

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

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

TO: National Lloyds Insurance Company
510 North Valley Mills Dr.
Waco, TX 76710

RE: National Lloyds Insurance Co. (NAIC #15474)
Missouri Market Conduct Examination #0801-02-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 Lloyds Insurance Company, (hereafter referred to as "National Lloyds"), 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, National Lloyds 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 National Lloyds and prepared report number 0801-02-TGT; and

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

1. National Lloyds failed to file the final base rates and rating plan for its active homeowner policies, as required by §379.321.1, RSMo.

2. In some instances, National Lloyds failed to state in its cancellation and non-renewal notices that the insured may be eligible for insurance through the Missouri FAIR Plan, in violation of §375.003.1, RSMo.

3. In some instances, National Lloyds failed to state a sufficiently clear and specific reason for cancellation or non-renewal, as required by §375.003.1, RSMo.

WHEREAS, National Lloyds 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, including, but not limited to, taking the following actions:

1. National Lloyds agrees to take corrective action to reasonably assure that the errors noted in the above-referenced market conduct examination reports do not recur;

2. National Lloyds agrees to submit final base rates and its rating plan for its active homeowners' policies within 30 days of the imposition of the Director's Order for the above-referenced Market Conduct Examination. Upon acceptance of the base rates and rating plan, the Director agrees that any future Market Conduct Examination of rates and rating plans will only examine National Lloyd's compliance with the requirements for the filing of base rates and a rating plan under §379.321.1, RSMo, from the date National Lloyd's files said base rates and rating plan forward, as long as said rates and rating plan are filed within 30 days of the date of an Order closing this examination; and

3. National Lloyds agrees to file documentation of all remedial actions taken by it to implement compliance with the terms of this Stipulation and to assure that the errors noted in the examination report do not recur with the Director within 60 days of the entry of a final Order closing this examination.


WHEREAS, National Lloyds is of the position that this Stipulation of Settlement and Voluntary Forfeiture is a compromise of disputed factual and legal allegations, and that payment of a forfeiture is merely to resolve the disputes and avoid litigation; and

WHEREAS, National Lloyds, 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

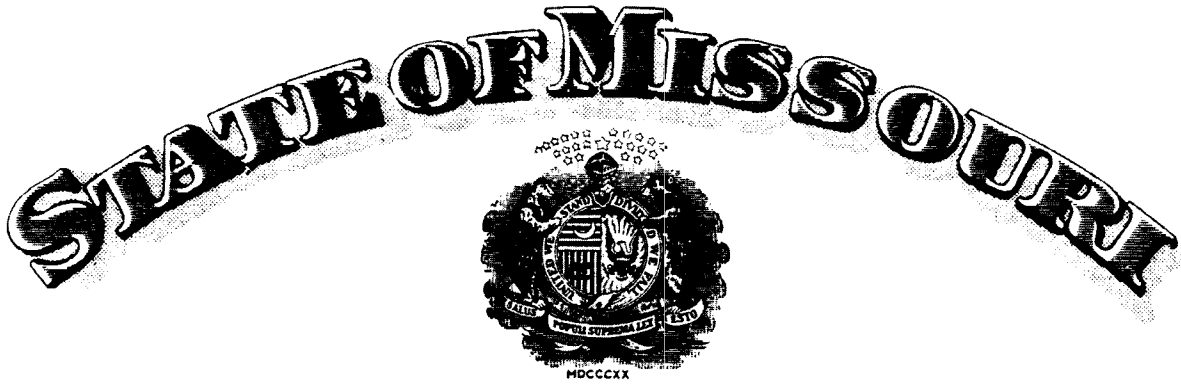
WHEREAS, National Lloyds hereby agrees to the imposition of the ORDER of the Director and as a result of Market Conduct Examination #0801-02-TGT further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$40,925.00.

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 National Lloyds to transact the business of insurance in the State of Missouri or the imposition of other sanctions, National Lloyds does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director and does surrender and forfeit the sum of \$40,925.00, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 11/23/09



President
National Lloyds Insurance Company



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

In re:)
) Examination No. 0801-02-TGT
National Lloyds Insurance Company (NAIC #15474))

ORDER OF THE DIRECTOR

NOW, on this 30th day of December, 2009, Director John M. Huff, after consideration and review of the market conduct examination report of National Lloyds Insurance Company (NAIC #15474), (hereafter referred to as "National Lloyds") report numbered 0801-02-TGT, prepared and submitted by the Division of Insurance Market Regulation pursuant to §374.205.3(3)(a), RSMo, and the Stipulation of Settlement and Voluntary Forfeiture ("Stipulation") does hereby adopt such report as filed. After consideration and review of the Stipulation, report, relevant workpapers, and any written submissions or rebuttals, the findings and conclusions of such report is 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. 2006), is in the public interest.

IT IS THEREFORE ORDERED that National Lloyds and the Division of Insurance Market Regulation have agreed to the Stipulation and the Director does hereby approve and agree to the Stipulation.

IT IS FURTHER ORDERED that National Lloyds shall not engage in any of the violations of law and regulations set forth in the Stipulation and shall implement procedures to place National Lloyds in full compliance with the requirements in the Stipulation and the statutes and regulations of the State of Missouri and to maintain those corrective actions at all times.

IT IS FURTHER ORDERED that National Lloyds shall pay, and the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri, shall accept, the Voluntary Forfeiture of \$40,925.00, 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 30th day of DECEMBER, 2009.



John M. Huff
Director

**STATE OF MISSOURI
DEPARTMENT of INSURANCE FINANCIAL INSTITUTIONS
and PROFESSIONAL REGISTRATION**



**FINAL MARKET CONDUCT EXAMINATION REPORT
for
PROPERTY and CASUALTY INSURANCE
of**

**National Lloyds
Insurance Company**

(NAIC # 15474)

510 North Valley Mills Drive ♦ Waco, Texas 76710

August 5, 2009

EXAMINATION NUMBER: 0801/02/TGT



TABLE OF CONTENTS

<u>REPORT SECTION</u>	<u>PAGE</u>
FOREWORD	3
PURPOSE AND SCOPE OF EXAMINATION	4
EXECUTIVE SUMMARY	5
EXAMINATION FINDINGS.....	6
I. UNDERWRITING AND RATING PRACTICES.....	6
A. Homeowners Policies	7
II. CANCELLATION NONRENEWAL AND DECLINATION PRACTICES.....	9
A. Policies Cancelled or Declined in the First 60 Days.....	9
B. Policies Cancelled or Declined After the First 60 Days	13
C. Policies Non-renewed.....	17
III. PRACTICES NOT IN THE BEST INTEREST OF MISSOURI CONSUMERS.....	20
EXAMINATION REPORT SUBMISSION.....	21



FOREWORD

This is a targeted market conduct examination report of the National Lloyds Insurance Company, (NAIC Code #15474). This examination was conducted at the Missouri DIFP branch office, located at 615 East 13th Street, Room 510, Kansas City, Missouri 64106.

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.

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.

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

When used in this report:

- "Company" refers to National Lloyds 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;
- "NAIC" refers to the National Association of Insurance Commissioners; and
- "RSMo" refers to the Revised Statutes of Missouri.



PURPOSE AND SCOPE OF EXAMINATION

The purpose of this examination is to determine whether the Company complied with Missouri statutes, DIFP regulations, and bulletins issued by the Director. In addition, examiners looked for practices and procedures that were not in the best interest of Missouri insurance consumers.

The examination included a review of the following areas of the Company's operations for the lines of business reviewed; underwriting and rating practices and policy cancellation, non-renewal and declination practices.

The examination period was generally January 1, 2007, through December 31, 2007.

The authority of the DIFP to perform this examination includes, but is not limited to, §§ 374.110, 374.190, 374.205, 375.445, 375.938, and 375.1009, RSMo.

While this report contains errors found in individual files, the focus is on the general business practices of the Company. The examiners used the NAIC suggested error tolerance rate of 10 percent (10%) for underwriting and rating practices and seven percent (7%) for claims handling practices. An error rate in excess of the tolerance level in these sections of the report is indicative of a general business practice to engage in that type of conduct. The examiners requested the Company make refunds concerning underwriting premium overcharges, and claim underpayments found for amounts greater than \$5.00.



EXECUTIVE SUMMARY

The DIFP conducted a targeted market conduct examination of National Lloyds Insurance Company. The following is a summary of the findings.

The Underwriting and Rating Practices review resulted in a found error rate of **100.0%**. The Company failed to file its final rates and a rating plan with the director in all 100 files reviewed. Additionally, two files were rated incorrectly, resulting in overcharges to the insureds.

The Policies Cancelled in 60 Days review resulted in a found error rate of **83.0%**. One hundred-twenty-two files failed to state in the cancellation notices that the insureds may be eligible for insurance through the Missouri FAIR Plan. Within those files, 108 files failed to state the specific reason the policies were being cancelled on the cancellation notices that were mailed to the insureds.

The Policies Cancelled after 60 Days review resulted in a found error rate of **98.0%**. One hundred-forty-six files failed to state in the cancellation notices that the insureds may be eligible for insurance through the Missouri FAIR Plan. Within the same 146 files, the Company failed to state the specific reason the policies were being cancelled on the cancellation notices that were mailed to the insureds.

The Non-Renewed Policies review resulted in a found error rate of **80%**. In 88 files, the Company failed to state the specific reason the policies were being non-renewed on the notice of non-renewal that was mailed to the insureds. Within the same 88 files, the Company failed to state on the notice of non-renewal that the insureds may be eligible for insurance through the Missouri FAIR Plan.



EXAMINATION FINDINGS

I. UNDERWRITING AND RATING PRACTICES

This section of the report is designed to provide a review of the Company's underwriting and rating practices. Examiners reviewed how the Company handles new and renewal policies to ensure the Company underwrites and rates risks according to its own underwriting guidelines, filed rates, and Missouri statutes and regulations.

The examiners requested a data download of new and renewed policies issued during the examination period from the Company for each line of business under review. The examiners then used Excel to systematically select policies for review.

The examiners requested the Company's underwriting and rating manual for the lines 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 the period to ensure the examiners could properly rate each policy that was selected in the sample.

The examiners also requested the Company's procedures, rules, rates, and forms filed by or on behalf of the Company to determine compliance with Missouri statutes and regulations.

The examiners requested a description of the controls used to ensure the correct territories and zip codes were applied to the risks.

The error criterion to develop confidence levels for the Underwriting and Rating Practices reviews is 10% as established by the NAIC.

A. Homeowners Policies Active

The examiners requested a sample from the total population of new and renewed homeowners policies written Missouri.

Number of policies in population	Number of files sampled by examiners	Type of sample used by examiners	Number of files found in error	Found error rate
3,515	100	Systematic	100	100.0%

Findings

1. The Company failed to file its final rates and a rating plan with the Director in all 100 policy files reviewed.

Reference: § 379.321.1. RSMo

<u>Policy Number</u>	<u>Policy Number</u>
HM6000172-04	HM6000405-03
HM6000593-02	HM6000779-02
HM6000931-02	HM6001043-01
HM6001127-01	HM6001215-01
HM6001281-01	HM6001335
HM6001380	HM6001416
HM6001456	HM6001499
HM6001543	HM6001583
HM6001624	HM8001321-05
HM8001472-05	HM8001685-01
KM6000195	MC6000172-02
MC60000240	MD1001069-09
MD1001892-06	MD1002183-04
MD1002577-04	MD1002784-04
MD1002947-04	MD6000152-04
MD6000414-04	MD6000612-03
MD6000875-03	MD6001012-03
MD6001131-03	MD6001254-02
MD6001379-02	MD6001493-03
MD6001624-02	MD6001730-02
MD6001810-02	MD6001907-02
MD6002006-01	MD6002087-02
MD6002201-02	MD6002303-01
MD6002392-02	MD6002467-02
MD6002550-02	MD6002642

<u>Policy Number</u>	<u>Policy Number</u>
MD6002699-01	MD6002765-01
MD6002835-01	MD6002914-01
MD6003305-01	MD6003081-01
MD6003155	MD6003233-01
MD6003296	MD6003376-01
MD6003438-01	MD6003509-01
MD6003580	MD6003622
MD6003670	MD6003724-01
MD6003773-01	MD6003818
MD6003856	MD6003898
MD6003930	MD6003963
MD6003998	MD6004035
MD6004074	MD6004110
MD6004146	MD6004181
MD6004222	MD6004259
MD6004298	MD6004337
MD6004378	MD6004419
MD6004459	MD6004495
MD6004536	MD6004572
MD6004611	MD6004648
MD6004688	MD6004724
MD6004764	MD6004812
MK6000316-01	MK6000388
MK6000424	MK6000464
MK6000502	MV6000154

2. The following two policy files also failed to document that the premiums were rated correctly, therefore causing premium overcharges to the insureds by using incorrect rates.

Reference: Policy Provisions

Policy Number

*HM60011624

*MD6004495

Although listed multiple times, the policy numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

II. CANCELLATION, NON-RENEWAL AND DECLINATION PRACTICES

This section of the report is designed to provide a review of the Company’s cancellation, non-renewal and declination practices. Examiners reviewed how the Company declines applications, cancels and non-renews policies to ensure that it was performing these practices according to its own company guidelines, Missouri statutes, and DIFP regulations.

The examiners requested a data download of policies cancelled within the first 60 days, policies non-renewed, and applications declined during the examination period. Policies were then systematically selected for review. When the number of policies in the population was small, the examiners selected each file, or a census, for review.

A. Policies Cancelled or Declined in the First 60 Days

The examiners requested a sample from the total population of all homeowner policies written in the state of Missouri, cancelled or declined in the first 60 days during the examination period.

Number of policies in population	Number of files sampled by examiners	Type of sample used by examiners	Number of files found in error	Found error rate
147	147	Census	122	83.0%

Findings

1. The following 122 policy files failed to state in the cancellation notice that the insured may be eligible for insurance through the Missouri FAIR Plan.

Reference: § 375.003.1. RSMo

<u>Policy Number</u>	<u>Policy Number</u>
HM6001350-01	HM6001365
HM6001368	HM6001390
HM6001395	HM6001401
HM6001415	HM6001420
HM6001444	HM6001449
HM6001472	HM6001485
HM6001506	HM6001510
HM6001511	HM6001514
HM6001526	HM6001528
HM6001536	HM6001542
HM6001559	HM6001560

<u>Policy Number</u>	<u>Policy Number</u>
HM6001561	HM6001573
HM6001578	HM6001581
HM6001588	HM6001605
HM6001607	HM6001608
HM6001609	HM6001612
HM6000220	HM6000236
HM6000258	HM6001074
HM6003380-01	MD6003589-01
MD6003804	MD6003808
MD6003863	MD6003902
MD6003908	MD6003911
MD6003924	MD6003944
MD6003999	MD6003951
MD6003982	MD6004005
MD6004017	MD6004025
MD6004051	MD6004053
MD6004078	MD6004079
MD6004103	MD6004104
MD6004131	MD6004192
MD6004248	MD6004260
MD6004264	MD6004265
MD6004279	MD6004281
MD6004290	MD6004291
MD6004294	MD6004325
MD6004334	MD6004336
MD6004337	MD6004358
MD6004364	MD6004382
MD6004405	MD6004407
MD6004415	MD6004429
MD6004438	MD6004443
MD6004445	MD6004453
MD6004455	MD6004458
MD6004461	MD6004482
MD6004501	MD6004503
MD6004515	MD6004527
MD6004529	MD6004530
MD6004532	MD6004540
MD6004550	MD6004564
MD6004577	MD6004590
MD6004592	MD6004599
MD6004623	MD6004632
MD6004644	MD6004649

<u>Policy Number</u>	<u>Policy Number</u>
MD6004650	MD6004651
MD6004673	MD6004681
MD6004694	MD6000138
MD6000140	MD6000145
MV6000150	MV6000151
MV6000160	MV6000168
MV6000173	MV6000174
MV6000181	MV6000186

2. The following 108 policy files failed to state a specific reason the policy was being cancelled on the cancellation notice mailed to the insured. The notices did not state the insurer's actual reason for proposing the action. The statement of reason must be sufficiently clear and specific so that a person of average intelligence can identify the basis for the insurer's decision without further inquiry. The stated reasons on the cancellation notice included terms such as "Underwriting," "Risk Changed Substantially," or "No Reply To Memo." Therefore, the examiners were unable to determine the specific reason(s) for the cancellation of the insured's policies.

Reference: § 375.003.1. RSMo

<u>Policy number</u>	<u>Policy Number</u>
*HM6001350-01	*HM6001365
*HM6001368	*HM6001390
*HM6001395	*HM6001401
*HM6001415	*HM6001420
*HM6001444	*HM6001449
*HM6001472	*HM6001485
*HM6001506	*HM6001510
*HM6001511	*HM6001514
*HM6001526	*HM6001536
*HM6001559	*HM6001560
*HM6001561	*HM6001573
*HM6001578	*HM6001581
*HM6001588	*HM6001605
*HM6001607	*HM6001608
*HM6001609	*HM6001612
*HM6000220	*HM6000236
*HM6000258	*HM6001074
*HM6003380-01	*MD6003589-01
*MD6003804	*MD6003808
*MD6003863	*MD6003908
*MD6003924	*MD6003944
*MD6003999	*MD6003951

<u>Policy number</u>	<u>Policy Number</u>
*MD6003982	*MD6004005
*MD6004017	*MD6004025
*MD6004051	*MD6004053
*MD6004078	*MD6004079
*MD6004103	*MD6004104
*MD6004260	*MD6004264
*MD6004265	*MD6004279
*MD6004281	*MD6004290
*MD6004291	*MD6004325
*MD6004336	*MD6004337
*MD6004358	*MD6004364
*MD6004382	*MD6004405
*MD6004407	*MD6004415
*MD6004429	*MD6004438
*MD6004445	*MD6004453
*MD6004458	*MD6004461
*MD6004482	*MD6004501
*MD6004503	*MD6004515
*MD6004527	*MD6004532
*MD6004540	*MD6004550
*MD6004564	*MD6004577
*MD6004592	*MD6004599
*MD6004623	*MD6004632
*MD6004644	*MD6004649
*MD6004650	*MD6004651
*MD6004673	*MD6004681
*MD6004694	*MD6000138
*MD6000140	*MD6000145
*MV6000150	*MV6000151
*MV6000160	*MV6000168
*MV6000173	*MV6000174
*MV6000181	*MV6000186

Although listed multiple times, the policy numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio

B. Policies Cancelled or Declined after the First 60 Days

The examiners requested the total population of all Missouri homeowner policies written that were cancelled or declined after the first 60 days during the examination period.

Number of policies in population	Number of files sampled by examiners	Type of sample used by examiners	Number of files found in error	Found error rate
149	149	Census	146	98.0%

Findings

1. The following 146 policy files failed to state a specific reason the policy was being cancelled on the cancellation notice mailed to the insured. The notices did not state the insurer’s actual reason for proposing the action. The statement of reason must be sufficiently clear and specific so that a person of average intelligence can identify the basis for the insurer’s decision without further inquiry. The stated reasons on the Cancellation Notice included terms such as “Underwriting,” “Risk Changed Substantially,” “No Reply To Memo,” or “Misrepresentation Of Fact.” Therefore, the examiners were unable to determine the specific reason(s) for the cancellation of the insured’s policies.

Reference: § 375.003.1. RSMo

<u>Policy Number</u>	<u>Policy Number</u>
HM6000110-04	HM6000932-01
HM6001193-01	HM6001266
HM6001314	HM6001337
HM6001362	HM6001371
HM6001388	HM6001393
HM6001397	HM6001400
HM6001405	HM6001413
HM6001414	HM6001439
HM6001442	HM6001452
HM6001459	HM6001461
HM6001488	HM6001494
HM6001547	HM6001550
HM6001570	HM6001576
HM6001579	HM6001584
HM6001597	HM6001615
HM6001281-03	HM6000238
HM6000255	MD1002510-04
MD1002595-04	MD1002609-04

Policy Number

MD1002663-04
MD1002675-04
MD6001553-02
MD6001727-02
MD6003045-01
MD6003275
MD6003438-01
MD6003500
MD6003587-01
MD6003622
MD6003712
MD6003731
MD6003772
MD6003786
MD6003827
MD6003832
MD6003838
MD6003847
MD6003862
MD6003867
MD6003890
MD6003903
MD6003937
MD6003978
MD6004012
MD6004019
MD6004047
MD6004084
MD6004093
MD6004145
MD6004258
MD6004276
MD6004287
MD6004310
MD6004324
MD6004335
MD6004365
MD6004452
MD6004500
MD6004519
MD6004533
MD6004545
MD6004553

Policy Number

MD1002674-04
MD6001331-02
MD6001679-02
MD6001927-01
MD6003066
MD6003412
MD6003455
MD6003550
MD6003588-01
MD6003666
MD6003729
MD6003756
MD6003776
MD6003819
MD6003831
MD6003837
MD6003846
MD6003856
MD6003866
MD6003873
MD6003899
MD6003913
MD6003969
MD6003985
MD6004018
MD6004045
MD6004072
MD6004091
MD6004141
MD6004249
MD6004274
MD6004280
MD6004292
MD6004311
MD6004326
MD6004352
MD6004385
MD6004495
MD6004514
MD6004521
MD6004536
MD6004549
MD6004558

<u>Policy Number</u>	<u>Policy Number</u>
MD6004572	MD6004578
MD6004579	MD6004604
MD6004607	MD6004633
MD6004645	MD6004648
MD6004652	MD6004660
MD6004670	MD6004690
MD6004723	MD6004728
MD6004733	MV6000139
MV6000154	MV6000158
MV6000164	MV6000165
MV6000172	MV6000178
MV6000179	MV6000187

2. The following 146 policy files failed to state in the cancellation notice that the insured may be eligible for insurance through the Missouri basic FAIR Plan.

Reference: § 375.003.1. RSMo

<u>Policy Number</u>	<u>Policy Number</u>
*HM6000110-04	*HM6000932-01
*HM6001193-01	*HM6001266
*HM6001314	*HM6001337
*HM6001362	*HM6001371
*HM6001388	*HM6001393
*HM6001397	*HM6001400
*HM6001405	*HM6001413
*HM6001414	*HM6001439
*HM6001442	*HM6001452
*HM6001459	*HM6001461
*HM6001488	*HM6001494
*HM6001547	*HM6001550
*HM6001570	*HM6001576
*HM6001579	*HM6001584
*HM6001597	*HM6001615
*HM6001281-03	*HM6000238
*HM6000255	*MD1002510-04
*MD1002595-04	*MD1002609-04
*MD1002663-04	*MD1002674-04
*MD1002675-04	*MD6001331-02
*MD6001553-02	*MD6001679-02
*MD6001727-02	*MD6001927-01
*MD6003045-01	*MD6003066
*MD6003275	*MD6003412

Policy Number

*MD6003438-01
*MD6003500
*MD6003587-01
*MD6003622
*MD6003712
*MD6003731
*MD6003772
*MD6003786
*MD6003827
*MD6003832
*MD6003838
*MD6003847
*MD6003862
*MD6003867
*MD6003890
*MD6003903
*MD6003937
*MD6003978
*MD6004012
*MD6004019
*MD6004047
*MD6004084
*MD6004093
*MD6004145
*MD6004258
*MD6004276
*MD6004287
*MD6004310
*MD6004324
*MD6004335
*MD6004365
*MD6004452
*MD6004500
*MD6004519
*MD6004533
*MD6004545
*MD6004553
*MD6004572
*MD6004579
*MD6004607
*MD6004645
*MD6004652
*MD6004670

Policy Number

*MD6003455
*MD6003550
*MD6003588-01
*MD6003666
*MD6003729
*MD6003756
*MD6003776
*MD6003819
*MD6003831
*MD6003837
*MD6003846
*MD6003856
*MD6003866
*MD6003873
*MD6003899
*MD6003913
*MD6003969
*MD6003985
*MD6004018
*MD6004045
*MD6004072
*MD6004091
*MD6004141
*MD6004249
*MD6004274
*MD6004280
*MD6004292
*MD6004311
*MD6004326
*MD6004352
*MD6004385
*MD6004495
*MD6004514
*MD6004521
*MD6004536
*MD6004549
*MD6004558
*MD6004578
*MD6004604
*MD6004633
*MD6004648
*MD6004660
*MD6004690

Policy Number	Policy Number
*MD6004723	*MD6004728
*MD6004733	*MV6000139
*MV6000154	*MV6000158
*MV6000164	*MV6000165
*MV6000172	*MV6000178
*MV6000179	*MV6000187

Although listed multiple times, the policy numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

C. Policies Non-Renewed

The examiners requested the total population of all Missouri Homeowners policies written that were non-renewed during the examination period.

Number of policies in population	Number of files sampled by examiners	Type of sample used by examiners	Number of files found in error	Found error rate
110	110	Census	88	80.0%

Although listed multiple times, the policy numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

Findings

1. The following 88 files failed to state the specific reason each policy was being non-renewed so that a person of average intelligence can identify the basis of the insurer's decision without further inquiry on the notice of non-renewal that was mailed to the insured.

Reference: § 375.004.1. RSMo

Policy Number	Policy Number
HM6000251-03	MD6003146
HM6000360-03	MD6003153
HM6000949-01	MD6003191
HM6001174	MD6003206
HM6001330	MD6003237
HM6001345	MD6003268-01
HM6001346	MD6003295
HM6001373	MD6003350

Policy Number	Policy Number
HM6001428	MD6003385
IIM6001438	MD6003389
HM6001443	MD6003465
HM6001488	MD6003616
HM8001629-04	MD6003655
HM8001690-04	MD6003709
MC6000206	MD6003711
MD1001668-06	MD6003728
MD1002691-04	MD6003859
MD1002731-04	MD6003873
MD1002737-04	MD6003883
MD1002767-03	MD6003957
MD6000612-03	MD6003958
MD6000958-03	MD6003983
MD6001342-02	MD6003993
MD6001732-02	MD6004013
MD6001833-01	MD6004033
MD6002190-01	MD6004044
MD6002259-01	MD6004054
MD6002398-01	MD6004069
MD6002807	MD6004080
MD6002843	MD6004087
MD6002849	MD6004094
MD6002885	MD6004108
MD6002909	MD6004147
MD6003001	MD6004168
MD6003039	MD6004201
MD6003052	MD6004214
MD6003068	MD6004219
MD6003126	MD6004226
MD6003127	MD6004243
MD6004250	MD6004293
MD6004306	MD6004321
MD6004323	MD6004392
MD6004426	MD6004491
MD6004524	MD6004539

Findings

2. The following 88 files that to state in the non-renewal notice sent to the insured that the insured may be eligible for insurance through the Missouri FAIR Plan.

Reference: § 375.004.1. RSMo

<u>Policy Number</u>	<u>Policy Number</u>
*HM6000251-03	*MD6003146
*HM6000360-03	*MD6003153
*HM6000949-01	*MD6003191
*HM6001174	*MD6003206
*HM6001330	*MD6003237
*HM6001345	*MD6003268-01
*HM6001346	*MD6003295
*HM6001373	*MD6003350
*HM6001428	*MD6003385
*HM6001438	*MD6003389
*HM6001443	*MD6003465
*HM6001488	*MD6003616
*HM8001629-04	*MD6003655
*HM8001690-04	*MD6003709
*MC6000206	*MD6003711
*MD1001668-06	*MD6003728
*MD1002691-04	*MD6003859
*MD1002731-04	*MD6003873
*MD1002737-04	*MD6003883
*MD1002767-03	*MD6003957
*MD6000612-03	*MD6003958
*MD6000958-03	*MD6003983
*MD6001342-02	*MD6003993
*MD6001732-02	*MD6004013
*MD6001833-01	*MD6004033
*MD6002190-01	*MD6004044
*MD6002259-01	*MD6004054
*MD6002398-01	*MD6004069
*MD6002807	*MD6004080
*MD6002843	*MD6004087
*MD6002849	*MD6004094
*MD6002885	*MD6004108
*MD6002909	*MD6004147
*MD6003001	*MD6004168
*MD6003039	*MD6004201
*MD6003052	*MD6004214

<u>Policy Number</u>	<u>Policy Number</u>
*MD6003068	*MD6004219
*MD6003126	*MD6004226
*MD6003127	*MD6004243
*MD6004250	*MD6004293
*MD6004306	*MD6004321
*MD6004323	*MD6004392
*MD6004426	*MD6004491
*MD6004524	*MD6004539

Although listed multiple times, the policy numbers listed above with an asterisk in this section of the report were counted only once in determining the error ratio.

III. PRACTICES NOT IN THE BEST INTEREST OF MISSOURI CONSUMERS

In addition to looking for practices and procedures that violate Missouri law, examiners also looked for practices and procedures of the Company that appeared not to be in the best interest of consumers of the State of Missouri.

Findings

The examiners discovered no issues or concerns.



EXAMINATION REPORT SUBMISSION

Attached hereto is the Division of Insurance Market Regulation's Final Report of the examination of National Lloyds Insurance Company (NAIC #15474), Examination Number 0801-02-TGT. This examination was conducted by Scott Pendleton, Dale Hobart, and Dennis Foley. The findings in the Final Report were extracted from the Market Conduct Examiner's Draft Report, dated February 18, 2009. 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.

Michael W. Woolbright
Chief Market Conduct Examiner

Date

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FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



NATIONAL LLOYDS AMERICAN SUMMIT INSURANCE COMPANIES

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(800) 749-6419 / WWW.NATLLOYDS.COM / WWW.AMERICAN-SUMMIT.COM
(254) 399-0626 / FAX (254) 399-0765

Division of Insurance Market Regulation
Carolyn Kerr
PO Box 690
Jefferson City, MO 65102

Dear Mrs. Kerr:

We have reviewed your report on the market conduct examination of National Lloyds Insurance Company for 2007.

We agree with the findings of your examination that we did not include a notice that insured's may be eligible for insurance through the Missouri FAIR Plan and failed to state a specific reason on cancellation and notice of non renewal. We would like to point out that we corrected this oversight immediately upon notification. All our notices now adhere to Missouri regulations. We disagree that that all 100 files reviewed failed to document that premiums charged were not based on rates and a rating plan filed with the director. We have and did send evidence of each of our rate filings to the examiner. We were never contacted by anyone at your department for any additional or missing information when each rate filing was made and accepted by the department. We would like to note that on the 2 policies that we did make an underwriting error on issuance of the premium, that we corrected and refunded the premium and interest immediately.

National Lloyds always has and will continue to act in the best interest of consumers of any state it does business in and adhere to all state regulations. If you have any questions concerning any of these items do not hesitate to contact me at 800-749-6419 extension 129 or by email at klauritzen@natlloyds.com.

Sincerely,

Karl Lauritzen
Executive Vice President