

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

Phone: (360) 725-7000  
www.insurance.wa.gov



OFFICE OF  
INSURANCE COMMISSIONER

March 17, 2010

Norma M. Matthews, Compliance Analyst  
GMAC Insurance  
500 W. Fifth Street, PO Box 3199  
Winston Salem, NC 27102-3199

RE: National General Insurance Company  
Consent Order No. 10-0041

Dear Ms. Matthews:

Enclosed is a fully executed original of the Consent Order in the above referenced matter for your records. As you will note, this Order was entered on March 17, 2010. You have 30 days from the date of entry in which to pay the fine.

Please make your check payable to the Office of the Insurance Commissioner. Send your payment to Delia Zebroski, Fiscal Analyst, Operations Division, Office of the Insurance Commissioner, PO Box 40255, Olympia, Washington 98504-0255.

Please feel free to contact me at 360-725-7060 should you have any further questions or concerns. Thank you.

Sincerely,

A handwritten signature in black ink that reads "Jodie Thompson".

Jodie L. Thompson, Legal Assistant  
Legal Affairs Division

Enclosure



OFFICE OF  
INSURANCE COMMISSIONER

IN THE MATTER OF

National General Insurance Company,

Authorized Insurer.

ORDER NO. 10-0041

CONSENT ORDER LEVYING A FINE

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.02.080 and RCW 48.05.185, and having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

**FINDINGS OF FACT:**

1. National General Insurance Company ("the Company") is a Missouri-domiciled insurance company authorized to conduct property and casualty insurance business in Washington.
2. During the investigation of a consumer complaint, the Company revealed to OIC that it was using the number of credit inquiries on a consumer's credit report in setting premiums.
3. The Company informed OIC that it was aware of the 2003 Washington law prohibiting use of the number of credit inquiries when calculating credit scores, and that the problem had occurred with an outside vendor it uses for its credit models and reports. The Company determined that the problem was not its Washington-specific credit scoring model but that the problem only occurred for those individuals who are applying for a Washington policy who also have a garaging address in another state. In these instances, the Washington model was not being used.
4. The Company re-rated all Washington policies manually. It sent a letter to those affected individuals who were no longer customers, explaining the situation and giving them the



option to sign an authorization form allowing the Company to access their credit reports to allow re-rating of their policies.

5. The Company refunded a total of \$82,192 to consumers.
6. To date, the Company has not found a systems fix to the problem but is monitoring policies moving forward until a system change can be implemented.

**CONCLUSIONS OF LAW:**

A fine for these violations is authorized under RCW 48.05.185 in an amount not less than two hundred fifty dollars or more than ten thousand dollars.

1. By using the number of credit inquiries to calculate a personal insurance score or determine personal history insurance premiums or rates, the Company violated RCW 48.19.035(3)(b).

**CONSENT TO ORDER:**

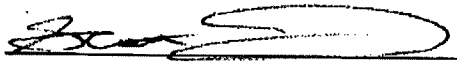
National General Insurance Company, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Company's payment of a fine and upon such terms and conditions as are set forth below.

1. National General Insurance Company consents to the entry of this Order, waives any and all hearing rights, and further administrative or judicial challenges to this Consent Order.
2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$25,000 and suspend \$10,000 of that, on the conditions that:
  - a. Within thirty days of the entry of this Order, the Company pays \$15,000.
  - b. Within sixty days of entry of this Order, the Company provide OIC a date certain by which a systematic resolution to the problem that created these violations will be implemented. This date must be within two years of the date of entry of this Order.

- c. The Company shall comply with and carry out the Compliance Plan set forth in Exhibit A hereto, which Compliance Plan is hereby incorporated into this Order by reference as though fully set forth herein.
  - d. By two years from the date of entry of this Order, the Company provides satisfactory documentation to OIC that a systematic resolution has been implemented to eliminate the need for individual monitoring of policies and to prevent further occurrence of this violation.
  - e. The Company commits no further violations of the statutes and regulations that are the subject of this Order for a period of two years from the date this Order is entered.
  - f. The Company understands and agrees that any future failure to comply with the statutes and regulations that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violation, in addition to the imposition of the suspended portion of this fine.
  - g. The suspended portion of this fine will be imposed at the sole discretion of the Insurance Commissioner according to the conditions as set forth above, without any right to hearing, appeal, or advance notice.
3. The Company's failure to timely pay this fine and to adhere to the conditions shall constitute grounds for revocation of the Company's Certificate of Authority, and shall result in the recovery of both the suspended and unsuspended amounts of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this 11 day of March, 2010.

NATIONAL GENERAL INSURANCE COMPANY

By: 

Printed Name: SCOTT PURANT

Typed Corporate Title: Chief Operating Officer & Vice President

National General Insurance Company  
Consent Order Levying A Fine

**ORDER**

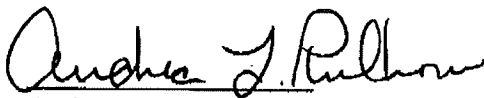
Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. National General Insurance Company shall pay a fine in the amount of \$25,000, of which amount the sum of \$10,000 is suspended on the condition that the Company fully comply with the laws and regulations of the State of Washington which are the subject of this Order for the next two years and upon the further condition that the Company fully carry out its obligations under the Compliance Plan attached hereto as Exhibit A.
2. Within sixty days of entry of this Order, the Company shall provide OIC a date certain by which an automated resolution to the problem that created these violations will be implemented. This date shall be within two years of the date of entry of this Order.
3. The Company's failure to pay the imposed portion of the fine within the time limit set forth above shall result in the revocation of the Company's Certificate of Authority and in the recovery of both the suspended and unsuspended amounts of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 16<sup>th</sup> day of March, 2010.

MIKE KREIDLER  
Insurance Commissioner

By



Andrea L. Philhower  
OIC Staff Attorney  
Legal Affairs Division

National General Insurance Company  
Consent Order Levying A Fine

