

Jeremiah W. (Jay) Nixon
Governor
State of Missouri



Department of Insurance
Financial Institutions
and Professional Registration
John M. Huff, Director

DIVISION OF INSURANCE MARKET REGULATION

December 12, 2011

Rene D. Treadaway
Compliance Manager
GMAC Insurance
500 West Fifth Street
PO Box 3199
Winston-Salem, NC 27102-3199

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

Dear Mr. Treadaway;

The Market Conduct staff of the Missouri Department of Insurance, Financial Institutions and Professional Registration (hereinafter the "Department" or "DIFP") reviewed the above referenced "Draft" Reports and the responses of National General Assurance Company (hereinafter "NGAC" or the "Company"), New South Insurance Company (hereinafter "New South" or the "Company"), and National General Insurance Company (hereinafter "NGIC" or the "Company"). The examiners found that the GMAC Companies did not fully comply with all of the laws of the State of Missouri.

As indicated in the exam reports, the examinations were 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 error rate for claims practices is seven percent (7%) and for other trade practices is ten percent (10%). Error rates exceeding these benchmarks are presumed to indicate a general business practice in violation of Section 375.1005(2) or Section 375.934(2), RSMo. The benchmark error rates were not utilized, however, for reviews not applying the general business practice standard

As a result of recent changes in Missouri law, violations of insurance laws are now classified, for the purpose of imposing penalties and forfeitures, into five "levels" pursuant to Section 374.049, RSMo. Basic violations of Sections 375.1005 and 375.934, RSMo, are classified as Level 2 violations pursuant to Sections 375.1010 and 375.942, RSMo. Under Section 374.049.7, however, this level may be increased by one step for knowing violations and by two steps for violations knowingly committed in conscious disregard of the law. A one step increase is also available under Section 374.049.8 if a violation resulted in actual financial loss to consumers due to claim underpayments, loss of the time value of money, and incurring

additional expense to resolve a claim. In this way, a Level 2 violation may become a Level 3, 4, or 5 violation depending upon the circumstances.

The following paragraphs summarize the examiners' findings as set forth in each Draft Report. As a means to work towards an agreed-upon resolution regarding the findings of the examination, this proposal addresses concerns of this office, sets forth any changes to the Draft Report that the DIFP will agree to make, requests a pecuniary forfeiture, and suggests corrective action to be taken by the Company. Although no forfeiture is being asserted for the errors found to be Level 1 violations, the Company must still implement immediate corrective action to avoid a repeat of these errors during any future regulatory activity.

NATION GENERAL ASSURANCE COMPANY

Findings:

I. Unfair Settlement and General Handling Practices

1. On pages 18-19 of the exam report, the examiners found that in one instance NGAC failed to disclose all pertinent benefits and coverage's to the insured. Uninsured motorist coverage was in force on the insured's policy and the liable party was uninsured. Failure to disclose the uninsured motorist coverage resulted in an underpayment to the insured of \$500.00 plus interest in the amount of \$147.51. The Company agrees with this criticism and issued a check to the insured for \$647.51.

The Department appreciates NGAC's willingness to address the examiner's concerns and issue a refund. Nevertheless, the Company's failure to disclose the existence of the uninsured motorist coverage and to initially make payment to the insured under such coverage violates §§375.1007(1) & (4) RSMo, 20 CSR 100-1.020(1) and 2 CSR 500-2.100(2) (C) & (G). Because the error ratio exceeds the NAIC benchmark of 7% for claims, the violation is considered a general business practice in violation of §375.1005(2) RSMo. Violations of §375.1005 are level two violations under §374.049 RSMo subject to a forfeiture of up to \$1,000 per violation. Each act as part of a claims settlement practice does not constitute a separate violation. Therefore, the forfeiture will be \$1,000.

In addition, the Company is directed to review all of NGAC's paid private passenger auto uninsured/underinsured motorist claims dated January 1, 2007 to the date a final Order is entered in this matter to determine if any other claimants were underpaid. If the claim 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 on all claims submitted, pursuant to §408.020 RSMo. 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.

2. On page 20 of the exam report, the examiners noted three instances on private

passenger auto claims where the Company failed to maintain a copy of the total loss tax credit affidavit in the claim file. NGAC agrees that the tax credit affidavits were not included in the claim files, but contends that each customer who purchased a replacement vehicle within 180 days was actually provided with a sales tax affidavit.

Failing to document the sales tax affidavits in the claims files violates §§144.027, 374.205, RSMo and 20 CSR 100-8.040. These violations are not included in the claim's error ratio. These violations are not classified as any particular level of violation and are therefore Level 1 violations. See §374.049.5, RSMo. Therefore, no forfeiture will be assessed. However, the Company must still implement immediate corrective action to avoid a repeat of these errors during any future regulatory activity.

3. On pages 20-21 of the exam report, the examiners cited NGAC for failing to return an insured's deductible after successfully subrogating a claim, resulting in an underpayment to the insured. The Company agrees with this criticism and issued a check to the insured for \$822.62 which included interest.

The Company's failure to return the insured's deductible violated §375.1007(4) RSMo and 20 CSR 100-1.050(2)(C). Because the error ratio exceeds the NAIC benchmark of 7% for claims, the violation is considered a general business practice under §375.1005(2) RSMo. Violations of §375.1005 are level two violations under §374.049 RSMo subject to a forfeiture of up to \$1,000 per violation. Therefore, the forfeiture will be \$1,000.

In addition, the Company is directed to review all claims resulting in subrogation payments to the Company dated January 1, 2007 to the date a final Order is entered in this matter to determine if any other claimants were underpaid. If the claim 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 on all claims submitted, pursuant to §408.020 RSMo. 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.

4. On page 23 of the exam report, the examiners noted three more instances where the Company failed to maintain a copy of the total loss tax credit affidavit in claim files relating to recreational vehicles, campers & travel trailers. NGAC agrees that the tax credit affidavits were not included in the claims files, but contends that each customer who purchased a replacement vehicle within 180 days was actually provided with a sales tax affidavit.

Failing to document the sales tax affidavits in the claim files violates §§144.027, 374.205, RSMo and 20 CSR 100-8.040. These violations are not included in the claim's error ratio. These are Level 1 violations, in that the violations are not classified as any particular level of violation. See §374.049.5, RSMo. Therefore, no forfeiture will be assessed. However, the Company must still implement immediate corrective action to avoid a repeat of these errors during any future regulatory activity.

NGAC will also be asked to 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 NGAC on the claim.

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

Conclusion:

The total forfeiture amount based on the findings noted in the NGAC Draft Report is \$2,000. Sections 374.046 – 374.049 RSMo, (general) and 375.1010 RSMo (claims practices) generally authorize the Department to assert this forfeiture. Specific statutes relative to the noted errors may also authorize a monetary penalty.

NEW SOUTH INSURANCE COMPANY

Findings:

I. Unfair Settlement and General Handling Practices

1. On page 18 of the exam report, the examiners found that New South incorrectly applied both a comprehensive and a collision deductible to an insured's claim settlement resulting in an underpayment of \$100.00. The Company agrees that the final settlement was miscalculated and issued a refund of \$120.50 which included applicable interest.

The Company's error violated §§375.1007(3) & (4) RSMo. However, the error was not committed with sufficiently frequently to indicate a general business practice. Therefore no forfeiture shall be assessed. But the Company must implement immediate corrective action to avoid a repeat of this error during any future regulatory activity.

2. On page 18 of the exam report, the examiners found 15 instances where the Company

failed to maintain a copy of the total loss tax credit affidavit in private passenger total loss claims files. New South agrees that the tax credit affidavits were not included in the claims files, but contends that each customer who purchased a replacement vehicle within 180 days was actually provided with a sales tax affidavit.

Failing to document the sales tax affidavits in the claims files violates §§144.027, 374.205, RSMo and 20 CSR 100-8.040. These violations are not included in the claim's error ratio. These are Level 1 violations, in that the violations are not classified as any particular level of violation. See §374.049.5, RSMo. Therefore, no forfeiture will be assessed. However, the Company must still implement immediate corrective action to avoid a repeat of these errors during any future regulatory activity.

New South will be asked to 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.

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.

Conclusion:

The total forfeiture amount based on the findings in the New South Exam Report is \$0.00.

NATIONAL GENERAL INSURANCE COMPANY

Findings:

I. Underwriting and Rating Practices

1. On pages 10-11 of the exam report, the examiners note that 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. NGIC identified 1,175 new business and renewal policies that were affected by the error. The Company refunded premium overcharges totaling \$109,519.00 which included interest totaling \$23,137. The Department appreciates the Company's efforts to correct this error and provide refunds to affected policyholders.

2. On pages 11-12 of the exam report, the examiners discovered 17 instances where the Company applied incorrect model year factors to collision computations resulting in premium undercharges for motorcycles of model years 1999 and later. The Company agrees that there was a systematic error which, according to NGIC, was corrected with no rate impact to the affected policies. The error identified by the examiners violates 20 CSR 500-4.100(1). This is a Level 1 violation pursuant to §374.049 RSMo for which no forfeiture will be assessed.

II. Unfair Settlement and General Handling Practices

1. On page 26 of the exam report, the examiners cited the Company for failing to document the reason for claim payment delay in a private passenger auto claim's file. NGIC agrees that there were delays in processing the claim that were not clearly documented in the file. The Company's failure to maintain adequate documentation in the file violates §374.205.2(2) RSMo, and 20 CSR 100-8.040(3)(B). This is an unclassified violation that is deemed a Level 1 violation pursuant to §374.049.5 RSMo. Therefore, no forfeiture will be assessed.

2. On pages 27-29 of the exam report, the examiners identified 22 errors relating to private passenger automobile – medical payments – paid claims. In 19 instances, NGIC incorrectly advised claimants, in writing, that NGIC had the right of recovery or subrogation regarding medical payment on private passenger auto claims. Subrogation of medical payments is not permissible in Missouri, and the Company's statement may have prevented claimants from pursuing reimbursement from a liable third party. The Company agrees that an incorrect form letter was sent to claimants.

In two instances the Company failed to disclose all pertinent benefits and coverage to claimants. On claims 8596499 and 8635340, NGIC failed to disclose that complete medical payments coverage was available despite the claimant's being covered by other medical coverage. The omission resulted in underpayments totaling \$5,064.00. The Company agrees that Claim Nos. 8596499 and 8635340 were underpaid and issued refunds, but failed to include applicable interest in the refunds. The exam report will be amended to reflect that NGIC issued refunds on claims 8596499 and 8635340 in an amount totaling \$5,064.00. However, the Company needs to pay the interest required by §408.020 RSMo.

In one instance, the Company overpaid claim 8974347 by exceeding the medical payments limit. NGIC agrees that this claim was overpaid in the amount of \$3,516.45.

The Company's practices regarding these 22 claims violates §§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). Because the error ratio exceeds the NAIC benchmark of 7% for claims, the violations of

§375.1007(1) RSMo are considered parts of a general business practice under §375.1005(2) RSMo. Violations of §375.1005 are level two violations under §374.049 RSMo subject to a forfeiture of up to \$1,000 per violation. Each act as part of a claims settlement practice does not constitute a separate violation. Therefore, the forfeiture for violation of §375.1007(1) will be \$1,000. Because the error ratio exceeds the NAIC benchmark of 10% for trade practices, the violations of §375.936 (6) (a) RSMo are considered parts of a general business practice under §375.934 RSMo. Violations of §374.934 are level two violations under §374.049 RSMo, subject to a forfeiture of up to \$1,000 per violation. Each act as part of a trade practice does not constitute a separate violation. Therefore, the forfeiture for violation of §375.936 (6) (a) will be \$1,000.

In addition, the Company is directed to review all of NGIC's 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 other claimants were underpaid. If the claim 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 on all claims submitted, pursuant to §408.020 RSMo. In addition, if NGIC collected any subrogation as a result of medical payment coverage, that money should 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.

3. On page 31 of the exam report, the examiners found 24 instances of private passenger total loss claims where the Company failed to maintain a copy of the total loss tax credit affidavit in the claim files as required. NGIC agrees that the tax credit affidavits were not included in the claim files, but contends that each customer who purchased a replacement vehicle within 180 days was actually provided with a sales tax affidavit.

Failing to document the sales tax affidavits in the claims files violates §§144.027, 374.205, RSMo and 20 CSR 100-8.040. These violations are not included in the claim's error ratio. These are Level 1 violations, in that the violations are not classified as any particular level of violation. See §374.049.5, RSMo. Therefore, no forfeiture will be assessed. However, the Company must still implement immediate corrective action to avoid a repeat of these errors during any future regulatory activity.

4 On page 32 of the exam report, the examiners found 1 instance where the Company failed to retain a copy of the vehicle salvage title in the claim file as required. NGIC agrees that a copy of the salvage title was not in the claim file but maintains that the proper salvage title was secured as part of the Salvage/Auction process.

Failing to document the vehicle salvage title in the claim file violates §301.227 RSMo. This violation is not included in the claim's error ratio. This is a Level 1 violation, in that the violation is not classified as any particular level of violation. See §374.049.5, RSMo. Therefore,

no forfeiture will be assessed. However, the Company must still implement immediate corrective action to avoid a repeat of this error during any future regulatory activity.

5 On pages 33-35 of the exam report, the examiners found 12 errors relating to private passenger automobile - medical payments – CWP claims. In 10 instances, NGIC incorrectly advised claimants, in writing, that NGIC had the right of recovery or subrogation regarding medical payment on private passenger auto claims. Subrogation of medical payments is not permissible in Missouri, and the Company's statement may have prevented claimants from pursuing reimbursement from a liable third party. The error resulted in an underpayment of \$1,089.60. The Company agrees that an incorrect form letter was sent to claimants and issued a refund of \$1,439.39 which included the payment of interest.

In one instance the Company failed to disclose all pertinent benefits and coverages to claimants. On claim 8586578, NGIC failed to disclose that complete medical payments coverage was available despite the claimant's being covered by other medical coverage. The omission resulted in an underpayment totaling \$1,328.04. The Company agrees that Claim Nos. 8586578 was underpaid and issued a refund in the amount of \$1,619.17 which included interest.

The Company's practices regarding these 11 claims violates §§ 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). Because the error ratio exceeds the NAIC benchmark of 7% for claims, the violations of §375.1007(1) RSMo are considered parts of a general business practice under §375.1005(2) RSMo. Violations of §375.1005 are level two violations under §374.049 RSMo subject to a forfeiture of up to \$1,000 per violation. Each act as part of a claims settlement practice does not constitute a separate violation. Therefore, the forfeiture for violation of §375.1007(1) will be \$1,000. Because the error ratio exceeds the NAIC benchmark of 10% for trade practices, the violations of §375.936 (6) (a) RSMo are considered parts of a general business practice under §375.934 RSMo. Violations of §374.934 are level two violations under §374.049 RSMo, subject to a forfeiture of up to \$1,000 per violation. Each act as part of a trade practice does not constitute a separate violation. Therefore, the forfeiture for violation of §375.936 (6) (a) will be \$1,000.

In addition, the Company is directed to review all of NGIC's 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 other claimants were underpaid. If the claim 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 on all claims submitted, pursuant to §408.020 RSMo. In addition, if NGIC collected any subrogation as a result of medical payment coverage, that money should 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

In one instance, pertaining to claim 8776625, NGIC failed to conduct a reasonable investigation regarding application of medical payment coverage. The Company failed to contact the claimant or provider to obtain an itemized medical bill needed for claims adjudication. This resulted in an underpayment of \$165.00. The Company agrees with the criticism and issued a refund of \$194.00 which included interest.

The Company's failure to conduct a reasonable investigation violates §§375.1007 (6), 375.936 (6) (a), and 20 CSR 100-1.050 (1) (A) & (C) and (5). Because this violation implicates a separate claims practice, it should have been reviewed as part of a separate error ratio. Therefore, the report will be modified to reflect 11 errors violating §375.1007 (1) and 1 error violating §375.1007 (6). The resultant error ratio on claim 8776625 does not rise to the level of a general business practice and therefore no forfeiture will be assessed.

6 On page 37 of the exam report, the examiners found 1 instance where NGIC incorrectly advised a claimant, in writing, that NGIC had the right of recovery or subrogation regarding medical payment on a motorcycle claim. Subrogation of medical payments is not permissible in Missouri, and the Company's statement may have prevented claimants from pursuing reimbursement from a liable third party. The Company agrees that an incorrect form letter was sent to the claimant which resulted in an underpayment. NGIC issued a refund check to the insured for \$1,014.79 which included the payment of interest.

The Company's practice regarding this claim violates §§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). Because the error ratio exceeds the NAIC benchmark of 7% for claims and 10% for trade practices, the violation is considered a general business practice under §§375.1005(2) and 375.934(2) RSMo. Violations of §375.1005 and 375.934 are level two violations under §374.049 RSMo subject to a forfeiture of up to \$1,000 per violation. Therefore, the forfeiture will be \$1,000.

In addition, the Company is directed to review all of NGIC's motorcycle medical payments paid claims dated January 1, 2007 to the date a final Order is entered in this matter to determine if any other claimants were underpaid. If the claim 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 on all claims submitted, pursuant to §408.020 RSMo. In addition, if NGIC collected any subrogation as a result of medical payment coverage, that money should 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

7. On page 41 of the exam report, the examiners noted 2 instances relating to recreation vehicles, campers and travel trailers where the Company failed to maintain a copy of the total loss tax credit affidavit in the claims files. NGIC agrees that the tax credit affidavits were not included in the claim files, but contends that each customer who purchased a replacement vehicle within 180 days was actually provided with a sales tax affidavit.

Failing to document the sales tax affidavits in the claims files violates §§144.027, 374.205, RSMo and 20 CSR 100-8.040. These violations are not included in the claim's error ratio. These are Level 1 violations, in that the violations are not classified as any particular level of violation. See §374.049.5, RSMo. Therefore, no forfeiture will be assessed. However, the Company must still implement immediate corrective action to avoid a repeat of these errors during any future regulatory activity.

In addition, NGIC will be asked to develop a survey to be sent to private passenger auto total loss claimants and to 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.

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.

Conclusion:

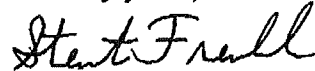
The total forfeiture amount based on the findings in the NGIC Exam Report is 5,000.00. Sections 374.046 – 374.049 RSMo, (general) and 375.1010 RSMo (claims practices) generally authorize the Department to assert this forfeiture. Specific statutes relative to the noted errors may also authorize a monetary penalty.

Please review the terms of this proposed settlement along with the enclosed Draft Final Reports reflecting the above referenced changes. A proposed Stipulation is also enclosed for each Company. If GMAC is in agreement with the above proposal, please advise. The proposed Stipulation has been approved by the Chief Market Conduct Examiner, but is subject to the final approval of the Director. Upon receipt of the signed Stipulation and the check, I will recommend approval of the settlement to the Director, and, upon obtaining approval, will forward a copy of the Director's Order, the Stipulation, and the Final Examination Report. If the settlement is not approved, the signed stipulation and the check will be returned to GMAC. If we are not able to reach a settlement, only the final report will be forwarded to you and the

Company along with a notice apprising the Company of its rights under 20 CSR 100-8.018(1)(F).

A response to this proposal is due on or before January 12, 2012. I look forward to your prompt reply. Thank you for your time and consideration in this matter. If you have any questions, please do not hesitate to contact me at (573) 526-1527 or stewart.freilich@insurance.mo.gov.

Sincerely yours,



Stewart Freilich
Legal Counsel
Market Conduct Section

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