

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE:)	
UNION MUTUAL FIRE INSURANCE CO.)	DOCKET NO. 20-004-I
NAIC # 25860)	
)	

STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (“the Department”) asserts that Union Mutual Fire Insurance Company (“Respondent”) has violated the insurance laws as set forth below; and

WHEREAS, Respondent and the Department wish to resolve these violations without further administrative proceedings or litigation;

NOW, THEREFORE, Respondent and the Department stipulate and agree to the terms and conditions in this Stipulation and Consent Order.

STATEMENT OF FACTS AND DESCRIPTION OF VIOLATIONS

1. Respondent is a licensed property and casualty insurance company with its principal place of business at 139 State Street, Montpelier, Vermont 05602.
2. Respondent’s NAIC number is 25860.
3. At all times relevant to this matter, Respondent held a Certificate of Authority issued by the Insurance Division of the Department (“the Insurance Division”) pursuant to 8 V.S.A. § 3368 authorizing Respondent to operate as an insurer in the State of Vermont.
4. The Commissioner of Financial Regulation (“the Commissioner”) is responsible for administering and enforcing the insurance laws of the State of Vermont and is authorized to investigate insurance companies to determine compliance with Vermont law and issue orders

imposing remedial actions and administrative penalties, pursuant to 8 V.S.A. §§ 10-15, 3661, and 3885.

5. Pursuant to 8 V.S.A. § 3879, cancellation of fire and casualty insurance policies must be mailed or delivered to policy holders less than 60 days following the policy's effective date, unless the cancellation falls within the exceptions specified in § 3879.
6. Pursuant to 8 V.S.A. § 3883, cancellation notices for fire and casualty insurance policies provided via mail must be sent using certified mail, unless the cancellation is for nonpayment of premium.
7. Pursuant to 8 V.S.A. § 3568, every insurer is required to preserve their business records in accordance with rules adopted by the Department.
8. Sections 4 and 7 of the Insurance Division's rules concerning retention of business records, identified as Insurance Regulation 99-1, Record Retention ("Regulation 99-1") requires insurers to retain, for at least five years from the expiration date of the policy, records associated with each policy issued.
9. Section 6 of Regulation 99-1 requires insurers to provide records to the Insurance Division upon its request.
10. Following the Insurance Division's review of Respondent's 2017 and 2018 Market Conduct Annual Statements, on October 4, 2019, the Insurance Division requested in writing that Respondent provide information and records concerning 63 cancellations covering the time period, including proof of mailing.
11. On October 31, 2019, the Insurance Division requested in writing that Respondent provide information and records concerning all cancellations it issued in 2019.

12. Between January 1, 2017 and November 1, 2019, Respondent mailed 8 notices of cancellation to policyholders for policies that had, at the time of the notice, been in effect for 60 or more days and involved cancellation was for reasons other than the exceptions within 8 V.S.A. § 3879.
13. Notwithstanding the Insurance Division's October 4, 2019 and October 31, 2019 information requests, Respondent has not provided records to the Insurance Division demonstrating whether 6 notices of cancellation Respondent issued between January 1, 2017 and November 1, 2019 were mailed using certified mail.
14. By mailing 8 notices of cancellation 60 or more days following the respective policies' effective dates, Respondent violated 8 V.S.A. § 3879.
15. By failing to produce records demonstrating whether 6 notices of cancellation were mailed using certified mail, Respondent violated 8 V.S.A. §§ 3568 and 3883 and Sections 4, 6, and 7 of Regulation 99-1.
16. On December 6, 2019, the Insurance Division received a corrective action plan from Respondent that identified actions Respondent would take, including training and oversight of staff, to prevent further violations of the laws regulating the cancellation of fire and casualty policies located in 8 V.S.A., Chapters 101 and 105.
17. On December 6, 2019, Respondent reported to the Insurance Division that it had retrained its staff on the laws regulating the cancellation of fire and casualty insurance policies located in 8 V.S.A., Chapters 101 and 105.
18. On December 6, 2019, the Insurance Division received an updated procedure, titled "PROCEDURES FOR NON-RENEWAL AND CANCELLATION, Personal Property Policies, State of Vermont, Revised December 2019," from Respondent that updated its

procedures concerning issuance of cancellations of property and casualty insurance policies in the State of Vermont to conform with the laws regulating the cancellation of fire and casualty policies located in 8 V.S.A., Chapters 101 and 105.

CONSENT ORDER

19. Within 10 business days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall pay an administrative penalty of \$12,500. Payment shall be made via check made payable to the “Department of Financial Regulation” and mailed to:

Attn: Tom Taylor
Department of Financial Regulation
Insurance Division
89 Main Street
Montpelier, VT 05620-3101

20. Respondent shall implement the following corrective actions:

- a. Respondent shall follow procedures concerning issuance of cancellations of property and casualty insurance policies in the State of Vermont that conform with the laws regulating the cancellation of fire and casualty policies located in 8 V.S.A., Chapters 101 and 105.
- b. As required by 8 V.S.A. § 3879(a)(3), Respondent shall seek the Commissioner’s approval before issuing cancellations of any property or casualty insurance policy in the State of Vermont when the cancellations are based on a substantial increase in hazard.

21. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.

22. With respect to the facts and violations identified herein, Respondent waives its right to a hearing before the Commissioner or the Commissioner’s designee and waives its right to all

other administrative or judicial review otherwise available under Vermont law, including the rules of the Vermont Department of Financial Regulation and the provisions of 3 V.S.A., Chapter 25.

23. This Stipulation and Consent Order is entered into solely for the purpose of resolving the violations identified herein, and it is not intended for any other purpose.
24. Respondent understands all terms and conditions in this Stipulation and Consent Order, consents to the entry of this Stipulation and Consent Order, and acknowledges that its consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondent's consent.
25. Noncompliance with any of the terms and conditions in this Stipulation and Consent Order shall be a violation of a lawful order of the Commissioner and a violation of the laws of the State of Vermont and may result in additional administrative action and the imposition of injunctive relief, sanctions, and additional penalties pursuant to applicable provisions of Title 8.
26. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondent for violations not resolved herein or to respond to and address any consumer complaints made with regard to Respondent.
27. Nothing herein shall be construed as having relieved, modified, or in any manner affected Respondent's ongoing obligation to comply with all federal, state, or local statutes, rules, and regulations applicable to Respondent.
28. Nothing herein shall be construed as limiting any private right of action a person may have.
29. This Stipulation and Consent Order shall be governed by and construed under the laws of the State of Vermont.

SIGNATURES

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to. I state under oath that I have taken all necessary steps to obtain the authority to bind Respondent to this Stipulation and Consent Order and that I have been duly authorized to enter into this Stipulation and Consent Order on behalf of Respondent.

UNION MUTUAL FIRE INSURANCE COMPANY

By: [Signature] 1/10/2020
Printed name: SARAH JARVIS Date
Title: VP and GENERAL COUNSEL

STATE OF VERMONT)
Washington COUNTY, SS.)

At Montpelier, VT on this 10th day of January, 2020
Sarah Jarvis personally appeared before me and pursuant to a sworn oath subscribed to this Stipulation and Consent Order represented that he/she has full authority to execute, deliver, and legally bind Union Mutual Fire Insurance Company to this Stipulation and Consent Order.

[Signature]
Notary Public
My Commission Expires: 1/31/21

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated, agreed to, and ordered.

DEPARTMENT OF FINANCIAL REGULATION

By: [Signature] Jan 14, 2020
Michael S. Pieciak Date
Commissioner of Financial Regulation
Vermont Department of Financial Regulation