

**NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA**

**STATE OF NORTH CAROLINA
COUNTY OF WAKE**

**BEFORE THE COMMISSIONER
OF INSURANCE**

**IN THE MATTER OF:
THE REPORT ON THE MARKET
CONDUCT EXAMINATION OF THE
MEMBERS INSURANCE COMPANY
(NAIC # 12617) and UNIVERSAL
INSURANCE COMPANY
(NAIC # 32972) AS OF JULY 30, 2024**

**VOLUNTARY SETTLEMENT
AGREEMENT**

NOW COME, The Members Insurance Company and Universal Insurance Company (hereinafter “the Companies”) and the North Carolina Department of Insurance (hereinafter “the Department”), and hereby knowingly and voluntarily enter into the following Voluntary Settlement Agreement (hereinafter “this Agreement”):

WHEREAS, the Department has the authority and responsibility for enforcement of the insurance laws of this State; and

WHEREAS, the Companies are licensed and authorized to write and issue insurance in North Carolina; and

WHEREAS, in accordance with the provisions of N.C. Gen. Stat. §§ 58-2-131 through 58-2-134, a general examination was conducted of the market conduct activities of the Companies; and

WHEREAS, the examination commenced on May 16, 2023, and covered the period of July 1, 2019, through June 30, 2022. Analyses of certain operations of the Companies were concluded during the Wrap-Up Conference held on May 2, 2024; and

WHEREAS, it is the Department’s practice to cite insurers in violation of statutes or rules when the results of a sample show noncompliance that falls outside of certain tolerance levels. The Department applied a 0% tolerance level for consumer complaints, producers or adjusters who were not licensed and/or appointed, and the use of forms and rates that were neither filed with nor approved by the Department; 7% for claims; and 10% for all other areas reviewed; and

WHEREAS, a report on market conduct examination of the Companies as of July 30, 2024, (hereinafter “the Report”) was filed as a result of the examination; and

WHEREAS, with respect to the Companies’ complaint handling procedures for consumer complaints, the Report found that the Companies were deemed to be in violation of

11 NCAC 01.0602 as they did not provide a response to the Department within 7 days of receipt for 1 complaint file from a sample of 50 complaint files reviewed (2% error ratio); and

WHEREAS, with respect to producer licensing, the Report found that the Companies were deemed to be in violation of the provisions of N.C. Gen. Stat. § 58-33-56(d) where in a sample of 50 terminated producer files reviewed, the Companies failed to properly notify 30 producers of the termination of their appointments (60% error ratio); and

WHEREAS, with respect to underwriting and rating for private passenger automobile policies, the Report found that the Companies were deemed to be in violation of the provisions of N.C. Gen. Stat. §§ 58-33-26(i) and 58-33-40 as the producer was not properly appointed at the time of the application in 10 files from a sample of 100 policy files reviewed (10% error ratio); and

WHEREAS, the Companies issued refunds totaling \$394,194.78 for private passenger automobile rating errors identified in the examination and in a self-audit conducted by the Companies at the request of the Department; and

WHEREAS, with respect to underwriting and rating for homeowner policies, the Report found that the Companies were deemed to be in violation of N.C. Gen. Stat. § 58-36-30(a) and Rules 301, A5, 403.F and 404 of the Homeowners Rating Manual in that from the sample of 100 policy files the premiums charged for 60 policies reviewed were incorrect (60% error ratio); and

WHEREAS, with respect to underwriting and rating for homeowners' policies, the Report found that the Companies were deemed to be in violation of N.C. Gen. Stat. §§ 58-33-5 and 58-33-26 as the producer was not licensed at the time of application in 3 of the 100 files reviewed (3% error ratio); and

WHEREAS, with respect to underwriting and rating for homeowners' policies, the Report found that the Companies were deemed to be in violation of N.C. Gen. Stat. § 58-33-40 as the producer was not appointed with the Companies at the time of application in 6 of the 100 files reviewed (6% error ratio); and

WHEREAS, with respect to underwriting and rating for homeowners policies, the Report found that the Companies were deemed to be in violation of N.C. Gen. Stat. § 58-56-30(b1) as the insureds were not notified that the rates used to calculate the premiums for their policies were greater than those applicable in the State of North Carolina resulting in overcharges in 30 of the 100 policies reviewed (30% error ratio) and

WHEREAS, the Companies issued refunds totaling \$2,283,537.97 for homeowners rating errors identified in the examination and in a self-audit conducted by the Companies at the request of the Department; and

WHEREAS, with respect to paid claims for third-party property damage, the Report found that the Companies were deemed to be in violation of the provisions of N.C. Gen. Stat.

§ 58-63-15(11)(f) as the adjuster took an excessive amount of time to issue payment in 8 of the 100 claim files reviewed (8% error ratio); and

WHEREAS, with respect to paid claims for automobile medical payments, the Report found that the Companies were deemed to be in violation of the provisions of N.C. Gen. Stat. § 58-33-26 as the adjuster was not licensed at the time of claim handling for 1 of the 50 claim files reviewed (2% error ratio); and

WHEREAS, with respect to first- and third-party bodily injury claims, the Report found that the Companies were deemed to be in violation of the provisions of N.C. Gen. Stat. § 58-33-26 as the adjuster was not licensed at the time of claim handling for 1 of the 50 claim files reviewed (2% error ratio); and

WHEREAS, with respect to claims closed without payments, the Report found that the Companies were deemed to be in violation of the provisions of N.C. Gen. Stat. § 58-33-26 as the adjuster was not licensed at the time of claim handling for 1 of the 100 claim files reviewed (1% error ratio); and

WHEREAS, the Companies have accepted the Report and have submitted a corrective action plan to avoid future occurrences; and

WHEREAS, pursuant to N.C. Gen. Stat. § 58-2-70(g), the Commissioner of Insurance and the Department have the express authority to negotiate “a mutually acceptable agreement with any person as to the status of the person’s license or certificate or as to any civil penalty or restitution”; and

WHEREAS the Department and the Companies hereby enter into this Voluntary Settlement Agreement for the purpose of resolving all matters raised in the Report, verifying that corrective action has been taken by the Companies, verifying that such corrective actions will be monitored by the Companies and the Department in the future, and avoiding an administrative proceeding.


NOW, THEREFORE, in exchange for, and in consideration of the promises and agreements set out herein, the Department and the Companies agree as follows:

1. The Companies agree to comply with all provisions of Chapter 58 of the General Statutes of North Carolina and Title 11 of the North Carolina Administrative Code that are applicable to insurance companies doing business in this State.
2. The Companies accept the Report and hereby admit that they failed to comply with statutory and regulatory requirements for insurance companies in this State as set out therein.
3. Immediately upon signing this Agreement, the Companies shall pay a civil penalty of \$113,000 to the Department. The form of payment shall be certified check, cashier’s check or money order. The check or money order for the payment of this civil penalty shall be

payable to the “North Carolina Department of Insurance.” The Companies shall remit the civil penalty by certified mail, return receipt requested, to the Department along with a copy of this signed Voluntary Settlement Agreement. The civil penalty and the signed Agreement must be received by the Department no later than May 4, 2025. The civil penalty shall be subject to disbursement in accordance with the provisions of Article IX, Section 7 of the North Carolina Constitution for the benefit of public schools.

4. The Companies enter into this Agreement freely and voluntarily and with knowledge of their right to have an administrative hearing on this matter. The Companies understand that they may consult with an attorney prior to entering into this Agreement.
5. This Agreement is entered into in the interest of avoiding an administrative hearing.
6. The Department shall conduct such target or compliance investigations or examination as it shall deem appropriate to verify that corrective action has been taken by the Companies, and such examinations shall be scheduled within the discretion of the Department. Any such target or compliance investigations or examinations may include, but may not be limited to, any areas covered in previous examinations.
7. The Companies and the Department agree that this Agreement shall have the full force and effect of an Order of the Commissioner of Insurance. The Companies understand that N.C. Gen. Stat. § 58-3-100 (a) (1) provides that an insurance companies’ licenses may be revoked for violating an order of the Commissioner.
8. The Commissioner of Insurance retains jurisdiction over the parties to this Agreement.
9. This Agreement does not in any way affect the Department’s disciplinary power in any future target or compliance examinations of the Companies, or in any other complaints involving the Companies.
10. This Voluntary Settlement Agreement, when finalized will be a public record and will not be treated as confidential. The Department is free to disclose the contents of this Agreement to third parties upon request or pursuant to any law or policy providing for such disclosure. The Department, upon request, will provide copies of voluntary settlement agreements to all companies that have appointed the licensees.

11. This Agreement shall become effective when signed by representative(s) of the Companies and the Department.

By: 
Robert R. Ross
President
The Members Insurance Company
Universal Insurance Company

Date: 04-21-2025

N.C. Department of Insurance

By: 
Teresa Knowles
Deputy Commissioner
Market Regulation Division

Date: 04/30/2025