

*Targeted Market Conduct Examination Report*

*MONARCH NATIONAL INSURANCE COMPANY*

*NAIC Company Code: 15715*

*NAIC Group Code: 5074*

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## Executive Summary

The Florida Office of Insurance Regulation (“OIR”) performed a targeted market conduct examination of Monarch National Insurance Company (“Monarch National” or “Company”) pursuant to Section 624.3161, Florida Statutes (“F.S.”).

### Purpose and Scope of the Examination

OIR has primary responsibility for the regulation, compliance and enforcement of statutes related to the business of insurance and the monitoring of industry markets. Due to this responsibility, OIR conducted a targeted market conduct examination of Monarch National pursuant to Section 624.3161, F.S. The purpose of a market conduct examination is to review an insurer’s operating practices to determine if they comply with the Florida Insurance Code, rules related to the business of insurance, procedures adopted by the Company, the provisions contained within a contract of insurance issued by the Company or orders issued by OIR. A common element of all market conduct examinations is to evaluate an insurer’s business practices, promote the protection of insurance-buying consumers, and hold insurers accountable when issues or violations are identified.

This examination was initiated to review and evaluate Monarch National’s Hurricane Ian and Hurricane Idalia claims-handling operations. The examination scope period was from September 28, 2022, to December 31, 2023, for Hurricane Ian claims, and from August 30, 2023, to December 31, 2023, for Hurricane Idalia claims. The examination was performed by a contracted examination firm, INS Regulatory Insurance Services, Inc. The examination began April 1, 2024, and ended April 21, 2025. This is the first Market Conduct examination of Monarch National. In reviewing materials for this report, the examiners relied on records provided by the Company.

### Examination Procedures

The conduct of this examination and the procedures, statistical sampling, and examination processes used were consistent with and in accordance with those standards and procedures contained in the *Market Regulation Handbook* promulgated by the National Association of Insurance Commissioners (“NAIC”). The number of randomly selected items in each sample is consistent with the recommended sample size in the *Market Regulation Handbook’s* Acceptance Samples Table. Examination results with a 95% confidence level permit those results to be extrapolated to the population identified in each of the areas examined.

In preparation for the examination, Monarch National was requested to provide the total number, or universe, of Hurricane Ian and Hurricane Idalia claims reported with a Florida exposure during the examination’s scope periods. The claims universe for each hurricane was divided into three categories: claims closed with payment, claims closed without payment, and reopened or supplemental claims. For the purposes of this examination, the selection of claims reviewed for each of the categories was defined as follows:

- **Claims Closed With Payment:** The first or initial Hurricane claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed with payment during the examination’s scope periods.

- Claims Closed Without Payment: The first or initial Hurricane claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed without payment for any reason during the examination's scope periods.
- Reopened or Supplemental Claims: The first or initial claim filed by the named insured, policyholder, or legal representative due to a loss occurring to a personal residential or commercial residential risk that was closed for any reason and that was reopened or was a supplemental claim upon request for additional costs for loss or damage previously disclosed to the insurer.

## Company Profile

Monarch National Insurance Company is a domestic property and casualty insurer authorized to conduct business in Florida on March 19, 2015. Monarch National is authorized to write Homeowners Multi-Peril, Allied Lines, and Fire insurance.

On June 30, 2022, a group of investors managed by Hale Partnership Capital Management LLC (the "Hale Investors") acquired 60% of Monarch National's common stock from FedNat Holding Company ("FedNat"). In subsequent transactions, the group acquired the remaining 40%. Effective January 1, 2023, Monarch National entered into a Managing General Agency and Claims Administration Agreement (HPMA MGA Agreement) with HP Managing Agency, LLC (HPMA). Prior to January 1, 2023, claims of Monarch National were handled by its then managing general agent, FedNat Underwriters, Inc., a wholly owned subsidiary of FedNat.

## Examination Findings

### Hurricane Ian Claims

The following Findings are compiled from the examiners' review of Monarch National's Hurricane Ian claims that were adjudicated during the examination scope period of September 28, 2022, to December 31, 2023.

Claims Closed With Payment: Monarch National identified a universe of 2,511 residential property Hurricane Ian claims that were closed with payment during the examination scope period. A random sample of 107 claims was selected and reviewed by the examiners.

Claims Closed Without Payment: Monarch National identified a universe of 1,576 residential property Hurricane Ian claims that were closed without payment during the examination scope period. A random sample of 105 claims was selected and reviewed by the examiners.

Reopened or Supplemental Claims: Monarch National identified a universe of 7,921 residential property Hurricane Ian claims that were reopened during the examination scope period. A random sample of 108 claims was selected and reviewed by the examiners.

**Finding 1:** The examiners determined that in 88 instances out of 320 claims reviewed, an error rate of 27.5%, Monarch National utilized adjusters who were not properly appointed, as required by Section 626.112(1)(a), F.S.

**Finding 2:** The examiners determined that in 51 instances out of 320 claims reviewed, an error rate of 15.9%, Monarch National did not acknowledge receipt of claims communications within 14 calendar days, as required by Section 627.70131(1)(a), F.S. (2022)<sup>1</sup>.

**Finding 3:** The examiners determined that in 108 instances out of 320 claims reviewed, an error rate of 33.8%, Monarch National did not include the license number of the adjuster communicating about the claim in a subsequent communication with the policyholder regarding the claim, as required by Section 627.70131(3)(c), F.S.

**Finding 4:** The examiners determined that in 13 instances out of 320 claims reviewed, an error rate of 4.1%, Monarch National did not send the policyholder a copy of any detailed estimate of the amount of the loss within seven days after the estimate was generated by an insurer's adjuster, as required by Section 627.70131(3)(e), F.S.

**Finding 5:** The examiners determined that in 112 instances out of 320 claims reviewed, an error rate of 35.0%, Monarch National did not, when providing a preliminary or partial estimate of damage regarding a claim, include with the estimate the disclosure statement, as required by Section 627.70131(6)(a), F.S.

**Finding 6:** The examiners determined that in 63 instances out of 320 claims reviewed, an error rate of 19.7%, Monarch National did not, when providing a payment on a claim that was not the full and final payment, include with the payment the disclosure statement, as required by Section 627.70131(6)(b), F.S.

**Finding 7:** The examiners determined that in 39 instances out of 320 claims reviewed, an error rate of 12.2%, Monarch National did not, within 90 days, pay or deny initial, supplemental, or reopened claims, as required by Section 627.70131(7)(a), F.S.

**Finding 8:** The examiners determined that in 20 instances out of 320 claims reviewed, an error rate of 6.3%, Monarch National did not pay interest when the claim payment was made more than 90 days after receiving notice of the claim, or more than 15 days after there were no longer factors beyond the control of the insurer which reasonably prevented such payment, as required by Section 627.70131(7)(a), F.S.

**Finding 9:** The examiners determined that in one instance out of 320 claims reviewed, an error rate of 0.3%, Monarch National did not provide a Homeowner Claims Bill of Rights to a policyholder within 14 days after receiving an initial communication with respect to a claim, as required by Section 627.7142, F.S.

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<sup>1</sup> Section 627.70131, F.S. (2023), has reduced 14-day timeframes to 7 days, 45-day timeframes to 30 days, and 90-day timeframes to 60 days. Other additions and deletions were also made to the law.

## Hurricane Idalia Claims

The following Findings are compiled from the examiners' review of Monarch National's Hurricane Idalia claims that were adjudicated during the examination scope period August 30, 2023, to December 31, 2023.

Claims Closed With Payment: Monarch National identified a universe of 29 residential property Hurricane Idalia claims that were closed with payment during the examination scope period. The entire universe of 29 claims was reviewed by the examiners.

Claims Closed Without Payment: Monarch National identified a universe of 42 residential property Hurricane Idalia claims that were closed without payment during the examination scope period. The entire universe of 42 claims was reviewed by the examiners.

Reopened or Supplemental Claims: Monarch National identified a universe of six residential property Hurricane Idalia claims that were reopened during the examination scope period. The entire universe of six claims was reviewed by the examiners.

**Finding 1:** The examiners determined that in six instances out of 77 claims reviewed, an error rate of 7.8%, Monarch National utilized adjusters who were not properly appointed, as required by Section 626.112(1)(a), F.S.

**Finding 2:** The examiners determined that in two instances out of 77 claims reviewed, an error rate of 2.6%, Monarch National did not acknowledge receipt of claims communications within seven calendar days, as required by Section 627.70131(1)(a), F.S.

**Finding 3:** The examiners determined that in one instance out of 77 claims reviewed, an error rate of 1.3%, Monarch National did not send the policyholder a copy of any detailed estimate of the amount of the loss within seven days after the estimate was generated by an insurer's adjuster, as required by Section 627.70131(3)(e), F.S.

**Finding 4:** The examiners determined that in two instances out of 77 claims reviewed, an error rate of 2.6%, Monarch National did not maintain all claim records, including dates, as required by Section 627.70131(4)(b), F.S.

**Finding 5:** The examiners determined that in ten instances out of 77 claims reviewed, an error rate of 13.0%, Monarch National did not, when providing a preliminary or partial estimate of damage regarding a claim, include with the estimate the disclosure statement, as required by Section 627.70131(6)(a), F.S.

**Finding 6:** The examiners determined that in five instances out of 77 claims reviewed, an error rate of 6.5%, Monarch National did not, when providing a payment on a claim that was not the full and final payment, include with the payment the disclosure statement, as required by Section 627.70131(6)(b), F.S.

**Finding 7:** The examiners determined that in 18 instances out of 77 claims reviewed, an error rate of 23.4%, Monarch National did not provide a Homeowner Claims Bill of Rights to a policyholder within 14 days after receiving an initial communication with respect to a claim, as required by Section 627.7142, F.S.

### **Information System Malfunction**

Monarch National's automated system for the delivery of acknowledgment letters and the Homeowner Claims Bill of Rights experienced a malfunction between June 21, 2023, to August 22, 2024, which prevented the delivery of 952 Homeowner Bill of Rights, for claims filed with Take-Out policies assumed from Citizens Property Insurance Corporation. Monarch National has provided talking points to the Department of Financial Services, Division of Consumer Services, and has taken steps to correct the malfunction and mitigate future similar occurrences.

### **Claims-Handling Manual**

OIR conducted a review of Monarch National's claims-handling manual for compliance with Section 627.4108(1), F.S., that requires each authorized residential property insurer conducting business in Florida to create and use a claims-handling manual. Specifically, each claims-handling manual must include guidelines and procedures for:

- Initially receiving and acknowledging initial receipt of the claim and reviewing and evaluating the claim;
- Communicating with policyholders, beginning with the receipt of the claim and continuing until closure of the claim;
- Setting the claim reserve;
- Investigating the claim, including conducting inspections of the property that is the subject of the claim;
- Making preliminary estimates and estimates of the covered damages to the insured property and communicating such estimates to the policyholder;
- The payment, partial payment, or denial of the claim and communicating such claim decision to the policyholder;
- Closing claims; and
- Any aspect of the claims-handling process which OIR determines should be included in the claims-handling manual in order to:
  - Comply with the laws of this state or rules or orders of OIR or department;
  - Ensure that the claims-handling manual, at a minimum, comports with usual and customary industry claims-handling guidelines; or
  - Protect policyholders of the insurer or the general public.

**No exceptions were noted.**

Section 627.4108(3), F.S, requires each authorized residential property insurer to certify and attest on the prescribed form that:

- Each of the insurer's current claims-handling manuals complies with the requirements of this code and comports to, at a minimum, usual and customary industry claims-handling practices; and

- The insurer maintains adequate resources available to implement the requirements of each of its claims-handling manuals at all times, including during natural disasters and catastrophic events.

The attestations are required to be submitted to OIR:

- On or before August 1, 2023; and
- Annually thereafter, on or before May 1 of each calendar year.

**No exceptions were noted.**

## **Conclusion**

This targeted market conduct examination of Monarch National Insurance Company was designed to review and evaluate Monarch National's Hurricane Ian and Hurricane Idalia claims-handling operations. It does not document what regulatory or administrative action may be taken by OIR.

## **Examination Final Report Submission**

OIR hereby issues this final report based upon information from the draft report, additional research conducted by OIR, and additional information provided by Monarch National Insurance Company.



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