VIA ELECTRONIC MAIL

June 28, 2018

Mr. Alexander Ross Baugh
President
175 Water Street, 18th Floor
New York, NY 10038

Re: National Union Fire Insurance Company of Pittsburgh, Pa., NAIC #19445
Market Conduct Examination Report Closing Letter

Dear Mr. Baugh:

The Department has reviewed your Company’s proof of compliance and deems it adequate and sufficient. Therefore, the Department is closing its file on this exam.

I intend to ask the Director to make the Examination Report and Stipulation and Consent Order available for public inspection as authorized by 215 ILCS 5/132. At the Department’s discretion, specific content of the report may be subject to redaction for private, personal, or trade secret information prior to making the report public. However, any redacted information will be made available to other regulators upon request.

Please contact me if you have any questions.

Sincerely,

[Signature]

Erica Weyhenmeyer
Temporary Assistant Deputy Director - Market Conduct
Illinois Department of Insurance
320 West Washington St., 5th Floor
Springfield, IL 62767
Phone: 217-782-1790
E-mail: Erica.Weyhenmeyer@Illinois.gov
ILLINOIS DEPARTMENT OF INSURANCE
MARKET CONDUCT EXAMINATION
OF
NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.
MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: June 19, 2017 through August 18, 2017

EXAMINATION OF: National Union Fire Insurance Company of Pittsburgh, Pa. NAIC #19445

LOCATION: 100 Connell Drive Berkeley Heights, New Jersey 07922

PERIOD COVERED BY EXAMINATION: March 1, 2016 through February 28, 2017
(Complaints reviewed for the period September 1, 2015 through February 28, 2017)

EXAMINERS: Timothy R. Nutt, Examiner-in-Charge
Ben Darnell, Senior Examiner
Kimberlee Hewitt, Senior Examiner
Miryam Ramirez, Senior Examiner
# TABLE OF CONTENTS

I. SUMMARY 1
II. BACKGROUND 2
III. METHODOLOGY 3
IV. SELECTION OF SAMPLES 5
V. FINDINGS 6
   A. Operations and Management 6
   B. Complaint Handling 6
   C. Marketing and Sales 6
   D. Producer Review 6
   E. Risk Selection 6
   F. Underwriting and Rating 7
   G. Claims 7
I. SUMMARY

A market conduct examination of National Union Fire Insurance Company of Pittsburgh, Pa. (the “Company”) was performed to determine compliance with Illinois statutes and the Illinois Administrative Code.

The following represent general findings, however specific details are found in each section of the report.

<table>
<thead>
<tr>
<th>Crit</th>
<th>Statute/Rule</th>
<th>Description of Violations</th>
<th>Population</th>
<th>Files Reviewed</th>
<th>Number of Violations</th>
<th>Error %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>50 Ill. Adm. Code 919.70(a)(2)</td>
<td>Claims: Accident Paid — Failure to send delay letter</td>
<td>103</td>
<td>76</td>
<td>26</td>
<td>34.2%</td>
</tr>
<tr>
<td>2</td>
<td>215 ILCS 5/357.9</td>
<td>Claims: Accident Paid — Failure to pay claims within 30 days of receipt of proof of loss</td>
<td>103</td>
<td>76</td>
<td>4</td>
<td>5.3%</td>
</tr>
<tr>
<td>3</td>
<td>50 Ill. Adm. Code 919.70(a)(2)</td>
<td>Claims: Accident Paid — Delay letter did not contain Notice of Availability of DOI</td>
<td>103</td>
<td>76</td>
<td>3</td>
<td>3.9%</td>
</tr>
<tr>
<td>4</td>
<td>50 Ill. Adm. Code 919.70(a)(2)</td>
<td>Claims: Accident Closed Without Payment — No delay letter or no Notice of Availability of DOI</td>
<td>65</td>
<td>65</td>
<td>12</td>
<td>18.5%</td>
</tr>
<tr>
<td>5</td>
<td>215 ILCS 154.6(b)</td>
<td>Claims: Accident Closed Without Payment — Failure to acknowledge communications with reasonable promptness</td>
<td>65</td>
<td>65</td>
<td>7</td>
<td>10.8%</td>
</tr>
<tr>
<td>6</td>
<td>50 Ill. Adm. Code 919.50(a)(1)</td>
<td>Claims: Accident Closed Without Payment — No denial letter, claim was denied untimely, or no Notice of Availability of DOI</td>
<td>65</td>
<td>65</td>
<td>16</td>
<td>24.6%</td>
</tr>
<tr>
<td>7</td>
<td>50 Ill. Adm. Code 919.30(c)</td>
<td>Claims: Accident Closed Without Payment — Failure to maintain detailed documentation</td>
<td>65</td>
<td>65</td>
<td>9</td>
<td>13.8%</td>
</tr>
</tbody>
</table>
II. BACKGROUND

National Union Fire Insurance Company of Pittsburgh, Pa. was incorporated on February 14, 1901, under the provisions of an 1873 Act of the General Assembly of the Commonwealth of Pennsylvania, and commenced business on March 1, 1901. The Company is licensed domestically in all states, the District of Columbia, Guam, and the Northern Mariana Islands. The Company is a member company of AIG Property Casualty U.S., Inc., which is a member of American International Group, Inc.

The Company’s corporate offices are located at 175 Water Street, 18th Floor, New York, New York 10038.

The Company’s 2016 NAIC Annual Statement reflects the following for Illinois:

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Line</th>
<th>Direct Premium Written</th>
<th>Direct Premium Earned</th>
<th>Direct Losses Paid</th>
<th>Direct Losses Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>Group Accident and Health</td>
<td>27,694,114</td>
<td>27,406,553</td>
<td>18,177,734</td>
<td>17,358,496</td>
</tr>
</tbody>
</table>
III. METHODOLOGY

The market conduct examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants. The period under review was generally March 1, 2016 through February 28, 2017, with the exception of September 1, 2015 through February 28, 2017 for Complaints. The following categories were the general areas examined:

A. Operations and Management
B. Complaint Handling
C. Marketing and Sales
D. Producer Review
E. Risk Selection
F. Underwriting and Rating
G. Claims

The review of these categories was accomplished through examination of individual policy and claim files, Company procedures, written interrogatories, and interviews with Company personnel. Each of these categories was examined for compliance with Illinois Department of Insurance rules and regulations, and applicable state laws.

Criticisms were provided to the Company addressing violations discovered in the review process. All valid criticisms were incorporated into this report.

The following methods were used to obtain the required samples and to assure a statistically accurate and methodical selection. The samples were developed from Company-generated data. The sample size was based on the most recent NAIC Market Regulation Handbook. Random samples were generated using Audit Command Language software and the selected samples were provided to the Company for retrieval.

Operations and Management
The review of the Company’s Operations and Management is designed to determine how the Company operates. Examiners reviewed both publicly available documents, such as prior market conduct examinations and annual statements, as well as internal documents such as Company procedures and internal audit reports.

Complaint Handling
Department of Insurance and Consumer Complaints for the period September 1, 2015 through February 28, 2017, were reviewed for compliance with applicable state laws and Company guidelines.

Department of Insurance (“DOI”) Complaints – The population request for this category consisted of complaints received from the Illinois Department during the examination period. The Company’s complaint registry was reconciled with the individual file information and DOI records to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.
Consumer Complaints – The population request for this category consisted of complaints received by the Company directly from consumers during the examination period. The Company’s complaint registry was reconciled with the individual file information to determine the completeness and accuracy of the data recorded. Each complaint file, along with the underlying claim or underwriting file, was reviewed for compliance with regulatory requirements.

Marketing and Sales
The Marketing and Sales portion of the examination is designed to evaluate the representations made by the Company about its products and services. The items requested for this category consisted of all sales, advertising, producer training and producer communications created during the examination period. The review was based on a judgmental sample.

Producer Review
The Producer Review is designed to evaluate the Company’s compliance with producer licensing and terminations statutory requirements. Samples were selected based on transactions occurring during the examination period.

Risk Selection
The Risk Selection portion of the examination is designed to evaluate the Company’s compliance with statutory requirements related to cancellations and nonrenewals. This included determining if the reasons for termination were valid and not unfairly discriminatory. Samples were selected for the review based on transactions occurring during the examination period.

Underwriting and Rating
The Underwriting and Rating portion of the examination consisted of reviewing new and renewal business, as well as Company filed rates and forms. Samples were selected based on the inception or renewal date occurring during the examination period. Policies were reviewed for rating accuracy, use of filed rates, use of filed forms, and compliance with the Company’s underwriting guidelines.

Claims
Claims samples were selected based on the settlement occurring within the examination period. Claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and the Illinois Administrative Code (50 Ill. Adm. Code 101 et seq.). Reviews were conducted of both claims paid and those closed without payment (“CWP”).
IV. SELECTION OF SAMPLES

<table>
<thead>
<tr>
<th>Survey</th>
<th>Population</th>
<th># Reviewed</th>
<th>% Reviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Complaint Handling</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DOI Complaints</td>
<td>15</td>
<td>15</td>
<td>100%</td>
</tr>
<tr>
<td>Consumer Complaints</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Marketing and Sales</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing and Sales</td>
<td>15</td>
<td>15</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Producer Review</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Producer Licensing</td>
<td>95</td>
<td>79</td>
<td>83.2%</td>
</tr>
<tr>
<td>Producer Terminations</td>
<td>13</td>
<td>13</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Risk Selection</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancellations – Accident</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>Cancellations – Stop Loss</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>Nonrenewals – Accident</td>
<td>85</td>
<td>79</td>
<td>92.9%</td>
</tr>
<tr>
<td>Nonrenewals – Stop Loss</td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Rescissions</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Underwriting and Rating</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Business – Accident</td>
<td>36</td>
<td>36</td>
<td>100%</td>
</tr>
<tr>
<td>New Business – Stop Loss</td>
<td>4</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>Renewals – Accident</td>
<td>312</td>
<td>79</td>
<td>25.3%</td>
</tr>
<tr>
<td>Renewals – Stop Loss</td>
<td>9</td>
<td>9</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Claims</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid – Accident</td>
<td>103</td>
<td>76</td>
<td>73.8%</td>
</tr>
<tr>
<td>Paid – Stop Loss</td>
<td>32</td>
<td>32</td>
<td>100%</td>
</tr>
<tr>
<td>CWP – Accident</td>
<td>65</td>
<td>65</td>
<td>100%</td>
</tr>
<tr>
<td>CWP – Stop Loss</td>
<td>0</td>
<td>0</td>
<td>N/A</td>
</tr>
</tbody>
</table>
V. FINDINGS

A. Operations and Management

   No violations were noted.

B. Complaint Handling

   1. Department of Insurance Complaints

      No violations were noted.

   2. Consumer Complaints

      No review occurred since the Company reported no consumer complaints.

C. Marketing and Sales

   No violations were noted.

D. Producer Review

   1. Producer Licensing

      No violations were noted.

   2. Producer Terminations

      No violations were noted.

E. Risk Selection

   1. Cancellations – Accident

      No review occurred since the Company reported no cancellations.

   2. Cancellations – Stop Loss

      No review occurred since the Company reported no cancellations.

   3. Nonrenewals – Accident

      No violations were noted.

   4. Nonrenewals – Stop Loss

      No violations were noted.
5. Rescissions

   No review occurred since the Company reported no rescissions.

F. Underwriting and Rating

1. Accident – New Business

   No violations were noted.

2. Stop Loss – New Business

   No violations were noted.

3. Accident – Renewals

   No violations were noted.

4. Stop Loss – Renewals

   No violations were noted.

G. Claims

1. Accident – Paid

   In 26 claims, the Company failed to provide a written explanation of delay within 45
days as required by 50 Ill. Adm. Code 919.70(a)(2).

   In four (4) claims, the Company failed to pay within 30 days of receipt of the proofs of
loss as required by 215 ILCS 5/357.9.

   In three (3) claims, the Company did not include the Notice of Availability of the
Department of Insurance in the delay letter as required by 50 Ill. Adm. Code
919.70(a)(2).

2. Stop Loss – Paid

   No violations were noted.

3. Accident – Closed Without Payment

   For 12 claims, the Company either did not provide a delay letter or the delay letter did
not include the Notice of Availability of the Department of Insurance as required by 50
In seven (7) claims, the Company failed to acknowledge with reasonable promptness pertinent communications as required by 215 ILCS 5/154.6(b).

In 16 claims, the Company failed to either provide denial letters, to deny claims timely or provide denial letters with the Notice of Availability of the Department of Insurance as required by 50 Ill. Adm. Code 919.50(a)(1).

In nine (9) claims, the Company failed to maintain detailed documentation in the claim file in order to permit reconstruction of the Company’s activities as required by 50 Ill. Adm. Code 919.30(c).

4. Stop Loss – Closed Without Payment

No review occurred since the Company reported no stop loss CWP claims.
STATE OF SOUTH CAROLINA

COUNTY OF LEXINGTON

Timothy R. Nutt, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In-Charge to examine the insurance business and affairs of National Union Fire Insurance Company of Pittsburgh Pennsylvania, (the "Company"), NAIC #19445;

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.

Subscribed and sworn to before me this 2nd day of December, 2017.

Timothy R. Nutt
Examiner-In-Charge

Teresa E. Asbury
Notary Public
Commission Expires: 11/16/2027
STIPULATION AND CONSENT ORDER

WHEREAS, the Director of the Illinois Department of Insurance ("Department") is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, National Union Fire Insurance Company of Pittsburgh, Pa. ("the Company"), NAIC 19445, is authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by a duly qualified examiner of the Department pursuant to Sections 132, 401, 402, 403, and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403, and 5/425); and

WHEREAS, as a result of the Market Conduct Examination, the Department examiner filed a Market Conduct Examination Report which is an official document of the Department; and

WHEREAS, the Market Conduct Examination Report cited various areas in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Department Regulations (50 Ill. Adm. Code 101 et seq.); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407, and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and
WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS AGREED by and between the Company and the Director as follows:

1. The Market Conduct Examination indicated various areas in which the Company was not in compliance with provisions of the Illinois Insurance Code and Department Regulations; and

2. The Director and the Company consent to this Order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. Institute and maintain policies and procedures whereby the Company shall provide the insured or beneficiary, when applicable, a reasonable written explanation for delay, accompanied by a "Notice of Availability of the Department of Insurance," when a claim remains unresolved for 45 days from the date it is reported as required by 50 Ill. Adm. Code 919.70(a)(2).

2. Institute and maintain policies and procedures whereby the Company shall acknowledge with reasonable promptness pertinent communications with respect to all claims arising under its policies as required by 215 ILCS 5/154.6(b).

3. Institute and maintain policies and procedures whereby the Company shall provide the insured or insured's beneficiary a reasonable written explanation of the basis for the denial within 30 days after the investigation and determination of liability is completed and provide a "Notice of Availability of the Department of Insurance" on denied claims as required by 50 Ill. Adm. Code 919.50(a)(1).

4. Institute and maintain policies and procedures whereby the Company shall maintain detailed documentation in a claim file in order to permit reconstruction of the Company's activities relative to the claim as required by 50 Ill. Adm. Code 919.30(c).

5. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above four (4) orders within 30 days of execution of this Order.

6. Pay to the Director of Insurance, State of Illinois, a civil forfeiture in the amount of $11,250.00 to be paid within 30 days of execution of this Order.
NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code including, but not limited to, levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA.

Signature

John Michael McPherson

Name

Director

Title

Subscribed and sworn to before me this 23rd day of April 2018.

Vincent J. Patalano

Notary Public

VINCENT J. PATALANO
Notary Public, State of New York
No. 01PA4987423
Qualified in New York County
Commission Expires October 15, 2021

DEPARTMENT OF INSURANCE of the State of Illinois:

DATE 4/18/18

Jennifer Hamelle

Director