazardous financial condition without the cancellation of some or all of its policies. After a complete review of the entire record and upon consideration thereof, and otherwise being fully advised in the premises, the OFFICE hereby finds as follows:

INTRODUCTION

1. The OFFICE has jurisdiction over the parties and the subject matter of this proceeding.

2. UICNA is a domestic property and casualty insurer authorized to transact insurance business in the state of Florida pursuant to a Certificate of Authority issued by the OFFICE pursuant to Chapter 624, Part III, Florida Statutes.

3. UICNA has reported net losses of \$4.1 million and \$22.5 million for years 2019 and 2020, respectively. UICNA reported surplus as regards policyholders of \$22,308,196 as of December 31, 2020, which is a decrease of \$9,086,104, from the surplus as regards policyholders of \$31,394,301, reported as of December 31, 2019. This surplus included a net loss of \$22,551,958 and capital contributions of \$13,500,000. Without these capital contributions, the Company would have a surplus as regards policyholders of less than the required minimum surplus of \$10,000,000 and be considered an impaired insurer.

4. UICNA has approximately 57,000 policies in force in Florida as of March 1, 2021, which primarily provide homeowners insurance coverage. Given its catastrophe loss experience, higher reinsurance costs, and significantly increased litigation, the Company has identified 13,294 policies for early cancellation (“Block”) that would provide an immediate positive impact to the Company’s financial position and facilitate the completion of a financial restructuring plan to protect its policyholders and the public.

5. The financial restructuring plan includes the merger of UICNA with and into Universal North America Insurance Company, a Texas domestic which reported a surplus as regards policyholders of \$61,525,164, as of December 31, 2020. After completion of the merger, the surviving entity would be licensed in 18 states and have greater diversification and surplus to

protect its policyholders and the public.

6. The transaction contemplates the filing of the Plan of Merger with the OFFICE and the Texas Department of Insurance (“Texas”) and the filing in Florida of the UCAA expansion application for the surviving entity, Universal North America Insurance Company. The cancellation of the Block is a necessary condition of the effectuation of the Plan of Merger. If the Plan of Merger is not approved by Texas or if Universal North America Insurance Company is not successful in its application to become licensed in Florida, UICNA agrees it will consent to immediate administrative supervision, for the purpose of conserving assets while UICNA develops a fully funded plan.

ANALYSIS OF POLICIES FOR EARLY CANCELLATION

7. Section 627.4133(2)(b)6, Florida Statutes, provides the following regarding the early cancellation of a property insurance policy:

“Notwithstanding any other provision of law, an insurer may cancel or nonrenew a property insurance policy after at least 45 days’ notice if the office finds that the early cancellation of some or all of the insurer’s policies is necessary to protect the best interests of the public or policyholders and the office approves the insurer’s plan for early cancellation or nonrenewal of some or all of its policies. The office may base such finding upon the financial condition of the insurer, lack of adequate reinsurance coverage for hurricane risk, or other relevant factors. The office may condition its finding on the consent of the insurer to be placed under administrative supervision pursuant to s. 624.81 or to the appointment of a receiver under chapter 631.”

8. UICNA has identified 13,294 policies for early cancellation with 45 days’ notice to policyholders, consisting of approximately 9,341 homeowners’ (HO-3) policies and approximately 3,953 dwelling fire (DP-3) policies. In conjunction with the early cancellation request, UICNA provided financial projections which demonstrated that absent such action, the Company’s financial condition will deteriorate to an unsustainable level by the end of 2021 and it will not be able to maintain surplus as to policyholders sufficient to meet the requirements of

Section 624.408, Florida Statutes.

9. UICNA provided the OFFICE with several additional pro forma financial projections to allow the OFFICE to evaluate both the potential impacts to the Company's financial condition as well as its impact on policyholders. The financial projection which contemplates effectuation of the Plan of Merger demonstrates that it is in the best interest of its policyholders and the public and will result in a financially sound insurer compliant with Florida law.

COMPANY REQUIREMENTS FOR EARLY CANCELLATION

10. After review of the information filed in support of this request, and considering all of the attendant facts and circumstances, the OFFICE finds that approval of the early cancellation plan filed by UICNA is necessary to protect the best interests of its policyholders and the public. UICNA's compliance with the corrective measures listed in paragraphs 11 through 22 below is material to the OFFICE's approval of this early cancellation.

11. UICNA must file its Plan of Merger with the OFFICE and Texas by no later than May 14, 2021, and must also file its Florida UCAA application for Universal North America Insurance Company by that same date.

12. UICNA must provide notice of cancellation to the Block at least 45 days prior to the effective date of cancellation. The Company must utilize the cancellation notices for the Block that were submitted to the OFFICE on April 29, 2021 and amended on May 5, 2021, which are approved.

13. In addition, UICNA must provide its proposed notice to affected agents to the OFFICE for approval.

14. UICNA must have qualified and trained staff available to respond to policyholder

inquiries about the cancellation and must provide to the OFFICE its customer service script for review and approval.

15. UICNA must adhere to the representations made to the OFFICE in its plan for early cancellation.

16. UICNA must mail unearned premium refunds to affected policyholders by no later than June 21, 2021.

17. UICNA must actively facilitate the placement of its policies with other insurers in the market by:

- a. Assisting in the replacement of these policies with its agency force; and
- b. Promptly posting or providing its policy level data to insurers within 3 calendar days of the execution of a non-disclosure agreement.

18. UICNA must continue to file monthly financial statements with the OFFICE until further notice. Those financial statements will be in the NAIC monthly statement format and submitted no later than the 21st of the following month. In addition, the Company will include in the monthly filing a listing of all policies in force by county and total insured value by county.

19. No policies from the Block of policies may be rewritten on a different UICNA policy form or by an affiliated insurer for a period of three years from the date of cancellation.

REMEDIAL MEASURES FOR CONTINUED OPERATIONS

20. As a result of its recent operational results, UICNA must submit an updated business plan to the OFFICE by 5:00 p.m. (EDT), August 1, 2021. The updated business plan must demonstrate the Company's ability to generate successful operating results by the implementation of underwriting changes, rate adjustments, operational savings, capital management, and other significant modifications to its current business model. The updated

business plan for the period of July 1, 2021 through December 31, 2024 must include all assumptions used in its preparation, pro forma projections, cash flow analysis, and must include a catastrophe reinsurance program acceptable to the OFFICE. The updated business plan must reflect the effects of the following:

- a. Changes to be made in underwriting procedures that would limit capacity for new business and properly price and underwrite all business written or renewed;
- b. Pending litigation in which UICNA is named as a party;
- c. Capital funding and access to capital for the immediate 12 months;
- d. Open claims and additional efforts that could be made to successfully resolve them;
- e. Any projected adverse loss development;
- f. Proposed contracts for services by vendors or affiliates;
- g. Any additional reinsurance costs required; and
- h. Any material items that would impact the financial condition of UICNA.

21. Upon execution of this consent order and through the earlier of the effective date of its merger with Universal North America Insurance Company or December 31, 2021, UICNA may not, without the prior approval of the OFFICE:

- a. Dispose of, convey, or encumber any of its assets;
- b. Lend any of its funds;
- c. Invest any of its funds except in accordance with its established investment policies in the ordinary course of business;
- d. Transfer any of its property other than in the ordinary course of business;
- e. Incur any debt, obligation, or liability other than in the ordinary course of

business;

f. Merge or consolidate with another company;

g. Terminate, surrender, forfeit, convert, or lapse any insurance policy, certificate, or contract of insurance, except as permitted in accordance with its approved underwriting guidelines and rules in the ordinary course of business;

h. Release, pay, or refund premium deposits, accrued cash or loan values, unearned premiums, or other reserves on any insurance policy or certificate, except as permitted in accordance with its approved underwriting guidelines and rules in the ordinary course of business;

i. Make any material change in management or provide bonus or severance packages to any employee;

j. Pay any dividends; or

k. Enter into any new or amend any existing agreements with affiliates.

22. The OFFICE reserves the right to retain an individual or entity at the expense of UICNA to review all of the Company's direct and indirect expenses of its affiliates to determine if those expenses are fair and reasonable.

GENERAL TERMS

23. UICNA acknowledges and agrees that failure to comply with any of the terms of this Consent Order would constitute an immediate danger to the public and the OFFICE may immediately suspend, revoke, or take other administrative action as it deems appropriate upon the Certificate of Authority of UICNA in this state, in accordance with Sections 120.569(2)(n) and 120.60(6), Florida Statutes.

24. Any prior orders, consent orders, or corrective action plans that UICNA has

entered into with the OFFICE prior to the execution of this Consent Order shall apply and remain in full force and effect for UICNA , except where provisions of such orders, consent orders, or corrective action plans have expired; have been superseded by subsequent orders, consent orders, or corrective action plans; or are inconsistent with this Consent Order.

25. Any deadlines, reporting requirements, other provisions, or requirements set forth in this Consent Order may be altered or terminated by written approval of the OFFICE. Such written approval by the OFFICE is subject to statutory or administrative regulation limitations.

26. Each party to this action shall bear its own costs and fees.

27. UICNA expressly waives its rights to a hearing in this matter, the making of findings of fact and conclusions of law by the OFFICE, and all further and other proceedings to which UICNA may be entitled, either by law or by rules of the OFFICE. UICNA hereby knowingly and voluntarily waive all rights to challenge or to contest this Consent Order, in any forum now or in the future available to them, including the right to any administrative proceeding, state or federal court action, or any appeal.

28. UICNA agrees this Consent Order shall be deemed to be executed when the OFFICE has signed and docketed a copy of this Consent Order bearing the signature of UICNA, or its authorized representative, under the seal of a notary public, notwithstanding the fact that the copy may have been transmitted to the OFFICE electronically.

WHEREFORE, the agreement between UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA and the FLORIDA OFFICE OF INSURANCE REGULATION, the terms and conditions of which are set forth above, is approved. FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE and ORDERED this 6 day of May 2021.



David Altmaier
David Altmaier, Commissioner
Office of Insurance Regulation

By execution hereof, UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA to the terms and conditions of this Consent Order. The undersigned also certifies that he/she has provided the signature below voluntarily and without coercion, based upon the assistance of legal counsel for UNIVERSAL INSURANCE COMPANY OF NORTH AMERICA.

UNIVERSAL INSURANCE COMPANY
OF NORTH AMERICA

By: _____

Print Name: Miguel Barales

Title: President

Date: 5/5/2021

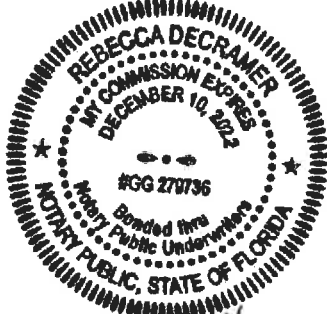
STATE OF Florida

COUNTY OF Sarasota

The foregoing instrument was acknowledged before me by means of physical presence

or online notarization, this 5th day of May 2021, by Miguel Barales

as President for Universal Insurance Co. of North America
(type of authority; e.g., officer, trustee, attorney in fact) (company name)



Rebecca DeCramer
(Signature of the Notary)

Rebecca DeCramer
(Print, Type or Stamp Commissioned Name of Notary)

Personally Known OR Produced Identification _____

Type of Identification Produced _____

My Commission Expires: Dec. 10, 2022

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