United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510–6125

WEBSITE: http://commerce.senate.gov

August 9, 2017

Mr. Barry Karfunkel
Chief Executive Officer and Director
National General Holdings Corporation
59 Maiden Lane, 38th Floor
New York, New York 10038

Dear Mr. Karfunkel:

We write regarding National General Holdings Corporation's (National General) insurance sales practices. In particular, recent news reports indicate that Wells Fargo & Company charged its automobile loan customers for collision insurance policies underwritten by National General that the customers did not need, often without obtaining the customers' consent. Moreover, National General apparently failed to ensure that customers were not charged for coverage if they already had their own policies.

On July 27, 2017, the *New York Times* reported that Wells Fargo charged more than 800,000 automobile loan customers for unnecessary collision insurance, in many cases without their knowledge.[1] While it is understandable for lenders to take steps to protect loan collateral, it appears that Wells Fargo purchased additional coverage, and charged its loan customers for the premiums, in instances in which those loan customers were already in compliance with the terms of their loan agreements. More than a quarter of those customers reportedly fell into delinquency due to these charges, and as many as 25,000 of them faced wrongful repossession of their vehicles as a result. The *Wall Street Journal* has subsequently reported that Wells Fargo plans to refund 570,000 customers approximately $80 million.[2] According to a Wells Fargo spokesperson, the bank's review of the insurance sales program found that National General failed to ensure that customers were not needlessly charged for policies.[3]

National General was apparently responsible for checking a database to determine whether or not a Wells Fargo loan customer already had insurance coverage. Where it determined such customers were not covered, the *New York Times* alleges that National General would automatically impose coverage on those customer accounts. The *New York Times* further asserts that National General was incentivized to issue these policies through a commission fee

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[1] Gretchen Morgensen, *Wells Fargo Forced Unwanted Auto Insurance on Borrowers*, N.Y. TIMES, July 27, 2017, https://www.nytimes.com/2017/07/27/business/wells-fargo-unwanted-auto-insurance.html.
[2] Emily Glazer, *Wells Fargo to Refund $80 Million to Auto-Loan Customers for Improper Insurance Practices*, WALL ST. J., July 28, 2017, https://www.wsj.com/articles/wells-fargo-to-refund-80-million-to-auto-loan-customers-for-improper-insurance-practices-1501252927.
[3] Laura Keller, *Wells Fargo's Latest Scandal: Selling Customers Auto Insurance They Didn't Need*, INS. J., July 31, 2017, http://www.insurancejournal.com/news/national/2017/07/31/459407.htm.

agreement, and that, for some period of time, it was also involved in an arrangement with Wells Fargo to share in those revenues.

The Commerce Committee and its Subcommittee on Consumer Protection, Product Safety, Insurance, and Data Security have jurisdiction over the regulation of consumer products and services,[4] including automobile insurance. Protecting American consumers is a key priority of the Committee.

To assist the Committee in its oversight efforts, please provide responses to the following:

1. When and how did National General first become aware of the aforementioned practices?

2. What is the exact number of customers that the aforementioned practices affect? How many customers fell into delinquency as a result? How many will receive refunds?

3. Describe the relationship between Wells Fargo and National General, including any commission or revenue sharing agreements with respect to the purchase of insurance coverage for Wells Fargo loan customers, as well as the effective dates of such agreements. How much money did National General pay to Wells Fargo as part of the revenue sharing agreements?

4. Describe National General's process for determining whether a customer was in compliance with any collateral insurance requirements.

5. Where National General determined that certain loan customers were not in compliance with a requirement to insure loan collateral, describe National General's process for notifying such loan customers of its intention to purchase or secure insurance policies on the customers' behalf.

6. Describe National General's process for issuing refunds, compensation, and other remediation to affected individuals, including the anticipated issuance schedule.

7. What policy changes has National General made to prevent the recurrence of this type of incident?

[4] *See* S. Comm. on Rules & Admin., Standing Rules of the Senate, Rule XXV(f)(1), S. Doc. No. 113-18, at 21 (2013).

Please provide your responses as soon as possible, but by no later than August 23, 2017. Thank you for your prompt attention to this matter.

Sincerely,

John Thune

JOHN THUNE
Chairman
Committee on Commerce,
Science, and Transportation

Jerry Moran

JERRY MORAN
Chairman
Subcommittee on Consumer
Protection, Product Safety,
Insurance, and Data Security

Bill Nelson

BILL NELSON
Ranking Member
Committee on Commerce,
Science, and Transportation

Richard Blumenthal

RICHARD BLUMENTHAL
Ranking Member
Subcommittee on Consumer
Protection, Product Safety,
Insurance, and Data Security