

**REPORT OF TARGETED EXAMINATION  
(Limited Scope)**

**OF THE  
MARKET CONDUCT AFFAIRS**

**OF**

**FFG INSURANCE COMPANY**

**AND**

**AUTOMOBILE INSURANCE PURCHASING  
GROUP, INC.**

**2001 BRYAN STREET, SUITE 200**

**DALLAS, TEXAS 75313-0745**

**AS OF JULY 31, 2000**

*FFG INSURANCE COMPANY'S  
NAIC COMPANY CODE 43460*

# TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
SALUTATION .....	-1-
FOREWORD .....	-2-
SCOPE OF EXAMINATION .....	-2-
COMPANY OVERVIEW .....	-3-
<b>COMPANY HISTORY AND OPERATIONS</b> .....	-3-
FFG Insurance Company .....	-3-
First Extended Service Corporation .....	-4-
Automobile Insurance Purchasing Group, Inc. ....	-6-
<b>COMPANY OFFICERS, DIRECTORS AND OWNERSHIP</b> .....	-7-
<b>CONTRACTUAL ARRANGEMENTS &amp; SERVICE AGREEMENTS</b> ...	-8-
<b>ORGANIZATION CHART</b> .....	-8-
<b>TERRITORY AND PLAN OF OPERATION</b> .....	-10-
<b>MAJOR LINES OF BUSINESS</b> .....	-10-
Contractual Liability on Extended Service Contracts .....	-10-
<b>PRIOR EXAMINATION REPORTS</b> .....	-10-
<b>POLICYHOLDER TREATMENT</b> .....	-11-
<b>CONSUMER COMPLAINTS/INQUIRIES</b> .....	-11-
<b>DENIED CLAIMS OR SERVICES</b> .....	-11-
<b>MARKETING</b> .....	-11-
<b>SALES PRACTICES, ADVERTISING, ETC.</b> .....	-11-
<b>CONTRACT FORMS AND FILINGS</b> .....	-12-
<b>POLICY/EXTENDED SERVICE AGREEMENT REVIEW</b> .....	-12-
<b>AGENTS LICENSING</b> .....	-13-

# TABLE OF CONTENTS

<u>SUBJECT</u>	<u>PAGE</u>
UNDERWRITING, PREMIUM RATES AND SERVICE FEES .....	-13-
LICENSING AND STATUTORY DEPOSIT OR SURETY BOND .....	-14-
REINSURANCE .....	-15-
FINANCIAL AND ACTUARIAL MATTERS .....	-15-
YEAR 2000 COMPLIANCE .....	-16-
COMPLIANCE WITH LOUISIANA TAX AND BUSINESS LAWS .....	-16-
FFG REGISTRATION AND LOUISIANA TAX FILINGS .....	-16-
PREMIUM TAX .....	-17-
SALES TAX .....	-17-
CONCLUSION .....	-18-



JAMES H. "JIM" BROWN  
COMMISSIONER OF INSURANCE  
STATE OF LOUISIANA

P.O. Box 94214  
BATON ROUGE, LOUISIANA 70804-9214  
PHONE (504) 342-5900  
FAX (504) 342-3078  
<http://www.lidi.state.la.us>

Dallas, Texas  
August 18, 2000

Honorable James H. "Jim" Brown  
Commissioner of Insurance  
Louisiana Department of Insurance  
P.O. Box 94214  
Baton Rouge, Louisiana 70804-9214

Sir:

Pursuant to your instructions and authorization, and in compliance with statutory provisions, a Targeted Market Conduct Examination of limited scope has been made of the affairs of

**FFG Insurance Company**

**and**

**Automobile Insurance Purchasing Group, Inc.**

**2001 Bryan Street, Suite 200  
P.O. Box 130745  
Dallas, Texas 75313-0745**

as of July 31, 2000 and the report of examination is herewith submitted.

## **FOREWORD**

This examination report is of limited scope and reflects the activities of FFG Insurance Company, a contractual liability insurer of vehicle extended warranty service agreements, hereinafter referred to as "FFG", "Insurer" or "Company" and Automobile Insurance Purchasing Group, Inc., a risk purchasing group, hereinafter referred to as "AIPG".

The Targeted Market Conduct Examination is, in general, a report by exception. This means that references in the examination report with regard to procedures and/or files subject to review may be omitted if no improprieties, or errors were noted.

Unless otherwise stated, the NAIC Market Conduct Examiners' Handbook was used as a measure of compliance.

## **SCOPE OF EXAMINATION**

The examination of FFG and AIPG was conducted by the Louisiana Department of Insurance, hereinafter referred to as Department, in accordance with the laws of the State of Louisiana (*L.R.S. 22:1301* and *L.R.S. 22:2080*) and the guidelines set forth by the National Association of Insurance Commissioners (NAIC).

This examination covered the period from January 1, 1997 through July 31, 2000 and prior periods as deemed necessary and was limited in its scope to matters surrounding methods of operation in the State of Louisiana by FFG and AIPG, including an operating affiliate, First Extended Service Corporation. The examination was conducted at FFG's home office located in Dallas, Texas. The purpose of this examination was to review compliance with applicable Louisiana insurance statutes, regulations, rules and directives, and to determine if the operations were consistent with the public interest.

The examination focused on the current status of FFG and AIPG and their operations in the State of Louisiana which included, but was not limited to, the following areas and related or relevant records of the Company.

1. Company Overview
2. Policyholder Treatment
3. Marketing
4. Underwriting, Premium Rates and Service Fees
5. Licensing and Statutory Deposit or Surety Bond
6. Reinsurance
7. Financial and Actuarial Matters
8. Compliance with Louisiana Tax and Business Laws

## **COMPANY OVERVIEW**

### **COMPANY HISTORY AND OPERATIONS**

**FFG Insurance Company** -- FFG is a non publicly traded Texas corporation who became licensed as a Louisiana foreign insurer on December 23, 1991.

FFG is a wholly-owned subsidiary of FFG Corporation. Prior to October 1, 1998, the Company was a wholly-owned subsidiary of First Extended, Inc. FFG Corporation is a wholly-owned subsidiary of First Extended, Inc.

FFG, established November 13, 1990, is a casualty insurance company domiciled in Texas with authority to write contractual liability insurance.

The Company is a specialty insurer which underwrites contractual liability policies to insure the performance of extended service agreement obligations of automobile dealers. The automobile dealers are insured under FFG's contractual liability policies for losses arising in the event they do not provide services in accordance with the extended service agreements. The Company also underwrites stop-loss policies purchased by some of the automobile dealers to limit their losses under their extended service agreement programs.

All of the extended service agreements are administered by First Extended Service Corporation (FESC or First Extended), which is also a wholly-owned subsidiary of First Extended, Inc.

The Company was incorporated and is directed by its officers and directors and has maintained Board of Director meeting minutes.

FFG has issued contractual liability insurance policies since licensing. It currently conducts all administration, claims processing and policyholder services out of its Dallas, Texas home office. It has reported a steady increase in surplus and an increasing net gain from operations for the past five (5) years including an underwriting profit for 1999 of \$1,611,529.

**First Extended Service Corporation** -- FESC is a contract service provider who administers vehicle extended warranty service programs for automobile dealers. First Extended functions as the administrator for the dealers' in-house extended service agreement programs. Under the First Extended program, the dealer is obligated under the service agreement to provide all of the covered repairs and services. Therefore, since all obligations are the dealership's, the dealer retains the entire selling price of the extended service agreement and pays the Administrator, First Extended, an administration fee on each contract and a one-time initial dealer enrollment fee. FESC services include, accounting, administrative and claim services, and the purchase of supplemental dealer insurance coverage the dealers need to operate their extended service agreement business. Monthly reports are prepared by First Extended to give each dealer timely, meaningful and comprehensive accounting and administrative reports. These reports provide all of the pertinent information needed to monitor the history and profitability of the dealers' in-house programs, and to plan for the future.

In connection with the purchase of an automobile, the buyer may, by paying a stated price, purchase from the dealer an extended service agreement which provides for

certain covered repairs exceeding the deductible amount, to be performed without charge for the automobile owner purchaser. The extended service agreement is not an insurance policy since all contracts issued by a selling dealership as the obligor is exempt from all Title 22 insurance statutes under *L.R.S. 22:1800(5)* and *L.R.S. 22:1802*. The agreement is a contractual arrangement between the selling dealer and the purchaser of the automobile. It is sold primarily at the time of purchase and with the vehicle to which it relates.

The obligor on all extended service agreements administered by First Extended is the selling dealership. In addition to the administrative services provided by FESC, First Extended is also contractually obligated to purchase contractual liability insurance to protect the service agreement holder/auto buyer should the dealer not perform its contractual obligations. For all extended service agreements administered by FESC, contractual liability insurance is provided by FFG Insurance Company, an affiliate. This contractual liability insurance will pay, on behalf of the automobile dealer, all sums necessary to perform a dealer's contractual obligations under its in-house extended service agreement, in the event the dealer does not perform such obligation. Lastly, financial institutions such as GMAC, Ford Motor Credit Corporation, etc., who typically finance the purchase price of the vehicle and the cost of the extended service agreement, are a related party to the extended service agreement (vis-a-vis the inclusion of the extended service agreement in the finance contract). Therefore, the financial institution may, in certain circumstances, be held responsible for performance of the extended service agreement to the customer in the event the selling dealer is unable or does not perform.

The FFG contractual liability insurance on the dealership is critical to the dealers' in-house extended service agreement business since it is generally required by the financing institution in order to include the extended service agreement sales price in the amount being financed.

Since 1976, First Extended Service Corporation has provided contract administration services to franchised car dealers which have their own in-house (self-funded) extended service agreement programs. FESC currently provides administrative services to more than 1,400 dealer programs nationwide.

First Extended's Dealer Agreement with the dealerships adequately sets forth the terms and condition of both FESC and the dealer and appears appropriate and reasonable for the services and obligation required of the parties.

FESC and its affiliate, FFG, operate under a cost sharing arrangement for joint administrative services shared between the parties. First Extended does not manage any part or division of FFG, do not pay or adjust claims on behalf of FFG and does not negotiate reinsurance on behalf of FFG. Therefore, FESC is not considered a managing general agent (MGA) as set forth in *L.R.S. 22:1202(D)(1)*.

**Automobile Insurance Purchasing Group, Inc.** -- AIPG is a not-for-profit Texas corporation domiciled in Dallas, Texas, owned by its member automobile dealers and member administrators of vehicle extended service programs. AIPG registered as a Louisiana risk purchasing group (RPG) on June 24, 1987 and was issued a Certificate of Registration on August 21, 1996. It operated under *L.R.S. 22:2071 - L.R.S. 22:2086* through 1996. AIPG ceased purchasing contractual liability insurance for its Louisiana members on or about December 31, 1996 after FFG began insuring the Louisiana automobile dealer members directly. AIPG is continuing to operate as an RPG in other states.

AIPG's purpose is to bring together automobile dealers for information sharing, promotion of dealer obligor extended service agreement programs, purchase of contractual liability insurance on a group basis for the benefit of the member dealers, and other selected functions as deemed necessary. Automobile dealers domiciled in states which allow FFG to insure the contractual liability risk of the dealer directly with the

dealership are not required to be members of AIPG in order to participate in the First Extended Service Corporation program.

Even though AIPG is not currently purchasing insurance contracts for members in the State of Louisiana, it is still registered with the Louisiana Department of Insurance as an inactive risk purchasing group.

## **COMPANY OFFICERS, DIRECTORS AND OWNERSHIP**

FFG's current officers' and directors' business affiliations and domicile are as follows:

### **OFFICERS AND DIRECTORS AT DECEMBER 31, 1999 TO DATE**

William P. Daves, Jr. Chairman of the Board Director	Consultant FFG Insurance Company 2001 Bryan Street, Suite 200 Dallas, Texas 75313-0745
Douglas W. Caudell President Director	FFG Insurance Company 2001 Bryan Street, Suite 200 Dallas, Texas 75313-0745
John D. Curtis Vice President - Secretary Director	First Extended Service Corporation 2001 Bryan Street, Suite 200 Dallas, Texas 75313-0745
Gary Corona Director	Westcott LLC 100 Crescent Court, Suite 1620 Dallas, Texas 75201
James H. Newman Director	First Extended Service Corporation 2001 Bryan Street, Suite 200 Dallas, Texas 75313-0745
Michael I. Smart Director	Wyndham Jade 6400 International Parkway Plano, Texas 75093

Jack T. Smith  
Director

Westcott LLC  
100 Crescent Court, Suite 1620  
Dallas, Texas 75201

Carl H. Westcott  
Director

Westcott LLC  
100 Crescent Court, Suite 1620  
Dallas, Texas 75201

FFG is a non-public company that is owned 100 percent by FFG Corporation, Dallas, Texas, which is owned 100 percent by First Extended, Inc., Dallas, Texas. The ultimate controlling person is Carl Hilton Westcott, an individual, who owns 70 percent of the shares of First Extended, Inc.

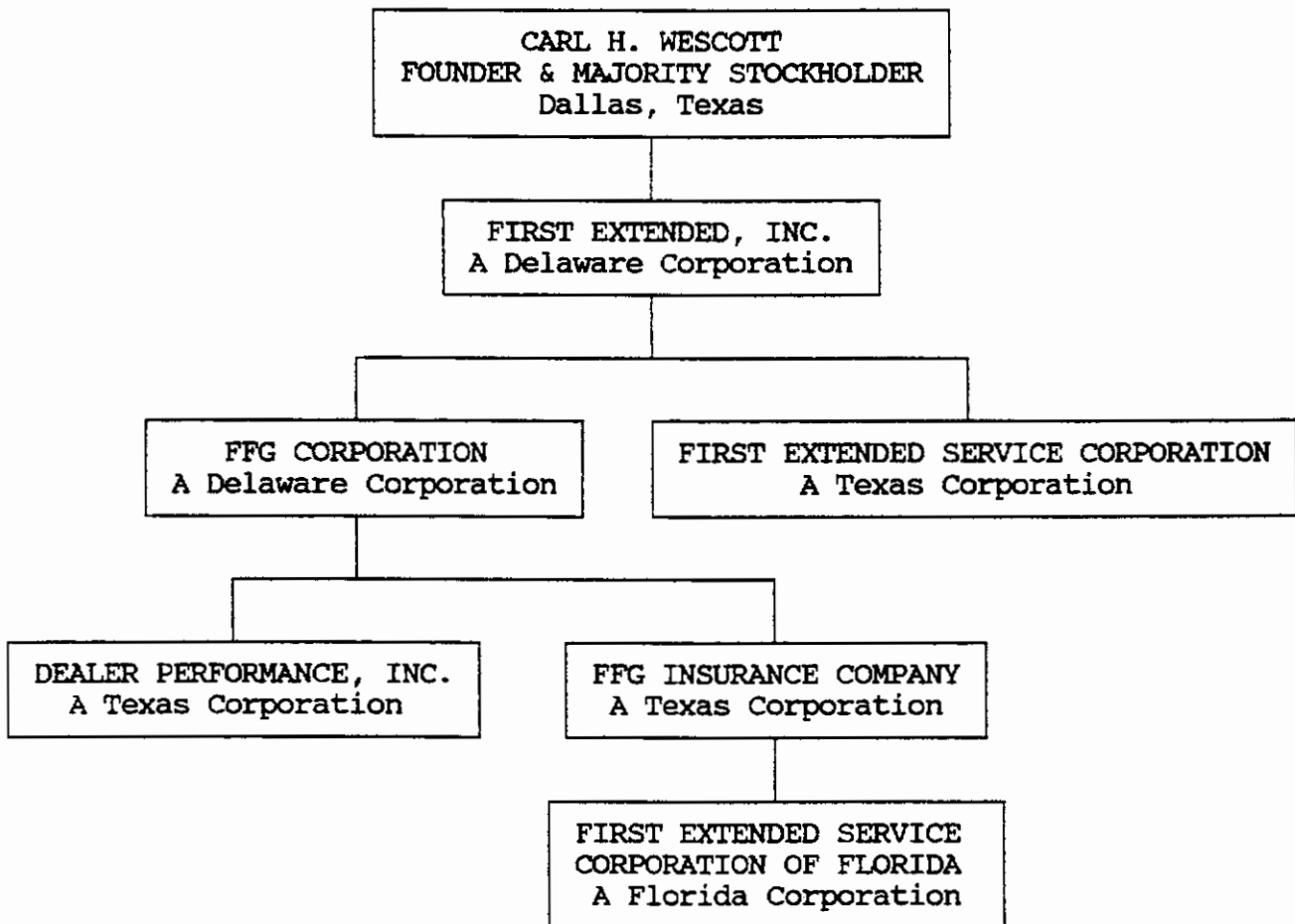
### **CONTRACTUAL ARRANGEMENTS & SERVICE AGREEMENTS**

FFG and FESC operate on a cost sharing arrangement with some administrative services being shared between the parties. FESC only administers dealer claims as set forth in its service contract with the dealerships and in turn bills FFG for only claims on defaulting dealerships. The contractual agreements between the dealerships, FESC and FFG appear appropriate, adequate and reasonable and are being transacted according to the terms and conditions set forth therein. The dealership's inclusion of its extended service agreement fee in the financing package with their financial institutions also appears appropriate and the distribution of these proceeds between the parties appears proper and according to the terms of their agreements.

### **ORGANIZATION CHART**

An organization chart reflecting the ownership structure and common ownership relationships of FFG follows:

FFG INSURANCE COMPANY  
Organization Chart



## **TERRITORY AND PLAN OF OPERATION**

FFG is currently licensed to conduct the business of an insurer for contractual liability on extended service contracts in the State of Louisiana. FFG is licensed as a contractual liability insurer in all fifty states. The dealers' extended service agreements which FFG is insuring performance has terms ranging from 12 to 84 months and up to 100,000 miles.

FFG performs its own administration and claims handling without a third party administrator.

## **MAJOR LINES OF BUSINESS**

**Contractual Liability on Extended Service Contracts** -- FFG derives its revenues from the sale of contract liability policies to automobile dealerships. A consumer purchases an extended service agreement from an automobile dealership to provide for the repair or replacement of designated parts of a vehicle for the term of the agreement, which can extend to seven years or 100,000 miles depending on vehicle eligibility. In the event of dealer default, FFG is obligated for the risk of the economic loss associated with covered claims on each repair visit, limited to the fair market value of the vehicle immediately before the breakdown. An extended service agreement on a new vehicle augments and enhances the original warranty provided by the manufacturer of the vehicle as well as providing coverage after the original manufacturer's warranty has expired.

## **PRIOR EXAMINATION REPORTS**

The Louisiana Department of Insurance has not previously examined FFG in the context of a market conduct examination or in the context of a financial examination. One financial examination was conducted on FFG as of September 30, 1994. The Examiner reviewed the Texas examination report and determined the report contained no violations or issues applicable to this limited scope examination.

## **POLICYHOLDER TREATMENT**

### **CONSUMER COMPLAINTS/INQUIRIES**

No consumer complaints have been filed with the Department on FFG Insurance Company. Consumer inquiries as to the propriety of FFG's operating structure have been addressed and resolved to the Department's satisfaction.

### **DENIED CLAIMS OR SERVICES**

A random sampling of FFG's denied and pending claims history and procedures were selected for testing. The selected sample of Louisiana denied and pending claims were tested noting no exceptions. All tested denied claims were found to be valid denials for repairs or parts not covered under the applicable policy. Pending claims were properly classified as such due to missing requested information or documentation.

Denied claims with litigation or Better Business Bureau complaints were reviewed noting no exceptions. All denials in this group of three extended service agreement holders were found to be valid denials for a repair not covered under the applicable policy. In all instances the dealer attempted to resolve the conflict by explaining the terms of the policy and identifying the specific policy clauses which support the claim denial. In some instances the dealer paid the claim as a courtesy to the claimant.

All Louisiana denied claims have been resolved to date without litigation resulting in a judgment against FFG.

## **MARKETING**

### **SALES PRACTICES, ADVERTISING, ETC.**

The Insurer's sales and consumer marketing is performed in conjunction with First Extended Service Corporation's marketing of its service program to the dealerships. FFG only sells its policies to dealerships' whose extended service agreement program is administered by First Extended. Therefore, FFG does no marketing of its contractual liability insurance product.

## CONTRACT FORMS AND FILINGS

*L.R.S. 22:620* requires all contractual liability insurance policy forms, terms, coverage, etc. be submitted to and approved by the Louisiana Department of Insurance. The Company's initial (1991) policy form #FEC1001 was properly submitted to and approved by the Department. FFG's policy form #FEC2002 that it is currently issuing and has done so since 1997, was transmitted to the Department on May 10, 1996 but never approved. The only change in the form FEC2002 when compared to form FEC1001 is that the name of the insured is now blank to allow inclusion of the name of the insured dealer. Policy form FEC1001 had included the members of AIPG as the named insured. It is recommended that the Company comply with *L.R.S. 22:620* and obtain the necessary approval of form #FEC2002 from the Louisiana Department of Insurance.

## POLICY/EXTENDED SERVICE AGREEMENT REVIEW

A random sampling of the dealers' extended service agreements insured by FFG was statistically selected for random testing using a 95% confidence level, a 5% precision limit and an expected sampling error of 0%. The statistically selected sample of Louisiana sales contracts was tested in the following groups:

<u>Sales Period</u>	<u># Agreement's Selected for Testing</u>	<u># Contracts Missing</u>	<u>% Missing</u>
1/1/97 to 12/31/97	19	2	11%
1/1/98 to 12/31/98	19	1	5%
1/1/99 to 12/31/99	16	- 0 -	0%
1/1/00 to 08/10/00	<u>5</u>	<u>- 0 -</u>	<u>0%</u>
Total	<u>59</u>	<u>3</u>	<u>5%</u>

The Company's computer sales records were traced to the original dealer extended service agreement noting agreement of the contract number, insuring party (dealership/obligor), effective date, insured's name, vehicle description, dealer's premium/contract fee, estimated reserve/claim cost, policy terms, deductible, coverage, etc., noting only seven minor exceptions, which all appeared to be keypunch input errors. The error rate on the agreements tested totaled only .7% which is insignificant when using a 95% confidence level test sample.

Due to unrecorded batch filing numbers, the Company was unable to locate three agreements which is 5% of the test population. All missing contracts occurred in 1997 and 1998. No unlocated contracts were noted in the more recent years (1999 - 2000).

Extended service agreement contracts issued prior to 12/31/96 reflect the members of AIPG as the insured under the contractual liability policy. All tested contracts from 1/1/97 to date reflect FFG as the dealers' insurer. The Examiner verified FFG's insuring responsibility to the tested dealerships by examining the policies of insurance issued by FFG to the dealerships, noting no exceptions.

## **AGENTS LICENSING**

FFG has appointed Richard M. Cochran, Jr., a licensed Louisiana resident insurance agent as its appointed agent authorized to transact the lines of insurance authorized by FFG's Certificate of Authority. FFG is in compliance with *L.R.S. 22:982(A)(13)*.

## **UNDERWRITING, PREMIUM RATES AND SERVICE FEES**

*L.R.S. 22:1407* requires contractual liability insurers to file all premium rates with and be approved by the Louisiana Department of Insurance. The Louisiana Department of Insurance has approved all premium rates of FFG from inception to date. FFG is in compliance with the requirements of *L.R.S. 22:1407*.

FESC charges a fee to the dealership for each extended service agreement negotiated by the dealership. This fee represents the charge for the administration of the agreement and claims thereon and the cost to provide the dealer obligor with contractual liability insurance protection. On a monthly basis, FESC remits the FFG premium on all extended service agreements negotiated in that period.

The fee arrangement between FESC and the dealerships and premiums charged by FFG appear reasonable and appropriate for the services and insurance coverage provided.

FFG performs detail underwriting of a prospective dealer before admission to FESC's extended warranty service agreement program, which includes FFG's contractual liability coverage. This underwriting includes a thorough evaluation of the dealership's current financial condition, contractual relationships, and prior operating history. In order to be admitted to the FESC program, the dealer must also meet certain financial minimums and standards. FFG controls the underwriting process and the setting of the underwriting criteria.

The underwriting of prospective participants in the FESC extended service agreement program and FFG's insured dealerships were found to be appropriate and adequate for the risk being engaged.

#### **LICENSING AND STATUTORY DEPOSIT OR SURETY BOND**

FFG has properly maintained a \$20,000 certificate of deposit pledged to the Commissioner of Insurance of Louisiana and is in compliance with the statutory deposit requirement as set forth under *L.R.S. 22:1021*.

FFG has properly applied for and been granted a Certificate of Authority dated December 23, 1991 by the Louisiana Department of Insurance and is in compliance with *L.R.S. 22:986*. The Insurer is authorized to write "contractual liability on extended service contracts".

First Extended Service Corporation does not perform services that meet the requirements of a managing general agent (MGA) or third party administrator (TPA) and

therefore is not required to be licensed as an MGA under *L.R.S. 22:1203* or a TPA under *L.R.S. 22:3041(A)*.

### **REINSURANCE**

FFG has entered into no reinsurance contracts or quota share reinsurance agreements, for its contractual liability policies that insure dealer default on their in-house extended service agreements.

In 1995, FFG began insuring dealers' risk on extended service agreements issued by a group of Texas dealerships where FFG provided 100% reimbursement coverage for the dealer obligor. FFG then reinsured its entire risk on this group of Texas policies with a non authorized offshore reinsurer which is owned or controlled by the Texas dealers' who sold the extended service agreements.

### **FINANCIAL AND ACTUARIAL MATTERS**

FFG's balance sheet is presented on a statutory-basis "... in conformity with accounting practices prescribed or permitted by the Texas Department of Insurance. Such practices vary from generally accepted accounting principles (GAAP); the more significant variances from GAAP are as follows": (a) "investments in bonds are reported at amortized cost or market value based on their NAIC rating"; (b) "the accounts and operations of FFG's subsidiary are not consolidated with the accounts and operations of FFG"; (c) "acquisition costs, which relate to acquiring and renewing business, are charged to current operations as incurred," and (d) "deferred income taxes are not provided for differences between the carrying amount of assets and liabilities for statutory and tax purposes." The aggregate effect of the foregoing differences has not been determined.

The Company is required to maintain minimum statutory capital and surplus of \$3,000,000. The Examiner concludes that FFG is solvent with a December 31, 1999 audited

surplus of \$16,115,926 and in compliance with the surplus requirements set forth under *L.R.S. 22:71.1*.

FFG properly records a claims loss reserve based on a claim made basis, and an estimated reserve based on statistical analysis.

Premiums are earned over the estimated period of coverage based on average miles driven or over the term of the agreement on a straight-line basis, whichever is less (except for reinsured business which is 100% ceded).

## **YEAR 2000 COMPLIANCE**

In 1999, FFG completed its remediation and testing of systems. As a result of those planning implementation efforts, FFG experienced no significant disruptions in mission critical information technology and non information technology systems and believes those systems successfully responded to the Year 2000 date change. FFG is not aware of any material problems resulting from Year 2000 issues, either with its products, its internal systems, or the products and services of third parties. FFG will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

## **COMPLIANCE WITH LOUISIANA TAX AND BUSINESS LAWS**

### **FFG REGISTRATION AND LOUISIANA TAX FILINGS**

The Company's articles of incorporation and Texas corporate charter are filed with the Louisiana Department of Insurance and therefore are authorized to conduct business in the state of Louisiana. The Insurer is in compliance with *L.R.S. 22:982(1)*.

FFG has properly filed federal income tax returns and remitted the applicable taxes to date. The Insurer's tax liability has been in line with that of a profitable insurance business.

FFG has not filed Louisiana corporation income and franchise tax returns or paid the applicable tax from date of licensing to date. Delinquent Louisiana corporation income taxes,

penalties and interest are currently due from 1/1/92 to 12/31/99. FFG is in violation of *L.R.S. 47:287.611 and L.R.S. 47:21*. It is recommended that all delinquent Louisiana corporate income tax returns be filed and the applicable taxes paid.

#### **PREMIUM TAX**

FFG has properly filed and paid since licensing (1991) Louisiana premium taxes in compliance with *L.R.S. 22:1061*.

#### **SALES TAX**

Louisiana law exempts the sale of insurance from sales taxes under *L.R.S. 47:301 - L.R.S. 47:318*. Contractual liability insurers are therefore not subject to Louisiana sales tax.

The Louisiana Department of Revenue considers the sale of extended service agreements by dealerships insurance and therefore also exempt the sale thereof from Louisiana sales taxes.

## CONCLUSION

Acknowledgment is made of the courteous cooperation of the Company's management and staff during this examination

I, Frank W. McGee, as President of Conservation Management, Inc., do solemnly swear and affirm that in my capacity as President of Conservation Management, Inc., I am an examiner for the Commissioner of Insurance of the State of Louisiana and that as such was assigned to make an examination of the affairs and condition of

**FFG Insurance Company  
and  
Automobile Insurance Purchasing Group, Inc.**

**Dallas, Texas**

That I made such examination and the above and foregoing is a true and correct copy of my report of such companies and the same is true and correct to the best of my knowledge, information and belief.

Respectfully submitted.

---

Examiner  
Conservation Management, Inc.  
By Frank W. McGee, AFE, President  
Department of Insurance  
State of Louisiana

## CONCLUSION

Acknowledgment is made of the courteous cooperation of the Company's management and staff during this examination

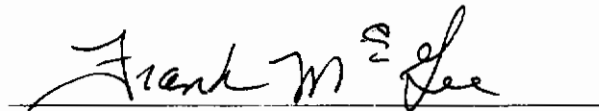
I, Frank W. McGee, as President of Conservation Management, Inc., do solemnly swear and affirm that in my capacity as President of Conservation Management, Inc., I am an examiner for the Commissioner of Insurance of the State of Louisiana and that as such was assigned to make an examination of the affairs and condition of

**FFG Insurance Company  
and  
Automobile Insurance Purchasing Group, Inc.**

**Dallas, Texas**

That I made such examination and the above and foregoing is a true and correct copy of my report of such companies and the same is true and correct to the best of my knowledge, information and belief.

Respectfully submitted.



Examiner  
Conservation Management, Inc.  
By Frank W. McGee, AFE, President  
Department of Insurance  
State of Louisiana