

**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

In re:)
) Examination No. 0812-24-TGT
National General Assurance Company (NAIC #42447))
New South Insurance Company (NAIC #12130))
National General Insurance Company (NAIC #23728))

ORDER OF THE DIRECTOR

NOW, on this 27TH day of JANUARY, 2012, Director John M. Huff, after consideration and review of the market conduct examination reports of National General Assurance Company (NAIC #42447), (hereafter referred to as "NGAC"), New South Insurance Company (NAIC #12130) (hereinafter referred to as "New South"), and National General Insurance Company (NAIC #23728) (hereinafter referred to as "NGIC"), reports numbered 0812-24-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulations of Settlement ("Stipulations"), does hereby adopt such reports as filed. After consideration and review of the Stipulations, reports, relevant work papers, and any written submissions or rebuttals, the findings and conclusions of such reports are deemed to be the Director's findings and conclusions accompanying this order pursuant to §374.205.3(4), RSMo.

This order, issued pursuant to §§374.205.3(4) and 374.280, RSMo and §374.046.15, RSMo (Cum. Supp. 2010), is in the public interest.

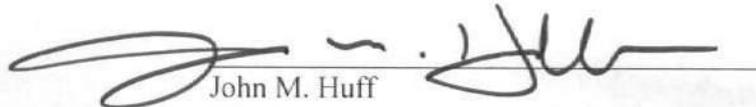
IT IS THEREFORE ORDERED that, NGAC, New South, NGIC, and the Division of Insurance Market Regulation having agreed to the Stipulations, the Director does hereby approve and agree to the Stipulations.

IT IS FURTHER ORDERED that NGAC, New South, and NGIC shall not engage in any of the violations of law and regulations set forth in the Stipulations and shall implement procedures to place the Companies in full compliance with the requirements in the Stipulations and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that NGAC shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$2,000, payable to the Missouri State School Fund, and NGIC shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$5,000, payable to the Missouri State School Fund.

IT IS SO ORDERED.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of my office in Jefferson City, Missouri, this 27th day of JANUARY, 2012.


John M. Huff
Director



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: National General Insurance Company
500 W. Fifth Street
Winston-Salem, NC 27102

RE: National General Insurance Company (NAIC #23728)
Missouri Market Conduct Examination #0812-24-TGT

**STIPULATION OF SETTLEMENT
AND VOLUNTARY FORFEITURE**

It is hereby stipulated and agreed by John M. Huff, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration, hereinafter referred to as "Director," and National General Insurance Company (NAIC #23728), (hereafter referred to as "NGIC"), as follows:

WHEREAS, John M. Huff is the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereafter referred to as "the Department"), an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, NGIC has been granted a certificate of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the Department conducted a Market Conduct Examination of NGIC and prepared report number 0812-24-TGT; and

WHEREAS, the report of the Market Conduct Examination revealed that:

1. While preparing for the examination, NGIC self reported a systematic error

regarding failure to correctly apply the "OnStar" discount for bodily injury and property damage coverage and refunded premium overcharges totaling \$109,519.00;

2. In seventeen instances, NGIC applied incorrect model year factors to collision computations for motorcycles of model years 1999 or later in violation of 20 CSR 500-4.100(1);

3. In one instance, NGIC failed to document the reason for claim payment delay in a private passenger auto claim file in violation of §374.205.2(2) RSMo, and 20 CSR 100-8.040(3)(B);

4. In nineteen instances, NGIC incorrectly advised claimants, in writing, that NGIC had the right of recovery or subrogation regarding medical payment on private passenger auto claims in violation of §§375.1007(1), 375.936 (6) (a) RSMo, 20 CSR 100-1.020(1), 20 CSR 100-8.040, and 20 CSR 500-2.100(2)(C) & (G) (1);

5. In two instances, NGIC failed to disclose all pertinent benefits and coverage to private passenger auto – medical payments – paid claimants in violation of §§375.1007(1), 375.936 (6) (a) RSMo, 20 CSR 100-1.020(1), 20 CSR 100-8.040, and 20 CSR 500-2.100(2)(C) & (G) (1);

6. In one instance, NGIC overpaid a claim by exceeding the medical payments limit in violation of §§375.1007(1), 375.936 (6) (a) RSMo, 20 CSR 100-1.020(1), 20 CSR 100-8.040, and 20 CSR 500-2.100(2)(C) & (G) (1);

7. In twenty four instances, NGIC failed to maintain a copy of the total loss tax credit affidavit in private passenger auto claim files in violation of §§144.027, 374.205, RSMo and 20 CSR 100-8.040;

8. In one instance, NGIC failed to maintain a copy of the vehicle salvage title in a claim file in violation of §301.227 RSMo;

9. In ten instances, NGIC incorrectly advised claimants, in writing, that NGIC had the right of recovery or subrogation regarding medical payment on private passenger auto claims in violation of §§ 375.1007(1), 375.936 (6) (a) RSMo, 20 CSR 100-1.020(1), 20 CSR 100-8.040, and 20 CSR 500-2.100(2)(C) & (G) (1);

10. In one instance, NGIC failed to disclose all pertinent benefits and coverage to a private passenger auto – medical payments – CWP claimant in violation of §§ 375.1007(1), 375.936 (6) (a) RSMo, 20 CSR 100-1.020(1), 20 CSR 100-8.040, and 20 CSR 500-2.100(2)(C) & (G) (1);

11. In one instance, NGIC failed to conduct a reasonable investigation regarding application of medical payment coverage in violation of §§375.1007 (6), 375.936 (6) (a), and 20

CSR 100-1.050 (1) (A) & (C) and (5);

12. In one instance, NGIC incorrectly advised a claimant, in writing, that NGIC had the right of recovery or subrogation regarding medical payment on a motorcycle claim in violation of §§375.1007(1), 375.936(6)(a) RSMo, 20 CSR 100-1.020(1), 20 CSR 100-8.040, and 20 CSR 500-2.100(2)(C) & (G) (1); and

13. In two instances, NGIC failed to maintain a copy of the total loss tax credit affidavit in RV, camper and travel trailer claim files which violated §§144.027, 374.205, RSMo and 20 CSR 100-8.040.

WHEREAS, NGIC hereby agrees to take remedial action bringing it into compliance with the statutes and regulations of Missouri and agrees to maintain those corrective actions at all times, to reasonably assure that the errors noted in the above-referenced market conduct examination reports do not recur.

WHEREAS, NGIC shall pay interest at 9% per annum to the policyholders on claim numbers 8596499 and 8635340, the interest to run beginning on the claim settlement date and ending on the date the claim was paid in full.

WHEREAS, NGIC shall review 1) all private passenger auto – medical payments -- paid claims dated January 1, 2007 to the date a final order is entered in this matter to determine if any claimants were underpaid, 2) all private passenger auto – medical payments – CWP claims dated January 1, 2007 to the date a final order is entered in this matter to determine if any claimants were underpaid, and 3) all motorcycle medical payments paid claims dated January 1, 2007 to the date a final order is entered in this matter to determine if any claimants were underpaid. If any claims should have been paid, the Company must issue any payments that are due to the claimants, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required pursuant to §408.020 RSMo. In addition, if NGIC collected any subrogation as a result of medical payment coverage, that money shall be paid to the insured, bearing in mind that an additional payment of nine per cent (9%) interest per annum is also required. A letter must be included with the payments indicating that “as a result of a Missouri Market Conduct Examination” it was found that additional payment was owed on the claims. Additionally, evidence must be provided to the Department that such payments have been made within 90 days after the date of the order finalizing this examination.

WHEREAS, NGIC shall develop a survey to be sent to private passenger auto total loss

claimants and RV, camper, travel trailer total loss claimants to ascertain whether or not they actually received the sales tax affidavit, as required by §144.027.1, RSMo, within 180 days of the date of payment by NGIC on the claim.

The survey shall be sent to all private passenger auto total loss claimants and RV, camper, travel trailer total loss claimants from January 1, 2007 to the date a final order is entered in this matter. The survey does not need to be sent to claimants whose signed written responses to communications from the Company have already been provided to the Department.

This survey must request information including, but not limited to, the following: (a) whether the claimant received the sales tax affidavit; (b) if the claimant did receive one, the date upon which they received it; (c) whether the claimant replaced the total loss vehicle; (d) whether the claimant used the sales tax affidavit; and (e) if the claimant used the affidavit, (i) the date on which it was used; (ii) the number of days the affidavit provided to the claimant to claim the credit after the date of the total loss determination to the date of the purchase of a replacement auto; and (iii) the amount of credit provided to the claimant on the affidavit. It should include a blank copy of Missouri sales tax affidavit that would have been issued or sent to the claimant.

The survey must be reviewed and approved by the Department prior to its use. Once the survey is completed and responses are received by the Company, the Company must submit a report including information on who received the survey, who responded, copies of responses, who it paid, how much it paid the individual, the date paid, and the aggregate amount paid out. This detailed information should be included in a report to the DIFP within 120 days after a final order closing this exam is entered by the Director.

WHEREAS, NGIC, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, NGIC hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0812-24-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$5,000.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of NGIC to transact the business

of insurance in the State of Missouri or the imposition of other sanctions, NGIC does hereby voluntarily and knowingly waive all rights to any hearing, does consent to undertake the corrective actions set forth in this Stipulation, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$5,000, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: Jan 19, 2012



President
National General Insurance Company

GMAC Insurance

October 26, 2011

Department of Insurance Financial Institutions & Professional Registration
301 West High Street, Room 530
PO Box 690
Jefferson City, MO 65102-0690

Attn: Stewart Freilich, Legal Counsel

RE: Missouri Market Conduct Examination #0812-24-TGT
National General Insurance Company (NAIC #23728)
National General Assurance Company (NAIC #42447)
New South Insurance Company (NAIC #12130)

Dear Mr. Freilich:

We hereby acknowledge receipt of your letter dated October 3, 2011 and the Draft Market Conduct Examination reports for the above captioned companies.

We have reviewed the report. Please see our summary of responses below for each company.

National General Assurance Company (NAIC # 42447) report:

- *In one instance, the Company failed to return the insured's deductible after a successful subrogation recovery, resulting in an underpayment of \$822.62.*

Summary of the Company's Response: We agree we failed to return the deductible and have refunded the insured including the applicable interest.

- *In one instance, National General failed to disclose availability of uninsured motorist coverage and benefits to the insured, resulting in an underpayment of \$647.*

Summary of the Company's Response: We agree with this error, the insured was contacted and opted to present a claim and a settlement was reached for this amount.

- *In six instances, the Company failed to maintain a copy of the total loss tax credit affidavit in the claim file as required.*

Summary of the Company's Response: We agree a copy of the tax credit affidavit forms were not included in the claims file, although in 4 instances we are confident that each customer was given a sales tax affidavit since there are references in each claim referring to the form or process. In the other 2 instances, we have confirmed that the customer opted to not purchase a replacement vehicle within 180 days.

New South Insurance Company (NAIC # 12130) report:

- *In one instance, the Company applied both a comprehensive and collision deductible, resulting in a \$120.50 underpayment.*

Summary of the Company's Response: We agree the final settlement was miscalculated and a refund of \$120.50 including applicable interest was issued.

- *In 15 instances, New South failed to maintain a copy of the total loss tax credit affidavit in the claim file as required.*

Summary of the Company's Response: We agree a copy of the tax credit affidavit forms were not included in the claims file, although we are confident that each customer was given a sales tax affidavit since there are references in each claim referring to the form or process.

National General Insurance Company (NAIC # 23728) report:

- *National General failed to apply a discount factor to automobile bodily injury and property damage coverages, resulting in premium overcharges for eligible insureds. This self reported systematic error affected 1,175 policies. Refunds of \$109,519, with interest were made.*

Summary of the Company's Response: We agree. This systematic error was self reported, corrected and refunds issued. We researched and verified this error affected only Missouri customers in our National General Insurance Company private passenger auto program.

- *In 17 instances, the Company failed to apply correct model year factors to collision coverage computations, resulting in premium undercharges of \$120 for motorcycles of model years 1999 and later. This systematic error affected 360 policies, totaling 1000 undercharges with an average of \$12 per motorcycle.*

Summary of the Company's Response: We agree. This systematic error was corrected, with no rate impact to the policies affected. This error affected only Missouri customers in our National General Insurance Company motorcycle program. Please note that 2 of the 17 policies listed have a typographical error in the effective date listed in the report.

- a. 0651731M02- s/b 09/16/2008
- b. 1578132M01- s/b 07/16/2008

- *In 30 instances, the Company incorrectly advised claimants in writing that National General had the right of recovery or subrogation regarding payments made in relation to medical payments coverage, resulting in claim underpayments of \$2,104.*

Summary of the Company's Response: We agree that the incorrect form letter was sent in these 30 instances. The underpayment of \$2,104 was for 2 of the 30 instances; the other 28 instances did not result in an underpayment.

- *In three instances, National General failed to disclose that complete medical payments coverage was available despite the claimants being covered by other medical/health coverage, resulting in claim underpayments of \$6,683. The Company coordinated medical payments with the other medical/health coverage and paid only copayments, coinsurance, or deductibles.*

Summary of the Company's Response: We agree that in these isolated instances, the full medical benefits were not disclosed and the underpayments were refunded including interest.

GMAC **Insurance**

- *In one instance, the Company exceeded the medical payments limit, resulting in a claim overpayment of \$3,516.*

Summary of the Company's Response: We agree that an overpayment was made for medical payments due to the claim rep had originally overlooked a medical lien that we were obligated to pay, resulting in exceeding the medical payments limit.

- *In one instance, National General failed to conduct a reasonable investigation regarding the application of medical payments coverage, resulting in an underpayment of \$194.*

Summary of the Company's Response: We agree that the medical bill was overlooked and the underpayment was refunded including applicable interest.

- *In 26 instances, the Company failed to maintain a copy of the total loss tax credit affidavit in the claim file as required.*

Summary of the Company's Response: We agree a copy of the tax credit affidavit forms were not included in the claims file, although we are confident that each customer was given a sales tax affidavit since there are references in each claim referring to the form or process.

- *In one instance, National General failed to maintain an automobile claim file so as to clearly document the inception, handling and disposition of the claim.*

Summary of the Company's Response: We agree there were delays in the processing of the claim that were not clearly documented in the claim file.

- *In one instance, the Company failed to retain a copy of the total loss salvage title in the claim file as required.*

Summary of the Company's Response: We agree the copy was not in the claims file although the proper Salvage Title was secured as part of the Salvage/Auction process.

If you have any questions please contact me via phone at 1-800-526-0332, ext. 52935 or via email at Rene.Treadaway@GMACInsurance.com.

Sincerely,



René Treadaway

Compliance Manager

GMAC Insurance

(336) 435-2935

800-526-0332, ext. 52935

Rene.Treadaway@GMACInsurance.com

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION



FINAL MARKET CONDUCT EXAMINATION REPORT
Of the Property and Casualty Business of
National General Insurance Company
NAIC # 23728

MISSOURI EXAMINATION # 0812-24-TGT

NAIC EXAM TRACKING SYSTEM # MO268- M92

January 23, 2012

Home Office
500 W. Fifth Street
Winston-Salem, NC 27102

TABLE OF CONTENTS

FOREWORD..... 3

SCOPE OF EXAMINATION 4

COMPANY PROFILE 5

EXECUTIVE SUMMARY 6

EXAMINATION FINDINGS..... 8

I. SALES AND MARKETING 8

 A. Licensing of Agents, Agencies, and Brokers 8

 B. Marketing Practices 8

II. UNDERWRITING AND RATING PRACTICES..... 9

 A. Forms and Filings..... 10

 B. Underwriting and Rating 10

 C. Cancellations, Non-Renewals, Rescissions, and Declinations 13

III. CLAIMS PRACTICES 14

 A. Claims Time Studies..... 15

 B. Unfair Settlement and General Handling Practices 25

 C. Practices Not in the Best Interest of Consumers..... 43

IV. COMPLAINTS 44

V. CRITICISMS AND FORMAL REQUESTS TIME STUDY 45

 A. Criticism Time Study 45

 B. Formal Request Time Study 45

EXAMINATION REPORT SUBMISSION Error! Bookmark not defined.

FOREWORD

This is a targeted market conduct examination report of National General Insurance Company, (NAIC Code # 23728). This examination was conducted at the DIFP offices located in St. Louis, Missouri.

This examination report is generally a report by exception. However, failure to criticize specific practices, procedures, products, or files does not constitute approval thereof by the DIFP.

During this examination, the examiners cited errors made by the Company. Statutory citations were as of the examination period unless otherwise noted.

When used in this report:

- "Company" or "National General" refers to National General Insurance Company;
- "CSR" refers to the Missouri Code of State Regulation;
- "DIFP" refers to the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Director" refers to the Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration;
- "Division" refers to the Department of Labor, Division of Workers' Compensation;
- "NAIC" refers to the National Association of Insurance Commissioners;
and
- "RSMo" refers to the Revised Statutes of Missouri.

SCOPE OF EXAMINATION

The DIFP has authority to conduct this examination pursuant to, but not limited to, §§374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

The purpose of this examination was to determine if the Company complied with Missouri statutes and DIFP regulations and to consider whether the Company's operations are consistent with the public interest. The primary period covered by this review is January 1, 2008, through July 31, 2010, unless otherwise noted. Errors outside of this time period discovered during the course of the examination, however, may also be included in the report.

The examination was a targeted examination involving the following business functions and lines of business: claims, complaints, underwriting, and terminations for private passenger automobiles, motorcycles, recreational vehicles, campers and travel trailer policies.

The examination was conducted in accordance with the standards in the NAIC's *Market Regulation Handbook*. As such, the examiners utilized the benchmark error rate guidelines from the *Market Regulation Handbook* when conducting reviews that applied a general business practice standard. The NAIC benchmark for underwriting and trade practices is 10%. The NAIC benchmark error rate for claims practices is seven percent (7%). Error rates exceeding these benchmarks are presumed to indicate a general business practice. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard.

In performing this examination, the examiners only reviewed a sample of the Company's practices, procedures, products and files. Therefore, some noncompliant practices, procedures, products and files may not have been discovered. As such, this report may not fully reflect all of the practices and procedures of the Company. As indicated previously, failure to identify or criticize improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

COMPANY PROFILE

The following company profile was provided to the examiners by the Company.

In the 1990's both Integon Corporation and National General were bought by GMAC and became part of GMAC Insurance for personal lines insurance. In March 2010, GMAC Insurance Personal Lines group was acquired by American Capital Acquisitions Corporation (ACAC).

Integon began operations in 1920 as Security Life and Trust Company and was based in Winston-Salem, NC. The company's entrance into the property and casualty insurance arena began in the 1960's and marked its initial development of its independent agency market. National Insurance Underwriters (NIU) in St. Louis, MO was founded in 1945 to serve the aviation industry. In the early 1950's it expanded its product line to automobile insurance. In 1953 it began its long-standing association with the affinity business through Direct agents.

Integon Corp. acquired New South Insurance Company (a company originally incorporated in 1952) from Wachovia Corp.'s Pension Trust in 1976. In 1966 a new stock company was formed, National General Insurance Company. National General Assurance Company was later formed in 1983.

The Company is licensed in all 50 states and the District of Columbia. Its products are distributed primarily through Direct Sales agents and traditional Agency channels.

The Company is licensed by the DIFP under Chapter 379, RSMo, to write property and casualty insurance in Missouri as set forth in its Certificate of Authority.

EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of National General Insurance Company. The examiners found the following principal areas of concern:

- National General failed to apply a discount factor to automobile bodily injury and property damage coverages, resulting in premium overcharges for eligible insureds. This self reported systematic error affected 1,175 policies. Refunds of \$109,519, with interest, were made.
- In 17 instances, the Company failed to apply correct model year factors to collision coverage computations, resulting in premium undercharges of \$210 for motorcycles of model years 1999 and later. This systematic error affected 360 policies, totaling 1,000 undercharges with an average of \$12 per motorcycle.
- In 30 instances, the Company incorrectly advised claimants in writing that National General had the right of recovery or subrogation regarding payments made in relation to medical payments coverage, resulting in claim underpayments of \$2,104.
- In three instances, National General failed to disclose that complete medical payments coverage was available despite the claimants being covered by other medical/health coverage, resulting in claim underpayments of \$6,683. The Company coordinated medical payments with the other medical/health coverage and paid only copayments, coinsurance, or deductibles.
- In one instance, the Company exceeded the medical payments limit, resulting in a claim overpayment of \$3,516.
- In one instance, National General failed to conduct a reasonable investigation regarding the application of medical payments coverage, resulting in an underpayment of \$194.
- In 26 instances, the Company failed to maintain a copy of the total loss tax credit affidavit in the claim file as required.
- In one instance, National General failed to maintain an automobile claim file so as to clearly document the inception, handling and disposition of the claim.
- In one instance, the Company failed to retain a copy of the total loss salvage title in the claim file as required.

The examiners requested that the Company make refunds concerning underwriting premium overcharges and claim underpayments found for amounts greater than \$5.00 during the examination if any were found.

Various non-compliant practices were identified, some of which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business according to the Missouri insurance laws and regulations. When applicable, corrective action for other jurisdictions should be addressed.

EXAMINATION FINDINGS

I. SALES AND MARKETING

In this section of the report, the examiners report their findings regarding how the Company complied with the laws that monitor sales and marketing practices. Due to time and cost restraints, examiners reviewed a sample of the Company's licensing records and marketing materials.

The examiners discovered no errors during this review.

A. Licensing of Agents, Agencies, and Brokers

Missouri law requires the company to sell insurance products through individuals and entities that hold a current license from the DIFP. The purpose of a license is to protect the public by providing competent and trustworthy agents, brokers, and agencies.

During underwriting and rating reviews, examiners documented agencies, agents, and brokers involved in producing the business. The examiners randomly verified that the entities were properly licensed.

The examiners discovered no errors during this review.

B. Marketing Practices

National General markets its products through an independent agency system, direct response system, and affinity group distribution. Missouri law requires producers to be truthful and provide adequate disclosure while selling the insurance products.

The examiners discovered no errors during this review.

The Company also provides information about its products through the Internet where the Company maintains a web site at gmacinsurance.com. The examiners discovered no discrepancies when the examiners reviewed the site.

II. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. These practices included the use of policy forms, adherence to underwriting guidelines, assessment of premium, and procedures to decline or terminate coverage. Examiners reviewed how the Company handled new and renewal policies to ensure that the Company underwrote and rated risks according to their own underwriting guidelines, filed rates, and Missouri statutes and regulations.

Because of the time and cost involved in reviewing each policy/underwriting file, the examiners utilize sampling techniques in conducting compliance testing. A policy/underwriting file is determined in accordance with 20 CSR 100-8.040 and the NAIC Market Regulation Handbook. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.930 – 375.948 and §375.445) and compared with the NAIC benchmark error rate of ten percent (10%). Error rates in excess of the NAIC benchmark error rate are presumed to indicate a general practice contrary to the law. Error rates indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

The examiners requested the Company's underwriting and rating manuals for the line of business under review. This included all rates, guidelines, and rules that were in effect on the first day of the examination period and at any point during that period to ensure that the examiners could properly rate each policy reviewed.

The examiners also reviewed the Company's procedures, rules, and forms filed by or on behalf of the Company with the DIFP. The examiners randomly selected the policies for review from a listing furnished by the Company.

The examiners also requested a written description of significant underwriting and rating changes that occurred during the examination period for underwriting files that were maintained in an electronic format.

An error can include, but is not limited to, any miscalculation of the premium based on the information in the file, an improper acceptance or rejection of an application, the misapplication of the Company's underwriting guidelines, incomplete file information preventing the examiners from readily ascertaining the Company's rating and underwriting practices, and any other activity indicating a failure to comply with Missouri statutes and regulations.

A. Forms and Filings

The examiners reviewed the Company's policy and contract forms to determine its compliance with filing, approval, and content requirements to ensure that the contract language is not ambiguous or misleading and is adequate to protect the insured.

B. Underwriting and Rating

The examiners reviewed applications for coverage that were issued, modified, or declined by the Company to determine the accuracy of rating and adherence to prescribed and acceptable underwriting criteria.

The following are the results of the reviews:

1. Private Passenger Automobile

Field Size: 9,346
Sample Size: 50
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Errors not included in ratio

While preparing for the examination but prior to commencement of the underwriting review, National General self reported to the examiners a systematic error the Company discovered regarding failure to correctly apply the "OnStar" discount factor for bodily injury and property damage coverages. This error resulted in premium overcharges for insureds eligible for the "OnStar" discount.

The examination warrant for National General was issued on December 10, 2008. The examination commenced on November 29th, 2010. Data submissions from the Company were completed on January 31st, 2011. National General revealed the "OnStar" error to the examiners on March 22, 2011. The time period the systematic

error occurred was from August 28, 2005 through November 21, 2010 for new business and renewal policies.

The number of policies eligible for the "OnStar" discount was 3,990. National General identified 1,175 new business and renewal policies that were impacted by the systematic error. The Company refunded premium overcharges, totaling \$109,519. The refunded premium included interest charges totaling \$23,137 at 9% per annum.

2. Motorcycle

Field Size: 665
Sample Size: 50
Type of Sample: Random
Number of Errors: 17
Error Ratio: 34%

Within DIFP Guidelines: No

The examiners discovered the following errors during this review.

In 17 instances, the Company applied incorrect model year factors to collision computations, resulting in premium undercharges for motorcycles of model years 1999 and later.

<u>Policy Number</u>	<u>Policy Effective Date</u>	<u>Premium Undercharge</u>
0007863M02	11/21/2009	\$ 8.00
0651731M02	06/16/2008	10.00
0793075M01	09/28/2009	7.00
1298045M03	06/12/2009	10.00
1358139M04	04/05/2008	20.00
1369602M01	03/25/2008	20.00
1369602M01	03/25/2009	20.00
1369602M01	03/25/2010	7.00
1423610M02	04/04/2009	12.00
1515967M03	06/11/2010	11.00
1529979M01	06/20/2009	12.00

<u>Policy Number</u>	<u>Policy Effective Date</u>	<u>Premium Undercharge</u>
1578132M01	07/19/2008	11.00
1650582M02	06/13/2008	7.00
1927967M02	07/11/2010	14.00
2172524M01	03/15/2008	10.00
0001845M04	07/08/2009	16.00
0001845M04	07/08/2010	<u>15.00</u>

Total \$ 210.00

Reference: 20 CSR 500-4.100(1).

The Company agreed that this systematic computation error had resulted in undercharges for motorcycle collision coverage. The time frame of the error was October 1, 2005 through June 13, 2011 for new business and through July 13, 2011 for renewals. The error affected 360 policies, 829 policy terms, and 447 motorcycles.

The Company provided a listing of policy terms and motorcycles that totaled 1,000 entries. According to National General, the average undercharge was \$12.00 per entry, resulting in approximately \$12,000 total premium undercharges. However, no specific premium undercharge amounts were furnished to the examiners on per policy term or motorcycle basis.

3. Recreational Vehicles, Travel Trailers, and Campers

Field Size: 4,211

Sample Size: 50

Type of Sample: Random

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

C. Cancellations, Non-Renewals, Rescissions, and Declinations

The examiners reviewed policies that the carrier terminated at or before the scheduled expiration date of the policies and policies that were rescinded by the Company after the effective date of the policy.

The following are the results of the reviews:

1. Private Passenger Automobile – Cancellations, Non-Renewals, & Declinations

Field Size: 1,316
Sample Size: 50
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Motorcycle – Cancellations, Non-Renewals, & Declinations

Field Size: 70
Sample Size: 50
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Recreational Vehicles, Travel Trailers, and Campers – Cancellations, Non-Renewals, & Declinations

Field Size: 400
Sample Size: 50
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

III. CLAIMS PRACTICES

This section of the report is designed to provide a review of the Company's claims handling practices. Examiners reviewed how the Company handled claims to determine the timeliness of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and regulations.

To minimize the duration of the examination, while still achieving an accurate evaluation of claim practices, the examiners reviewed a statistical sampling of the claims processed. The examiners requested a listing of claims paid and claims closed without payment during the examination period for the line of business under review. The review consisted of Missouri claims selected from a listing furnished by the Company with a date of closing from January 1, 2008, through July 31, 2010.

A claim file is determined in accordance with 20 CSR 100-8.040 and the NAIC *Market Regulation Handbook*. Error rates are established when testing for compliance with laws that apply a general business practice standard (e.g., §§375.1000 – 375.1018 and §375.445) and compared with the NAIC benchmark error rate of seven percent (7%). Error rates in excess of the NAIC or statutory benchmark error rate[s] are presumed to indicate a general business practice contrary to the law. Errors indicating a failure to comply with laws that do not apply the general business practice standard are separately noted as errors and are not included in the error rates.

A claim error includes, but is not limited to, any of the following:

- An unreasonable delay in the acknowledgement of a claim.
- An unreasonable delay in the investigation of a claim.

- An unreasonable delay in the payment or denial of a claim.
- A failure to calculate claim benefits correctly.
- A failure to comply with Missouri law regarding claim settlement practices.

The examiners reviewed the claim files for timeliness. In determining timeliness, examiners looked at the duration of time the Company used to acknowledge the receipt of the claim, the time for investigation of the claim, and the time to make payment or provide a written denial.

Missouri statutes require the Company to disclose to first-party claimants all pertinent benefits, coverage or other provisions of an insurance policy under which a claim is presented. Claim denials must be given to the claimant in writing, and the Company must maintain a copy in its claim files.

A. Claims Time Studies

To test for compliance with timeliness standards, the examiners reviewed claim records and calculated the amount of time taken by the Company for claims processing. They reviewed the Company's claims processing practices relating to (1) the acknowledgement of receipt of notification of claims; (2) the investigation of claims; and (3) the payment of claims or the providing of an explanation for the denial of claims.

DIFP regulations require companies to abide by the following parameters for claims processing:

- Acknowledgement of the notification of a claim must be made within 10 working days.
- Completion of the investigation of a claim must be made within 30 calendar days after notification of the claim. If more time is needed, the Company must notify the claimant and send follow-up letters every 45 days.
- Payment or denial of a claim must be made within 15 working days after investigation of the claim is complete.

The following are the results of the reviews:

Private Passenger Automobile

1. Private Passenger Automobile – Comprehensive - Paid

Field Size: 358

Sample Size: 100

Type of Sample: Random

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Private Passenger Automobile – Collision - Paid

Field Size: 2,265

Sample Size: 50

Type of Sample: Random

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Private Passenger Automobile – Medical Payments - Paid

Field Size: 143

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

4. Private Passenger Automobile – UM - Paid

Field Size: 49
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

5. Private Passenger Automobile – UIM - Paid

Field Size: 3
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

6. Private Passenger Automobile – Total Losses

Field Size: 177
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

7. Private Passenger Automobile – Subrogation

Field Size: 103
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

8. Private Passenger Automobile – Comprehensive - CWP

Field Size: 107
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

9. Private Passenger Automobile – Collision - CWP

Field Size: 378
Sample Size: 50
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

10. Private Passenger Automobile – Medical Payments - CWP

Field Size: 102
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

11. Private Passenger Automobile – UM - CWP

Field Size: 25
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

12. Private Passenger Automobile – UIM - CWP

Field Size: 8
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Motorcycle

1. Motorcycle – Comprehensive - Paid

Field Size: 8

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Motorcycle – Collision - Paid

Field Size: 15

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Motorcycle – Medical Payments - Paid

Field Size: 2

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

4. Motorcycle – UM - Paid

Field Size: 3

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

5. Motorcycle – UIM - Paid

Field Size: 3

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

6. Motorcycle – Total Losses

Field Size: 1

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

7. Motorcycle – Subrogation

Field Size: 2
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

8. Motorcycle – Comprehensive - CWP

Field Size: 2
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

9. Motorcycle – UM - CWP

Field Size: 2
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Recreation Vehicles, Campers, & Travel Trailers

1. Recreation Vehicles, Campers, & Travel Trailers – Comprehensive - Paid

Field Size: 287
Sample Size: 50
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Recreational Vehicles, Campers, & Travel Trailers – Collision - Paid

Field Size: 103
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Recreational Vehicles, Campers, & Travel Trailers – Medical Payments - Paid

Field Size: 1
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

4. Recreational Vehicles, Campers, & Travel Trailers – Total Losses

Field Size: 10

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

5. Recreational Vehicles, Campers, & Travel Trailers – Subrogation

Field Size: 6

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

6. Recreational Vehicles, Campers, & Travel Trailers – Comprehensive - CWP

Field Size: 73

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

7. Recreational Vehicles, Campers, & Travel Trailers – Collision - CWP

Field Size: 26
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

8. Recreational Vehicles, Campers, & Travel Trailers – Medical Payments – CWP

Field Size: 1
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

B. Unfair Settlement and General Handling Practices

In addition to the Claim Time Studies, examiners reviewed the Company's claim handling processes to determine compliance with contract provisions and adherence to unfair claims statutes and regulations. Whenever a claim file reflected that the Company failed to meet these standards, the examiners cited the Company for noncompliance.

The following are the results of the reviews:

Private Passenger Automobile

1. Private Passenger Automobile – Comprehensive - Paid

Field Size: 358
Sample Size: 100
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Not included in the Error Ratio

Also noted in the sample were the following errors, which are not included in the error ratio above:

Failure to maintain claim documentation

The Company failed to maintain the claim file so as to document the inception, handling and disposition of the claim. Specifically, the reason for claim payment delay was not detailed in the claim file.

References: §374.205.2(2) RSMo, and 20 CSR 100-8.040(3)(B).

<u>Claim No</u>	<u>Policy No</u>
8497090	1003024114A01

2. Private Passenger Automobile – Collision - Paid

Field Size: 2,264
Sample Size: 50
Type of Sample: Random

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Private Passenger Automobile – Medical Payments - Paid

Field Size: 143

Type of Sample: Census

Number of Errors: 22

Error Ratio: 15.4%

Within DIFP Guidelines: No

The examiners discovered the following errors during this review.

In 19 instances, the Company incorrectly advised claimants in writing that National General had the right of recovery or subrogation regarding payments made in relation to medical payments coverage. This statement may have prevented claimants from pursuing reimbursement for which they may have been legally entitled from a liable third party or other entity. Subrogation or recovery of medical payments is not permissible in Missouri.

<u>No</u>	<u>Claim No</u>	<u>Policy No</u>
1	8099122	1001573139A01
2	8325402	1001228238A02
3	8420347	1001484071A01
4	8427718	1003166445A03
5	8449316	1001405790A01
6	8453604	1003397630A01
7	8473252	1001327263A02
8	8503005	1002922167A02
9	8526799	1003166445A05
10	8526799	1003166445A05

<u>No</u>	<u>Claim No</u>	<u>Policy No</u>
11	8551189	1002198136A01
12	8553726	1001364384A02
13	8587752	1003177624A03
14	8652602	1001872323A01
15	8675837	1004009768A01
16	8675837	1004009768A01
17	8675837	1004009768A01
18	8731588	1001837371A02
19	8874660	1003526083A02

References: §§375.936(6)(a), 375.1007(1), RSMo., 20 CSR 100-1.020(1), 20 CSR 100-8.040, 20 CSR 500-2.100(2)(C) & (G)1, and Travelers Indemnity Co. v. Chumbley, 394 S.W. 2d 418 (Mo. App. 1965).

In two instances, the Company failed to disclose all pertinent benefits and coverage to the claimants. Specifically, National General failed to disclose that complete medical payments coverage was available despite the claimants being covered by other medical/health coverage. The Company coordinated medical payments with the other medical/health coverage and paid only copayments, coinsurance, or deductibles. These omissions resulted in the following underpayments:

<u>Claim No</u>	<u>Policy No</u>	<u>Underpayment</u>
8596499	1002648884A01	\$ 4,164.00
8635340	1003574820A01	<u>900.00</u>
	Total	\$ 5,064.00

The Company issued refunds in the amount of \$5,064.00 on 4/7/11 but need to include interest at 9% per annum beginning on the claim settlement date and ending on the date the claims are paid in full.

References: §§375.1007(1), 375.936(6)(a), 408.020, RSMo., 20 CSR 100-1.020(1), and 20 CSR 500-2.100(2)(C) & (G)1, and Travelers Indemnity Co. v. Chumbley, 394 S.W. 2d 418 (Mo. App. 1965).

In one instance, the Company overpaid the claim by exceeding the medical payments limit.

<u>Claim No</u>	<u>Policy No</u>	<u>Overpayment</u>
8974347	1003457739A01	\$ 3,516.45

References: §§375.1007(1) and 375.963(6)(a), RSMo.

Not included in the Error Ratio

Although not included in the error ratio listed above in this section of the report, the following claim adjudications were considered individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

In two instances, the Company failed to disclose all pertinent benefits and coverage to the claimants. Specifically, National General failed to disclose that complete medical payments coverage was available despite the claimants being covered by other medical/health coverage. The Company coordinated medical payments with the other medical/health coverage and paid only copayments, coinsurance, or deductibles. These omissions resulted in the following underpayments:

<u>Claim No</u>	<u>Policy No</u>	<u>Underpayment</u>
8596499	1002648884A01	\$ 4,164.00
8635340	1003574820A01	<u>900.00</u>
	Total	\$ 5, 064.00

The examiners request the Company issue refunds to include interest at 9% per annum beginning on the claim settlement date and ending on the date the claims are paid in full.

References: §§375.1007(4), 375.936(6)(a), 408.020, RSMo., 20 CSR 100-1.020(1), and 20 CSR 500-2.100(2)(C) & (G)1, and Travelers Indemnity Co. v. Chumbley, 394 S.W. 2d 418 (Mo. App. 1965).

4. Private Passenger Automobile – UM - Paid

Field Size: 49

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

5. Private Passenger Automobile – UIM - Paid

Field Size: 3

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

6. Private Passenger Automobile – Total Losses

Field Size: 178

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Errors not included in ratio

Although not included in the error ratio listed above in this section of the report, the following claim adjudications were considered individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

Failure to Maintain Sales Tax Affidavits

In 24 instances, the Company failed to maintain a copy of the total loss tax credit affidavit in the claim file as required.

<u>No</u>	<u>Claim No</u>	<u>Policy No</u>
1	8113461	1001578706A02
2	8271479	1001946115A02
3	8324161	1001405509A03
4	8344942	1002460425A01
5	8360948	1001995486A01
6	8386676	1002530479A02
7	8391355	1002716907A01
8	8425418	1002228761A01
9	8426688	1002764013A01
10	8427718	1003166445A03
11	8442305	1001283700A05
12	8455417	1003166728A01
13	8534990	1001221612A01
15	8595240	1003453928A01
16	8606528	1002477367A01
17	8640021	1003452120A01
18	8646401	1001606868A02
19	8658953	1002825457A01
20	8672179	1003110473A01
21	8679455	1003376227A02
22	8811771	1001502386A03
23	8882462	1004586197A02
24	8870460	1003109407A01

References: §§144.027, 374.205. RSMo, and 20 CSR 100-8.040.

Failure to Maintain Vehicle Salvage Titles

In one instance, the Company failed to retain copy of the vehicle salvage title as required.

<u>Claim No</u>	<u>Policy No</u>
8809147	1001423280A01

Reference: §301.227, RSMo.

7. Private Passenger Automobile – Subrogation

Field Size: 103

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

8. Private Passenger Automobile – Comprehensive - CWP

Field Size: 107

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

9. Private Passenger Automobile – Collision - CWP

Field Size: 378
Sample Size: 50
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

10. Private Passenger Automobile – Medical Payments - CWP

Field Size: 102
Type of Sample: Census
Number of Errors: 11
Error Ratio: 10.7%
Within DIFP Guidelines: No

The examiners discovered the following errors during this review.

In ten instances, the Company incorrectly advised claimants in writing that National General had the right of recovery or subrogation regarding payments made in relation to medical payments coverage. This statement may have prevented claimants from pursuing reimbursement for which they may have been legally entitled from a liable third party or other entity. Subrogation or recovery of medical payments is not permissible in Missouri. This error resulted in a \$1,089.60 underpayment that included \$349.79 interest at 9% per annum.

<u>No</u>	<u>Claim No</u>	<u>Policy No</u>	<u>Status</u>
1	8393263	1001592287A01	No treatment
2	8398680	1001258212A03	No treatment
3	8406057	1001606672A01	Submission pending
4	8420347	1001484071A01	Insured unresponsive

<u>No</u>	<u>Claim No</u>	<u>Policy No</u>	<u>Status</u>
5	8446723	1002426854A01	\$ 1,089.60 underpayment
6	8485720	1001240658A01	No treatment
7	8508618	1002298740A01	No treatment
8	8537655	1001511132A03	No treatment
9	8692823	1004043361A01	No treatment
10	8179779	1001376190A01	Insured unresponsive

References: §§375.936(6)(a), 375.1007(1), 408.020, RSMo., 20 CSR 100-1.020(1), 20 CSR 100-8.040, 20 CSR 500-2.100(2)(C) & (G)1, and Travelers Indemnity Co. v. Chumbley, 394 S.W. 2d 418 (Mo. App. 1965).

In one instance, the Company failed to disclose all pertinent benefits and coverage to the claimants. Specifically, National General failed to disclose that complete medical payments coverage was available despite the claimant being covered by other medical/health coverage. The Company coordinated medical payments with the other medical/health coverage and paid only copayments, coinsurance, or deductibles. This omission resulted in the following underpayment that included \$291.13 interest at 9% per annum.

<u>Claim No</u>	<u>Policy No</u>	<u>Underpayment</u>
8586578	1001424375A01	\$ 1,619.17

References: §§375.1007(1), 375.936(6)(a), 408.020, RSMo., 20 CSR 100-1.020(1), and 20 CSR 500-2.100(2)(C) & (G)1.

11. Private Passenger Automobile – Medical Payments - CWP

Field Size: 102

Type of Sample: Census

Number of Errors: 1

Error Ratio: 1%

Within DIFP Guidelines: Yes

The examiners discovered the following errors during this review.

In one instance, the Company failed to conduct a reasonable investigation regarding application of medical payment coverage. National General failed to contact the claimant or medical provider to obtain a detailed itemized medical billing needed for claim adjudication, resulting in an underpayment, including \$29 interest at 9% per annum.

<u>Claim No</u>	<u>Policy No</u>	<u>Underpayment</u>
8776625	1002728436A01	\$ 194.00

References: §§375.1007(6), 375.936(6)(a), 408.020, RSMo, and 20 CSR 100-1.050(1)(A) & (C) and (5).

Not included in the Error Ratio

Although not included in the error ratio listed above in this section of the report, the following claim adjudications were considered individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

In one instance, the Company failed to disclose all pertinent benefits and coverage to the claimants. Specifically, National General failed to disclose that complete medical payments coverage was available despite the claimant being covered by other medical/health coverage. The Company coordinated medical payments with the other medical/health coverage and paid only copayments, coinsurance, or deductibles. This omission resulted in the following underpayment that included \$291.13 interest at 9% per annum.

<u>Claim No</u>	<u>Policy No</u>	<u>Underpayment</u>
8586578	1001424375A01	\$ 1,619.17

References: §§375.1007(4), 375.936(6)(a), 408.020, RSMo., 20 CSR 100-1.020(1), and 20 CSR 500-2.100(2)(C) & (G)1.

In one instance, the Company failed to conduct a reasonable investigation regarding application of medical payment coverage. National General failed to contact the claimant or medical provider to obtain a detailed itemized medical billing needed for

claim adjudication, resulting in an underpayment, including \$29 interest at 9% per annum.

<u>Claim No</u>	<u>Policy No</u>	<u>Underpayment</u>
8776625	1002728436A01	\$ 194.00

References: §§375.1007(4), 375.936(6)(a), 408.020, RSMo, and 20 CSR 100-1.050(1)(A) & (C) and (5).

12. Private Passenger Automobile – UM - CWP

Field Size: 25

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

13. Private Passenger Automobile – UIM - CWP

Field Size: 8

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Motorcycle

1. Motorcycle – Comprehensive - Paid

Field Size: 8
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Motorcycle – Collision - Paid

Field Size: 15
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Motorcycle – Medical Payments - Paid

Field Size: 2
Type of Sample: Census
Number of Errors: 1
Error Ratio: 50%
Within DIFP Guidelines: No

The examiners discovered the following error during this review.

In one instance, the Company incorrectly advised a claimant in writing that National General had the right of recovery or subrogation regarding payments made in relation to medical payments coverage. The Company recovered the medical payment amount from the insured's medical provider. Subrogation or recovery of medical payments is

not permissible in Missouri. This underpayment amount listed below includes \$83.79 interest at 9% per annum.

<u>Claim No</u>	<u>Policy No</u>	<u>Underpayment</u>
8612988	8612988	\$ 1,014.79

References: §§375.936(6)(a), 375.1007(1), 408.020, RSMo., 20 CSR 100-1.020(1), 20 CSR 100-8.040, 20 CSR 500-2.100(2)(C) & (G)1, and Travelers Indemnity Co. v. Chumbley, 394 S.W. 2d 418 (Mo. App. 1965).

4. Motorcycle – UM - Paid

Field Size: 3

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

5. Motorcycle – UIM - Paid

Field Size: 3

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

6. Motorcycle – Total Losses

Field Size: 1
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

7. Motorcycle – Subrogation

Field Size: 2
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

8. Motorcycle – Comprehensive - CWP

Field Size: 2
Type of Sample: Random
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

9. Motorcycle – UM - CWP

Field Size: 2

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Recreation Vehicles, Campers, & Travel Trailers

1. Recreation Vehicles, Campers, & Travel Trailers – Comprehensive - Paid

Field Size: 287

Sample Size: 50

Type of Sample: Random

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Recreational Vehicles, Campers, & Travel Trailers – Collision - Paid

Field Size: 103

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

3. Recreational Vehicles, Campers, & Travel Trailers – Medical Payments - Paid

Field Size: 1
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

4. Recreational Vehicles, Campers, & Travel Trailers – Total Losses

Field Size: 10
Type of Sample: Census
Number of Errors: 0
Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

Errors not included in ratio

Although not included in the error ratio listed above in this section of the report, the following claim adjudications were considered individual violations, and did not qualify as general business practices violations that would have been included in the error ratio.

Failure to Maintain Sales Tax Affidavits

In two instances, the Company failed to maintain a copy of the total loss tax credit affidavit in the claim file as required.

<u>Claim No</u>	<u>Policy No</u>
8699708	1003536482A01
8599099	1002708879A01

References: §§144.027, 374.205. RSMo, and 20 CSR 100-8.040.

5. Recreational Vehicles, Campers, & Travel Trailers – Subrogation

Field Size: 6

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

6. Recreational Vehicles, Campers, & Travel Trailers – Comprehensive - CWP

Field Size: 73

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

7. Recreational Vehicles, Campers, & Travel Trailers – Collision - CWP

Field Size: 26

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

8. Recreational Vehicles, Campers, & Travel Trailers – Medical Payments – CWP

Field Size: 1

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

C. Practices Not in the Best Interest of Consumers

The examiners also looked for items that were not in the best interest of consumers. Not only could these practices be harmful to the insured, they may expose the Company to potential liability.

1. Private Passenger Automobile

The examiners discovered no issues or concerns.

2. Motorcycle

The examiners discovered no issues or concerns.

3. Recreation Vehicles, Travel Trailers, & Campers

The examiners discovered no issues or concerns.

IV. COMPLAINTS

This section of the report is designed to provide a review of the Company's complaint handling practices. Examiners reviewed how the Company handled complaints to ensure it was performing according to its own guidelines and Missouri statutes and regulations.

Section 375.936(3), RSMo, requires companies to maintain a registry of all written complaints received for the last three years. The registry must include all Missouri complaints, including those sent to the DIFP and those sent directly to the Company.

The examiners verified the Company's complaint registry, dated January 23, 2008, through October 27, 2010. The registry contained a total of 15 complaints. They reviewed all that went through DIFP and nine that did not come through the Department, but went directly to the Company.

The review consisted of a review of the nature of each complaint, the disposition of the complaint, and the time taken to process the complaint as required by §375.936(3), RSMo, and 20 CSR 300-2.200(3)(D) (as replaced by 20 CSR 100-8.040(3)(D), effective 7/30/2008).

The examiners discovered no issues or concerns.

V. CRITICISMS AND FORMAL REQUESTS TIME STUDY

This study is based upon the time required by the Company to provide the examiners with the requested material or to respond to criticisms. Missouri law requires companies to respond to criticisms and formal requests within 10 calendar days. Please note that in the event an extension was requested by the Company and granted by the examiners, the response was deemed timely if it was received within the time frame granted by the examiners. If the response was not received within that time period, the response was not considered timely.

A. Criticism Time Study

<u>Calendar Days</u>	<u>Number of Criticisms</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	25	100%
Received outside time-limit, incl. any extensions	0	0%
<u>No Response</u>	<u>0</u>	<u>0 %</u>
Total	25	100 %

Reference: §375.205, RSMo and 20 CSR 100-8.040.

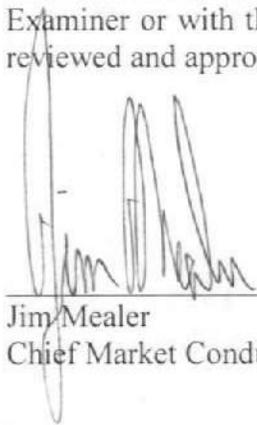
B. Formal Request Time Study

<u>Calendar Days</u>	<u>Number of Requests</u>	<u>Percentage</u>
Received w/in time-limit, incl. any extensions	27	100%
Received outside time-limit, incl. any extensions	0	0%
<u>No Response</u>	<u>0</u>	<u>0%</u>
Total	27	100%

Reference: §375.205, RSMo and 20 CSR 100-8.040.

EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of National General Insurance Company (NAIC #23728), Examination Number 0812-24-TGT. This examination was conducted by Gary T. Meyer, Gary Bird, and John Pfaender. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated October 2, 2011. Any changes from the text of the Market Conduct Examiner's Draft Report reflected in this Final Report were made by the Chief Market Conduct Examiner or with the Chief Market Conduct Examiner's approval. This Final Report has been reviewed and approved by the undersigned.



Jim Mealer
Chief Market Conduct Examiner

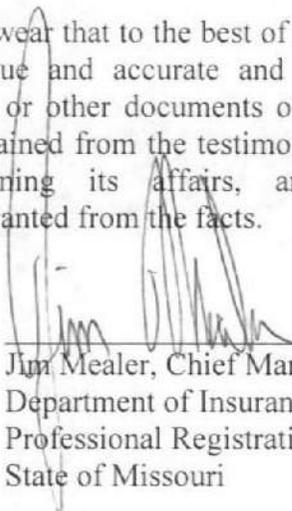
1/24/2012

Date

STATE OF Missouri)
COUNTY OF Cole)

VERIFICATION OF WRITTEN REPORT OF EXAMINATION

I, Jim Mealer, on my oath swear that to the best of my knowledge and belief, the attached Examination Report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as reasonably warranted from the facts.



Jim Mealer, Chief Market Conduct Examiner
Department of Insurance, Financial Institutions &
Professional Registration,
State of Missouri

Sworn to and subscribed before me this 24 day of January, 2012.

Kimberly Landers
Notary

My commission expires: May 18, 2012

