

DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

In Re:)
)
NATIONAL UNION FIRE INSURANCE) Market Conduct Examination No. 349523
COMPANY OF PITTSBURGH, PA)
(NAIC #19445))

ORDER OF THE DIRECTOR

NOW, on this 9th day of September, 2021, Director, Chlora Lindley-Myers, after consideration and review of the market conduct examination report of National Union Fire Insurance Company of Pittsburgh, PA (NAIC #19445) (hereinafter “NUFIC”), examination report number #349523, prepared and submitted by the Division of Insurance Market Regulation (hereinafter “Division”) pursuant to §374.205.3(3)(a)¹, does hereby adopt such report as filed. After consideration and review of the Stipulation of Settlement (“Stipulation”), relating to the market conduct examination #349523, the examination report, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such report are deemed to be the Director’s findings and conclusions accompanying this order pursuant to §374.205.3(4). The Director does hereby issue the following orders:

This order, issued pursuant to §374.205.3(4) and §374.046.15. RSMo, is in the public interest.

¹ All references, unless otherwise noted, are to Revised Statutes of Missouri 2016, as amended, or to the Code of State Regulations, 2020, as amended.

IT IS THEREFORE ORDERED that NUFIC and the Division having agreed to the Stipulation, the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that NUFIC shall not engage in any of the violations of law and regulations set forth in the Stipulation, shall implement procedures to place it in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri, and to maintain those corrective actions at all times, and shall fully comply with all terms of the Stipulation.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 9th day of September, 2021.




Chlora Lindley-Myers
Director

**IN THE DEPARTMENT OF COMMERCE AND INSURANCE
STATE OF MISSOURI**

In Re:)
)
NATIONAL UNION FIRE INSURANCE) **Market Conduct Examination**
COMPANY OF PITTSBURGH, PA) **No. 349523**
(NAIC #19445))

STIPULATION OF SETTLEMENT

It is hereby stipulated and agreed by the Division of Insurance Market Regulation (hereinafter “the Division”) and National Union Fire Insurance Company of Pittsburgh, Pa. (NAIC #19445) (hereinafter “NUFIC”), as follows:

WHEREAS, the Division is a unit of the Missouri Department of Commerce and Insurance (hereinafter “the Department”), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State of Missouri;

WHEREAS, NUFIC has been granted a certificate of authority to transact the business of insurance in the State of Missouri;

WHEREAS, the Division conducted a market conduct examination of NUFIC, examination #349523; and

WHEREAS, based on the market conduct examination of NUFIC, the Division alleges that:

1. In one instance, NUFIC utilized an incorrect rating code resulting in an overcharge of premium to the insured.
2. In 33 instances, NUFIC failed to maintain sufficient documentation of historical rates and rate modifications in the file to allow the examiners to recreate the rates in violation of

§374.205.2 (2)¹, 20 CSR 100-8.040 (2), and 20 CSR 100-8.040 (3) (A).

WHEREAS, NUFIC disagrees with the alleged findings and denies any wrongdoing or activity that violates any applicable laws or regulations.

WHEREAS, the Division and NUFIC have agreed to resolve the issues raised in the market conduct examination as follows:

A. **Scope of Agreement.** This Stipulation of Settlement (hereinafter “Stipulation”) embodies the entire agreement and understanding of the signatories with respect to the subject matter contained herein. The signatories hereby declare and represent that no promise, inducement or agreement not herein expressed has been made, and acknowledge that the terms and conditions of this agreement are contractual and not a mere recital.

B. **Remedial Action.** NUFIC agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain such remedial actions at all times, to reasonably ensure that the alleged errors noted in the market conduct examination and in this Stipulation do not recur. Such remedial actions shall consist of the following:

1. NUFIC agrees to refile all rates and rules for private/personal casualty aircraft policies with Missouri risks, where the filed rates included rate ranges. NUFIC agrees, to utilize only filed rates and rate factors (which do not include rate ranges) that will produce rates that are not excessive, inadequate or unfairly discriminatory. Such rates and rules will be filed within 90 days of the date of the Order approving this Stipulation, will be made through the System for Electronic Rate and Form Filing (“SERFF”), and will include a statement indicating that the filing is being made as a result of a Missouri market conduct examination.

¹ All references, unless otherwise noted, are to Missouri Revised Statutes 2016, as amended or to the Code of State Regulations, 2020, as amended.

2. NUFIC agrees to file with the Department an Exhibit B consent to rate form for any private/personal casualty aircraft policies with Missouri risks where the rates deviate from the filed rates.

C. **Compliance.** NUFIC agrees to file documentation with the Division, in a format acceptable to the Division, within 120 days of the entry of a final order of any remedial action taken pursuant to Paragraph B to implement compliance with the terms of this Stipulation. Such documentation is provided pursuant to §374.205.

D. **Ongoing Examination.** NUFIC agrees to pay any reasonable examination fees expended by the Division in conducting its review of the documentation provided by NUFIC pursuant to Paragraph C of this Stipulation.

E. **Penalties.** The Division agrees that it will not seek penalties against NUFIC in connection with this market conduct examination.

F. **Non-Admission.** Nothing in this Stipulation shall be construed as an admission by NUFIC, this Stipulation being part of a compromise settlement to resolve disputed factual and legal allegations arising out of the above-referenced market conduct examination. NUFIC does not agree with certain findings in the market conduct examination and it is the position of NUFIC that this Stipulation is a compromise of disputed facts and legal allegations. The signing of this Stipulation does not constitute an admission of wrongdoing or liability on their part and is done to fully, finally, and completely resolve all matters encompassed within the scope of this Stipulation and market conduct examination without further regulatory or administrative process or any actions, requirement, or monetary payments beyond those enumerated herein.

G. **Waivers.** NUFIC, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, and review or appeal by any trial or appellate court, which may have

otherwise applied to the issues and allegations addressed in this Stipulation and arising out of the above-referenced market conduct examination.

H. **Changes.** No changes to this Stipulation shall be effective unless made in writing and agreed to by representatives of the Division and NUFIC.

I. **Governing Law.** This Stipulation shall be governed and construed in accordance with the laws of the State of Missouri.

J. **Authority.** The signatories below represent, acknowledge, and warrant that they are authorized to sign this Stipulation, on behalf of the Division and NUFIC respectively.

K. **Counterparts.** This Stipulation may be executed in multiple counterparts, each of which shall be deemed an original and all of which taken together shall constitute a single document. Execution and delivery of this Stipulation by facsimile or by an electronically transmitted signature shall be fully and legally effective and binding.

L. **Effect of Stipulation.** This Stipulation shall become effective only upon entry of a Final Order by the Director of the Department (hereinafter "Director") approving this Stipulation.

M. **Request for an Order.** The signatories below request that the Director issue an Order approving this Stipulation and ordering the relief agreed to in the Stipulation, and consent to the issuance of such Order.

DATED: 9-2-2021



Stewart Freilich
Chief Market Conduct Examiner and
Senior Counsel
Division of Insurance Market Regulation

DATED: September 2, 2021

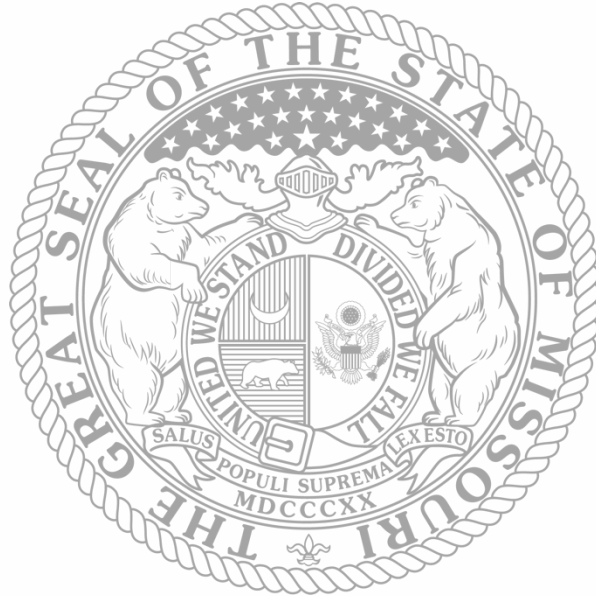


Steven Harris, Vice President
National Union Fire Insurance Company of
Pittsburgh, Pa.

DATED: September 2, 2021



Tanya Kent, Secretary
National Union Fire Insurance Company of
Pittsburgh, Pa.



**FINAL MARKET CONDUCT EXAMINATION REPORT
Property and Casualty**

**National Union Fire Insurance Company of Pittsburgh PA
NAIC # 12-19445**

MISSOURI SBS EXAMINATION # 349523

NAIC MATS #MO-HICKSS1-132

September 2, 2021

**Home Office
2595 Interstate Drive, Suite 103
Harrisburg, PA 17110**

**STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

FOREWORD.....	3
SCOPE OF EXAMINATION.....	3
COMPANY PROFILE.....	4
EXECUTIVE SUMMARY	4
EXAMINATION FINDINGS	5
I. UNDERWRITING AND RATING.....	5
II. CRITICISMS AND FORMAL REQUESTS TIME STUDY	6
EXAMINATION REPORT SUBMISSION.....	7

September 2, 2021

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your market conduct examination warrant, a targeted market conduct examination has been conducted of the specified lines of business and business practices of

National Union Fire Insurance Company of Pittsburg PA (NAIC #12-19445)

hereinafter referred to as NUFIC or as the Company. This examination was conducted as a desk examination at the offices of the Missouri Department of Commerce and Insurance (DCI).

FOREWORD

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products or files does not constitute approval thereof by the DCI.

During this examination, the examiners cited errors considered potential violations made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- “Company” or “NUFIC” refers to the National Union Fire Insurance Company of Pittsburg PA
- “CSR” refers to the Missouri Code of State Regulation
- “DCI” refers to the Missouri Department of Commerce and Insurance
- “Director” refers to the Director of the Missouri Department of Commerce and Insurance
- “NAIC” refers to the National Association of Insurance Commissioners
- “RSMo” refers to the Revised Statutes of Missouri

SCOPE OF EXAMINATION

The DCI has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.938, and 375.1009, RSMo., and conducted in accordance with §374.205.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DCI regulations. The primary period covered by this review is January 1, 2016 to December 31, 2018, unless otherwise noted. Errors found outside of this time period may also be included in the report.

The examination was a targeted examination involving the following lines of business and business functions: Aircraft Insurance-Underwriting and Rating

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the NAIC *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark error rate for claims practices is seven percent (7%) and for other trade practices it is ten percent (10%).

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been found. As such, this report may not fully reflect all of the practices and procedures of the Company.

COMPANY PROFILE

National Union Fire Insurance Company of Pittsburgh, Pa. ("NUFIC"), NAIC No. 19445, was incorporated on February 14, 1901 under the laws of Pennsylvania. NUFIC has a main administrative office at 175 Water Street, New York, New York, 10038 and a statutory home office at 2595 Interstate Drive, Suite 103, Harrisburg, Pennsylvania, 17110. It is an indirect, wholly-owned subsidiary of American International Group, Inc.

NUFIC is a Pennsylvania-domiciled insurer and at all relevant times has been a licensed insurance company in the State of Missouri. Pursuant to its Certificate of Authority, NUFIC is authorized to write property, liability, fidelity and surety, accident and health, and miscellaneous insurance in Missouri. NUFIC is licensed in all 50 states.

NUFIC has provided both personal and commercial aerospace insurance for over 70 years. Specifically, NUFIC provides hull and liability coverage for owners, operators and aircraft management companies of most general aviation classes of business. NUFIC also provides aviation liability coverage for aviation product manufacturers, non-owned aviation, small to large airports, and private and corporate aviation.

EXECUTIVE SUMMARY

The DCI conducted a targeted market conduct examination of National Union Fire Insurance Company of Pittsburgh PA. The examiners found the following areas of concern:

UNDERWRITING AND RATING

- In one file, the Company utilized an incorrect rating code resulting in an overcharge of premium.
- In 33 files, the Company failed to maintain sufficient documentation of historical rates and rate modifications needed for the examiners to apply the Company's rating formula to policies issued during the examination timeframe. Reference: §374.205.2(2) RSMo., 20 CSR 100-8.040(2), 20 CSR 100-8.040(3)(A)

EXAMINATION FINDINGS

I. UNDERWRITING AND RATING

The underwriting and rating portion of the examination provides a review of the Company's compliance with Missouri statutes and regulations regarding underwriting and rating practices such as the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage.

A. NAIC Market Regulation Handbook Chapter 20 – General Examination Standards - Underwriting and Rating Standard 1- The rates charged for the policy coverage are in accordance with filed rates (if applicable) or the regulated entity's rating plan.

To test for this standard, the examiners requested and reviewed a sample of 113 underwriting files from the data supplied by the Company to determine if the premiums charged agreed with the Company's rate filing and/or the Company's rating plan, as well as Missouri law.

Field Size	1,587
Sample Size	113
Type of Sample	Random
Number of Errors	1
Error Ratio	0%

The examiners found the following error in this review.

Finding 1: In one file, the Company utilized an incorrect rating code resulting in an overcharge of premium to the insured.

B. NAIC Market Regulation Handbook Chapter 21 – Underwriting and Rating Standard 1- Credits, debits, and deviations are consistently applied on a non-discriminatory basis.

To test for this standard, the examiners requested and reviewed a sample of 113 underwriting files from the data supplied by the Company to determine if the Company rated risks in a non-discriminatory way, treating similar risk characteristics the same by consistently applying credits, debits, and deviations.

Field Size	1587
Sample Size	113
Type of Sample	Random
Number of Errors	33
Error Ratio	29%

The examiners found the following error in this review.

Finding 1: The Company failed to maintain sufficient documentation of historical rates and rate modifications needed for the examiners to properly apply the Company's rating formula to policies issued during the examination timeframe. For some policies, the Company suggested the examiners

use the rate classification either up or down from the classification in the policy file for those policies not calculating correctly. This would be a manipulation of five to fifteen percent, to achieve the rates calculated by the Company, by going up or down one or more rate classifications.

Reference: §374.205.2(2) RSMo., and 20 CSR 100-8.040(2), 20 CSR 100-8.040(3)(A)

II. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri statutes and regulations require companies to respond to criticisms and formal requests within 10 calendar days. In the event an extension of time was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the subsequent time frame. If the response was not received within the allotted time, the response was not considered timely.

A. Criticism Time Study

Number of Calendar Days to Respond	Number of Criticisms	Percentage of Total
0 to 10 days	27	75%
Over 10 days with extension	9	25%
Over 10 days without extension or after extension due date	0	0%
Totals	36	100%

The examiners found no errors in this review.

B. Formal Request Time Study

Number of Calendar Days to Respond	Number of Requests	Percentage of Total
0 to 10 days	8	89%
Over 10 days with extension	1	11%
Over 10 days without extension or after extension due date	0	0%
Totals	9	100%

The examiners found no errors in this review.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of National Union Fire Insurance Company of Pittsburgh PA, (NAIC #12-19445), Examination Number 349523 and NAIC MATS #MO-HICKSS1-132. This examination was conducted by Martha Long, Jon Meyer, Dana Whaley and Julie Hesser. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated January 14, 2021. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.

9-2-2021

Date



Stewart Freilich
Chief Market Conduct Examiner