

State fines Florida's biggest private insurer \$1.26 million

Some homeowners say officials moved too slowly on Universal Property & Casualty

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By [Charles Elmore](#) - Palm Beach Post Staff Writer

Florida regulators hit the state's largest private insurer, Universal Property & Casualty Insurance Co., with a \$1.26 million fine Thursday for practices including claims denials spotlighted by The Palm Beach Post.

Some state officials called it a win for consumers, though homeowner Bill Lutz of Hobe Sound said a lot of people suffered before authorities took action.

"I think it's a little late," said Lutz, who said he has been waiting four months for Universal to pay for more than \$300,000 of fire damage that gutted his home. "It's something they should have acted on a long time ago. It's not fair to the consumer."

The order came as a result of a market conduct examination begun on April 11, 2011, according to records released by the state's Office of Insurance Regulation. The scope, initially from January 2009 through mid-2011, was extended to May 2013 "to enable a review of more current information," records show.

Universal was fined and ordered to comply with state regulations "as well as submit reports, institute corrective actions and pay restitution, if and where appropriate," the state's insurance office said in a statement. Universal can request a hearing within 21 days.

The company said in a letter to agents Thursday the order is not final and "the report is incorrect in many important respects."

Universal “will have the opportunity to formally respond to the report and show these inaccuracies,” the letter said. “In the meantime, we remain confident that our procedures comply with the insurance code, and we fully expect any questions to be resolved.”

Special-ed teacher Melody Ward of Gainesville, featured in a Post story early this month, said she is not sure yet if the order will help her and her disabled husband, whose fire claim of more than \$90,000 was denied by Universal. They’re living in a trailer in the yard.

“I’m glad this is happening to them,” Ward said of Universal’s fine. “This is how people become homeless. I just don’t understand how can they can look in the mirror and sleep with a clear conscience.”

But the fine is far less than the 50 percent increase in profits, to \$30 million, reported for last year by the insurer’s parent company, Universal Insurance Holdings Inc.

President and CEO Sean Downes attributed earnings gains to “better underwriting margins compared to a year ago.” A contract for Downes pays him \$2 million a year plus stock and bonuses of 3 percent of the company’s net income up to \$5 million and 4 percent after that.

Universal, based in Fort Lauderdale, is the second largest property insurer in Florida after state-run Citizens with more than \$765 million in annual premiums and more than 542,000 policyholders. It recently had more than 66,000 policyholders in Palm Beach County, its top market, followed closely by Broward.

The state’s insurance consumer advocate, Robin Westcott, began calling in October for regulators to take action on Universal’s “post-claims underwriting” practices. At one point she called the company’s actions “reprehensible” and said she considered them an unfair trade practice.

It can be fine to check out an application and decide not to issue coverage, she said. But waiting to use the information to cancel policies sometimes years later has jeopardized people’s life savings and risked what is often their largest investment, their home, Westcott said.

A growing number of homeowners have said they paid premiums for years but Universal dropped their coverage when they filed claims — based on information it said the consumer left out of an application. That information is often obscure data agents or homeowners say they did not know about, forgot or considered irrelevant, such as co-signing for a relative’s delinquent credit card years before or a tax lien satisfied in another state.

Among others, a Delray Beach couple who were forced to pay five-figure water damages out of pocket called Universal’s practices “horrible,” The Post reported in March.

In Hobe Sound, Lutz said he has not heard a final decision from Universal after a fire that left him with almost nothing. He credits his dog with saving his life in a blaze that made local TV news. Four months later, the city wants to tear down the house as an eyesore, Lutz said, but

Universal has interviewed his neighbors and asked to see his wife's passport. He said he has been required to itemize everything in the house and the list now exceeds 50 pages.

Lutz suspects "they're investigating, trying to find some way not to pay."

A spokesman for Universal said, "Regarding the specific claim you mention, the company cannot comment on individuals' policies or claims due to privacy considerations. The company strives in each case to ensure that its claims review process is both prompt and thorough depending on the particular circumstances involved."

During this spring's legislative session, the Florida Senate passed a measure making clear insurers can't use application data to cancel policies or deny claims after 90 days, but the House failed to act.

In their review, regulators found more than 250 examples where Universal canceled policies without giving a required notice of 100 days.

The state's order requires the company to comply with state laws "including performing complete underwriting of all policy applications including verification of all statements and representations, credit reviews, public records and public information within 90 days of application."

During the exam, the order said, regulators raised concerns about an agreement with an affiliated reinsurer — funded by Universal's parent — that guaranteed a 25.1 percent margin of profit. In 2012 the guaranteed profit provision was deleted, the order said.

"I commend OIR for taking this action on behalf of Florida's insurance consumers," Florida Chief Financial Officer Jeff Atwater said in a statement. "For far too long, this company unjustly denied claims and forced consumers into financially devastating situations."

Westcott called it "a win for the people of Florida."

The order "will begin the process of giving Florida's policyholders the confidence that when they purchase a homeowners insurance policy, they are truly protecting their home and family," she said.

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The Post reported about Universal Property & Casualties claims practices in a recent series of stories. One featured Melody Ward of Gainesville, who said she is not sure whether the order will help her and her husband, whose fire claim was denied by Universal. They're living in a trailer in the yard.