





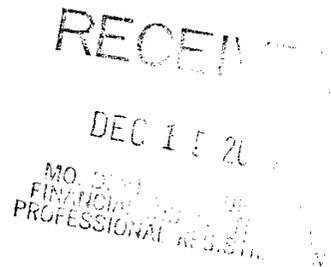
Post Office Box 1069

Lancaster, South Carolina 29721

803-416-5113

December 11, 2008

Carolyn H. Kerr  
Market Conduct Section  
Missouri Department of Insurance  
Post Office Box 690  
Jefferson City, MO 65101



RE: Missouri Market Conduct Examination #0802-08-TGT  
Young America Insurance Company (NAIC # 27090)

Dear Ms. Kerr:

We are in receipt of the examiners' market conduct report. After full review of the report, we were written up for 10 criticisms, all involving failure to provide a sales tax affidavit as a result of a total loss.

Eight were oversights of the adjuster and two were due to our misinterpretation of the law regarding owner retained salvage. We are now providing a sales tax affidavit as a result of a total loss when the owner chooses to retain the salvage.

In the instances involving the adjuster's failure to provide the sales tax affidavit, we have implemented new procedures to prevent this in the future. When the power of attorney is sent to the owner to sign and return to us giving permission to sell their salvage, the salvage department is verifying that a sales tax affidavit has been issued. Also, the Supervisors are looking for this document when they review the file as well at the Property Damage Manager. We feel this should resolve any future issues regarding the sales tax affidavit.

If you have any question, please do not hesitate to contact me.

Sincerely,

Lois M Thomas  
VP of Administrations

CC: Brian Stroupe, CEO, Young America  
Keith Thrasher, Director of Claims, Young America

copy

**STATE OF MISSOURI  
DEPARTMENT OF INSURANCE, FINANCIAL  
INSTITUTIONS & PROFESSIONAL  
REGISTRATION**

**MARKET CONDUCT EXAMINATION REPORT  
OF  
YOUNG AMERICA INSURANCE COMPANY  
NAIC # 27090**

1524 Pageland Highway  
Lancaster, South Carolina 29721

**OCTOBER 29, 2008  
EXAMINATION NUMBER: 0802-08-TGT**

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## **FOREWORD**

This market conduct examination report of the Young America Insurance Company is, overall, a report by exception. Examiners cite errors the Company made; however, failure to comment on specific files, products, or procedures does not constitute approval by the Missouri Department of Insurance, Financial Institutions and Professional Registration.

Examiners use the following in this report:

“The Company” and “Young America” refer to Young America Insurance Company;

“DIFP” and “Department” refer to the Missouri Department of Insurance, Financial Institutions and Professional Registration;

“NAIC” refers to the National Association of Insurance Commissioners;

“RSMo” refers to the Revised Statutes of Missouri; and

“CSR” refers to the Code of State Regulation.

## 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. In addition, §447.572, RSMo, grants authority to the DIFP to determine compliance with the Uniform Disposition of Unclaimed Property Act.

The purpose of this examination is to determine if Young America complied with Missouri statutes and DIFP regulations and to consider whether Company operations are consistent with the public interest. The primary period covered by this review is January 1, 2007, through December 31, 2007; however, examiners include all discovered errors in this report.

Although examiners report the errors discovered in individual files, this report focuses on general business practices of the Young America Insurance Company. The DIFP has adopted the NAIC published error tolerance rate guidelines. Unless otherwise noted, examiners applied a seven percent (7%) tolerance criterion to claims handling practices. Error rates greater than the tolerance suggest a general business practice.

This examination is primarily directed to the following company operations as related to private passenger automobile operations including:

Claims; and

Consumer Complaints.

Examiners conducted this examination at DIFP's office located in St. Louis, Missouri.

## **EXECUTIVE SUMMARY**

In some instances, the Company failed to provide sales tax affidavits to insureds as required in the event of a total loss to the automobile.

## **EXAMINATION FINDINGS**

### **I. CLAIMS PRACTICES**

In this section, examiners review claim practices of the Company to determine efficiency of handling, accuracy of payment, adherence to contract provisions, and compliance with Missouri statutes and DIFP regulations. Due to the large number of claim files, examiners are unable to review each claim. As such, examiners conduct scientific sampling of claim files. A claim file, as a sampling unit, is an individual demand for payment or action under an insurance contract for benefits that may or may not be payable. The most appropriate statistic to measure compliance with the law is the percent of files in error. An error can include, but is not limited to, any unreasonable delay in the acknowledgment, investigation, payment, or denial of a claim. Errors also include the failure to calculate benefits correctly or to comply with Missouri laws regarding claim settlement practices.

Claim files were also reviewed to determine compliance with the unfair settlement practices statute, other statutes and regulations, as well as general policy provisions. Missouri law requires that insurers and agents disclose to first-party claimants all pertinent benefits, coverages and other provisions of an insurance policy under which a claim is presented. The company must give claim denials to the claimant in writing and retain a copy in the file.

The examiners reviewed (1) private passenger automobile physical damage claims; (2) private passenger automobile uninsured/underinsured motorist claims; and (3) private passenger automobile medical payments.

**A. Unfair Settlement Practices, General Handling & Timeliness**

**1. Private Passenger Automobile Physical Damage Claims**

Field Size:	312
Sample Size:	100
Type of Sample:	Random
Number of Errors:	10
Error Rate:	10%
Within department guidelines:	No

In 10 instances, the Company failed to provide a sales tax affidavit to the insured as a result of a total loss.

Reference: §144.027, RSMo, and 20 CSR 300-200(3)(B)3.

Claim Number

xxx202  
xxx904  
xxx314  
xxx082  
xxx801  
xxx630  
xxx333  
xxx678  
xxx992  
xxx491

**2. Private Passenger Automobile Uninsured/Underinsured Motorist Claims**

Field Size: 40  
Sample Size: 40  
Type of Sample: Census  
Number of Errors: 0  
Error Rate: 0%  
Within Department Guidelines: Yes

The examiners discovered no errors during this review.

### **3. Private Passenger Automobile Medical Payments**

Field Size:	20
Sample Size:	20
Type of Sample:	Census
Number of Errors:	0
Error Ratio:	0
Within Department guidelines:	Yes

The examiners discovered no errors during this review.

## II. CONSUMER COMPLAINTS

Section 375.936(3), RSMo, requires companies to maintain a register of all complaints it receives for at least three years. The statute requires the record to show the total number of complaints, classified by line of insurance, nature of complaint, disposition and time to process the complaint.

The Company's records show it received six complaints between January 1, 2005, and December 31, 2007. The Department received all of these complaints. The Company received no complaints directly from the complainants.

The Company maintains a log of all written complaints.

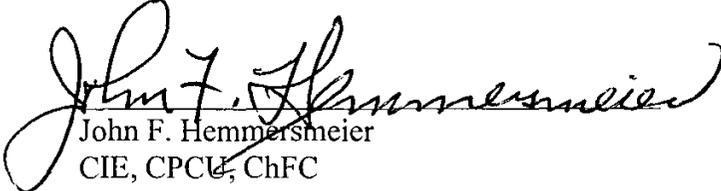
There were no discrepancies.

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MISSOURI DEPARTMENT OF  
FINANCIAL INSTITUTIONS &  
PROFESSIONAL REGISTRATION

**SUBMISSION**

Examiners respectfully submit this Market Conduct examination report of the Young America Insurance Company to the Director of Insurance, Financial Institutions and Professional Registration State of Missouri.

Gary Bird and John Pfaender participated in the examination and helped in the preparation of this report.

  
John F. Hemmersmeier  
CIE, CPCU, ChFC  
Examiner-In-Charge

## SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting work papers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Market Regulation Handbook has been confirmed.



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Win Nickens, CIE, JD, CPCU  
Audit Manager  
Department of Insurance, Financial  
Institutions, and Professional Registration

Date: 11-8-8

STATE OF MISSOURI

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CITY OF SAINT LOUIS

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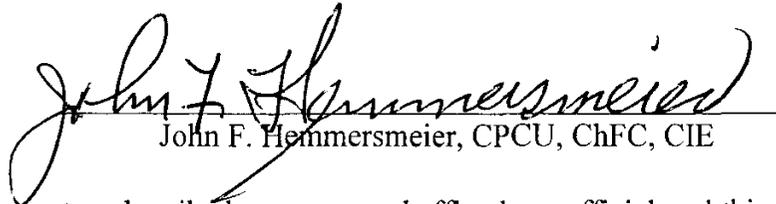
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**AFFIDAVIT**

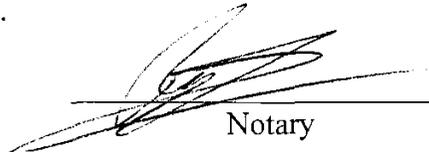
**VERIFICATION OF WRITTEN REPORT OF EXAMINATION**

Before me, the undersigned authority, personally appeared John F. Hemmersmeier, who, being by me duly sworn and deposed stated as follows:

1. My name is John F. Hemmersmeier, I am of sound mind, capable of making this affidavit, and personally acquainted with the facts herein stated.
2. I am the Examiner-In-Charge duly appointed by the Director of the Department of Insurance, Financial Institutions & Professional Registration, State of Missouri to examine the business affairs and market conduct of Young America Insurance Company, an entity granted authority to transact the business of insurance in the State of Missouri.
3. Attached and containing 13 pages is examination report #0802-02-TGT, dated October 29, 2008.
4. This examination report was produced in observation of those guidelines and procedures set forth in the Market Regulation Handbook adopted by the National Association of Insurance Commissioners and other guidelines and procedures adopted by the Division of Insurance Market Regulation, State of Missouri.
5. This examination report is comprised of only facts appearing upon the books, records, or other documents of the Company, or as ascertained from the testimony of its officers, agents, or other persons examined concerning its affairs, and such conclusions as reasonably warranted from the facts.

  
 John F. Hemmersmeier, CPCU, ChFC, CIE

In witness whereof I have hereunto subscribed my name and affixed my official seal this 4th day of November, 2008.

  
 Notary

<b>RACHEL MAYES</b>
Notary Public - Notary Seal
State of Missouri
Commissioned for St Louis County
My Commission Expires: March 30, 2012
Commission Number: 08518257