STATE OF MISSOURI

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 Mssouri 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

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

TO: New South Insurance Company
500 W. Fifth Street
Winston-Salem, NC 27102

RE: New South Insurance Company (NAIC #12130)
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 New South Insurance Company (NAIC #12130), (hereafter referred to as "New South"), 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, New South 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 New South and prepared report number 0812-24-TGT; and

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

1. In one instance, New South incorrectly applied both a comprehensive and collision

deductible to an insured's claim settlement in violation of §§375.1007(3) & (4) RSMo;

2. In fifteen instances, New South 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.

WHEREAS, New South 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, New South shall develop a survey to be sent to private passenger auto 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 New South on the claim.

The survey shall be sent to all private passenger auto 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, New South, 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, New South hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0812-24-TGT.

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 New South to transact the business of insurance in the State of Missouri or the imposition of other sanctions, New South does hereby voluntarily and knowingly waive all rights to any hearing, does consent to undertake the corrective actions set forth in this Stipulation, and does consent to the ORDER of the Director.

DATED: Jan 19, 2012

President
New South 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,

Rene' D. Treadaway

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

New South Insurance Company
NAIC # 12130

MISSOURI EXAMINATION # 0812-24-TGT

NAIC EXAM TRACKING SYSTEM # MO268- M92

January 23, 2012

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

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FOREWORD

This is a targeted market conduct examination report of New South Insurance Company, (NAIC Code # 12130). 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 "New South" refers to New South 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 automobile, 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 New South Insurance Company. The examiners found the following principal areas of concern:

- In one instance, the Company applied both a comprehensive and collision deductible, resulting in a $129.50 underpayment.

- In 15 instances, New South failed to maintain a copy of the total loss tax credit affidavit 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.

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

New South 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: 4,906

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, Travel Trailers, and Campers

Field Size: 11

Type of Sample: Census

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: 797

Sample Size: 100

Type of Sample: Random

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

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

Field Size: 3

Type of Sample: Census

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:

1. Private Passenger Automobile – Comprehensive - Paid

Field Size: 56

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Private Passenger Automobile – Collision - Paid

Field Size: 442

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: 23

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: 2

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: 1

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: 41

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: 7

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: 11

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: 50

Type of Sample: Census

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: 8

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: 2

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:

1. Private Passenger Automobile – Comprehensive - Paid

Field Size: 56

Type of Sample: Census

Number of Errors: 0

Within DIFP Guidelines: Yes

The examiners discovered no errors during this review.

2. Private Passenger Automobile – Collision - Paid

Field Size: 442

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: 23

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: 2

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: 1

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: 41

Type of Sample: Census

Number of Errors: 1

Error Ratio: 2.4%

Within DIFP Guidelines: Yes

The examiners discovered the following errors during this review.

In one instance, the Company incorrectly applied both a comprehensive and collision deductible to the insured's claim settlement, resulting in a $129.50 underpayment, including a $29.50 interest charge at 9% per annum.

Claim No	Policy No
8395834	4323856

References: §§375.1007(3) & (4) and 408.020, RSMo.

Errors not included in ratio

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

Failure to Maintain Sales Tax Affidavits

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

No	Claim No	Policy No
1	8420092	1003372434A01
2	8451870	1003352459A05
3	8507200	1003595771A01
4	8515897	1003248128A01
5	8645704	1004467817A01
6	8664640	1003648345A01
7	8606528	1002477367A01
8	8796581	1004302651A01
9	8820164	1003194213A02
10	8306730	1064673
11	8308287	4050647
12	8321246	2876398
13	8350269	2709823
14	8371854	2416667
15	8405315	1331408

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

7. Private Passenger Automobile – Subrogation

Field Size: 7

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: 11

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: 50

Type of Sample: Census

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: 8

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: 2

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.

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 two complaints. They reviewed all that went through DIFP and zero 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

Calendar Days	Number of Criticisms	Percentage
Received w/in time-limit, incl. any extensions	2	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	2	100%

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

B. Formal Request Time Study

Calendar Days	Number of Requests	Percentage
Received w/in time-limit, incl. any extensions	15	100%
Received outside time-limit, incl. any extensions	0	0%
No Response	0	0%
Total	15	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 New South Insurance Company (NAIC #12130), 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.

1/24/2012

Jim Mealer — Date
Chief Market Conduct Examiner

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 24th day of January, 2012.

Kimberly Landers
Notary (Seal)

My commission expires:

May 18, 2012

KIMBERLY LANDERS
NOTARY SEAL
#08558402
CALLAWAY COUNTY
NOTARY PUBLIC, STATE OF MISSOURI
MY COMMISSION EXPIRES
May 18, 2012