



Illinois Department of Insurance

BRUCE RAUNER
Governor

JENNIFER HAMMER
Director

VIA ELECTRONIC MAIL

June 28, 2018

Mr. Alexander Ross Baugh
President
National Union Fire Insurance Company of Pittsburgh, Pa.
175 Water Street, 18th Floor
New York, NY 10038

Re: National Union Fire Insurance Company of Pittsburgh, Pa., NAIC #19445
Market Conduct Examination Report Closing Letter

Dear Mr. Baugh:

The Department has reviewed your Company's proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department's discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

Erica Weyhenmeyer
Temporary Assistant Deputy Director - Market Conduct
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
E-mail: Erica.Weyhenmeyer@Illinois.gov

ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION
OF
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: June 19, 2017 through August 18, 2017

EXAMINATION OF: National Union Fire Insurance Company of Pittsburgh, Pa.
NAIC #19445

LOCATION: 100 Connell Drive
Berkeley Heights, New Jersey 07922

PERIOD COVERED BY
EXAMINATION: March 1, 2016 through February 28, 2017
(Complaints reviewed for the period September 1, 2015
through February 28, 2017)

EXAMINERS: Timothy R. Nutt, Examiner-in-Charge
Ben Darnell, Senior Examiner
Kimberlee Hewitt, Senior Examiner
Miryam Ramirez, Senior Examiner

TABLE OF CONTENTS

I.	SUMMARY	1
II.	BACKGROUND	2
III.	METHODOLOGY	3
IV.	SELECTION OF SAMPLES	5
V.	FINDINGS	6
	A. Operations and Management	6
	B. Complaint Handling	6
	C. Marketing and Sales	6
	D. Producer Review	6
	E. Risk Selection	6
	F. Underwriting and Rating	7
	G. Claims	7

I. SUMMARY

A market conduct examination of National Union Fire Insurance Company of Pittsburgh, Pa. (the “Company”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following represent general findings, however specific details are found in each section of the report.

<u>TABLE OF TOTAL VIOLATIONS</u>						
Crit	Statute/Rule	Description of Violations	Population	Files Reviewed	Number of Violations	Error %
1	50 Ill. Adm. Code 919.70(a)(2)	Claims: Accident Paid — Failure to send delay letter	103	76	26	34.2%
2	215 ILCS 5/357.9	Claims: Accident Paid — Failure to pay claims within 30 days of receipt of proof of loss	103	76	4	5.3%
3	50 Ill. Adm. Code 919.70(a)(2)	Claims: Accident Paid — Delay letter did not contain Notice of Availability of DOI	103	76	3	3.9%
4	50 Ill. Adm. Code 919.70(a)(2)	Claims: Accident Closed Without Payment — No delay letter or no Notice of Availability of DOI	65	65	12	18.5%
5	215 ILCS 154.6(b)	Claims: Accident Closed Without Payment — Failure to acknowledge communications with reasonable promptness	65	65	7	10.8%
6	50 Ill. Adm. Code 919.50(a)(1)	Claims: Accident Closed Without Payment — No denial letter, claim was denied untimely, or no Notice of Availability of DOI	65	65	16	24.6%
7	50 Ill. Adm. Code 919.30(c)	Claims: Accident Closed Without Payment — Failure to maintain detailed documentation	65	65	9	13.8%

II. BACKGROUND

National Union Fire Insurance Company of Pittsburgh, Pa. was incorporated on February 14, 1901, under the provisions of an 1873 Act of the General Assembly of the Commonwealth of Pennsylvania, and commenced business on March 1, 1901. The Company is licensed domestically in all states, the District of Columbia, Guam, and the Northern Mariana Islands. The Company is a member company of AIG Property Casualty U.S., Inc., which is a member of American International Group, Inc.

The Company's corporate offices are located at 175 Water Street, 18th Floor, New York, New York 10038.

The Company's 2016 NAIC Annual Statement reflects the following for Illinois:

Year	Business Line	Direct Premium Written	Direct Premium Earned	Direct Losses Paid	Direct Losses Incurred
2016	Group Accident and Health	27,694,114	27,406,553	18,177,734	17,358,496

III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The period under review was generally March 1, 2016 through February 28, 2017, with the exception of September 1, 2015 through February 28, 2017 for Complaints. The following categories were the general areas examined:

- A. Operations and Management
- B. Complaint Handling
- C. Marketing and Sales
- D. Producer Review
- E. Risk Selection
- F. Underwriting and Rating
- G. Claims

The review of these categories was accomplished through examination of individual policy and claim files, Company procedures, written interrogatories, and interviews with Company personnel. Each of these categories was examined for compliance with Illinois Department of Insurance rules and regulations, and applicable state laws.

Criticisms were provided to the Company addressing violations discovered in the review process. All valid criticisms were incorporated into this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from Company-generated data. The sample size was based on the most recent NAIC *Market Regulation Handbook*. Random samples were generated using Audit Command Language software and the selected samples were provided to the Company for retrieval.

Operations and Management

The review of the Company's Operations and Management is designed to determine how the Company operates. Examiners reviewed both publicly available documents, such as prior market conduct examinations and annual statements, as well as internal documents such as Company procedures and internal audit reports.

Complaint Handling

Department of Insurance and Consumer Complaints for the period September 1, 2015 through February 28, 2017, were reviewed for compliance with applicable state laws and Company guidelines.

Department of Insurance ("DOI") Complaints – The population request for this category consisted of complaints received from the Illinois Department during the examination period. The Company's complaint registry was reconciled with the individual file information and DOI records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Consumer Complaints – The population request for this category consisted of complaints received by the Company directly from consumers during the examination period. The Company’s complaint registry was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Marketing and Sales

The Marketing and Sales portion of the examination is designed to evaluate the representations made by the Company about its products and services. The items requested for this category consisted of all sales, advertising, producer training and producer communications created during the examination period. The review was based on a judgmental sample.

Producer Review

The Producer Review is designed to evaluate the Company’s compliance with producer licensing and terminations statutory requirements. Samples were selected based on transactions occurring during the examination period.

Risk Selection

The Risk Selection portion of the examination is designed to evaluate the Company’s compliance with statutory requirements related to cancellations and nonrenewals. This included determining if the reasons for termination were valid and not unfairly discriminatory. Samples were selected for the review based on transactions occurring during the examination period.

Underwriting and Rating

The Underwriting and Rating portion of the examination consisted of reviewing new and renewal business, as well as Company filed rates and forms. Samples were selected based on the inception or renewal date occurring during the examination period. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and compliance with the Company’s underwriting guidelines.

Claims

Claims samples were selected based on the settlement occurring within the examination period. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and the Illinois Administrative Code (50 Ill. Adm. Code 101 *et seq.*). Reviews were conducted of both claims paid and those closed without payment (“CWP”).

IV. SELECTION OF SAMPLES

Survey	Population	# Reviewed	% Reviewed
<u>Complaint Handling</u>			
DOI Complaints	15	15	100%
Consumer Complaints	0	0	N/A
<u>Marketing and Sales</u>			
Marketing and Sales	15	15	100%
<u>Producer Review</u>			
Producer Licensing	95	79	83.2%
Producer Terminations	13	13	100%
<u>Risk Selection</u>			
Cancellations – Accident	0	0	N/A
Cancellations – Stop Loss	0	0	N/A
Nonrenewals – Accident	85	79	92.9%
Nonrenewals – Stop Loss	4	4	100%
Rescissions	0	0	N/A
<u>Underwriting and Rating</u>			
New Business – Accident	36	36	100%
New Business – Stop Loss	4	4	100%
Renewals – Accident	312	79	25.3%
Renewals – Stop Loss	9	9	100%
<u>Claims</u>			
Paid – Accident	103	76	73.8%
Paid – Stop Loss	32	32	100%
CWP – Accident	65	65	100%
CWP – Stop Loss	0	0	N/A

V. FINDINGS

A. Operations and Management

No violations were noted.

B. Complaint Handling

1. Department of Insurance Complaints

No violations were noted.

2. Consumer Complaints

No review occurred since the Company reported no consumer complaints.

C. Marketing and Sales

No violations were noted.

D. Producer Review

1. Producer Licensing

No violations were noted.

2. Producer Terminations

No violations were noted.

E. Risk Selection

1. Cancellations – Accident

No review occurred since the Company reported no cancellations.

2. Cancellations – Stop Loss

No review occurred since the Company reported no cancellations.

3. Nonrenewals – Accident

No violations were noted.

4. Nonrenewals – Stop Loss

No violations were noted.

5. Rescissions

No review occurred since the Company reported no rescissions.

F. Underwriting and Rating

1. Accident – New Business

No violations were noted.

2. Stop Loss – New Business

No violations were noted.

3. Accident – Renewals

No violations were noted.

4. Stop Loss – Renewals

No violations were noted.

G. Claims

1. Accident – Paid

In 26 claims, the Company failed to provide a written explanation of delay within 45 days as required by 50 Ill. Adm. Code 919.70(a)(2).

In four (4) claims, the Company failed to pay within 30 days of receipt of the proofs of loss as required by 215 ILCS 5/357.9.

In three (3) claims, the Company did not include the Notice of Availability of the Department of Insurance in the delay letter as required by 50 Ill. Adm. Code 919.70(a)(2).

2. Stop Loss – Paid

No violations were noted.

3. Accident – Closed Without Payment

For 12 claims, the Company either did not provide a delay letter or the delay letter did not include the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.70(a)(2).

In seven (7) claims, the Company failed to acknowledge with reasonable promptness pertinent communications as required by 215 ILCS 5/154.6(b).

In 16 claims, the Company failed to either provide denial letters, to deny claims timely or provide denial letters with the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1).

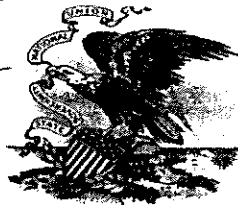
In nine (9) claims, the Company failed to maintain detailed documentation in the claim file in order to permit reconstruction of the Company's activities as required by 50 Ill. Adm. Code 919.30(c).

4. Stop Loss – Closed Without Payment

No review occurred since the Company reported no stop loss CWP claims.

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

**NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
175 WATER STREET, 18TH FLOOR
NEW YORK, NY 10038**

STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, National Union Fire Insurance Company of Pittsburgh, Pa. ("the Company"), NAIC 19445, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and
2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

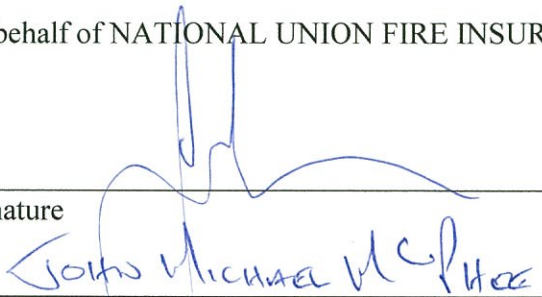
THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide the insured or beneficiary, when applicable, a reasonable written explanation for delay, accompanied by a "Notice of Availability of the Department of Insurance," when a claim remains unresolved for 45 days from the date it is reported as required by 50 Ill. Adm. Code 919.70(a)(2).
2. Institute and maintain policies and procedures whereby the Company shall acknowledge with reasonable promptness pertinent communications with respect to all claims arising under its policies as required by 215 ILCS 5/154.6(b).
3. Institute and maintain policies and procedures whereby the Company shall provide the insured or insured's beneficiary a reasonable written explanation of the basis for the denial within 30 days after the investigation and determination of liability is completed and provide a "Notice of Availability of the Department of Insurance" on denied claims as required by 50 Ill. Adm. Code 919.50(a)(1).
4. Institute and maintain policies and procedures whereby the Company shall maintain detailed documentation in a claim file in order to permit reconstruction of the Company's activities relative to the claim as required by 50 Ill. Adm. Code 919.30(c).
5. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above four (4) orders within 30 days of execution of this Order.
6. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of \$11,250.00 to be paid within 30 days of execution of this Order.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

Signature



Name

Director

Title

Subscribed and sworn to before me this

23 day of April 2018.

Vincent J. Patalano

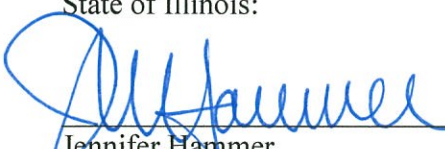
Notary Public

VINCENT J. PATALANO
Notary Public, State of New York
No. 01PA4987423
Qualified in New York County
Commission Expires October 15, 2021

DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE

4/30/18



Jennifer Hammer
Director

