



Wawanesa
Insurance

WAWANESA MUTUAL INSURANCE COMPANY
WAWANESA GENERAL INSURANCE COMPANY
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Telephone 858-874-5440 Fax 619-584-7179

David J. Goss
Vice President, U.S. Operations

April 14, 2005

California Department of Insurance
The Honorable John Garamendi, Insurance Commissioner
State of California
45 Fremont Street
San Francisco, CA 94105

**RE: MARKET CONDUCT EXAMINATION REPORT
WAWANESA MUTUAL INSURANCE COMPANY – NAIC #31526
WAWANESA GENERAL INSURANCE COMPANY – NAIC #10683**

Dear Commissioner Garamendi:

The Wawanesa Insurance Group was pleased to have the California Department of Insurance conduct a thorough examination of claim files for both Wawanesa Mutual Insurance Company and Wawanesa General Insurance Company.

I am pleased to report that this examination has been concluded and that there are no items left open and unresolved. The findings contained within the examination report have been accepted and the Companies' responses to those findings have been submitted for public preview.

I wish to acknowledge and thank those Department staff members that participated in this Market Conduct Examination for the professional manner in which this examination was conducted.

Sincerely,

David J. Goss
Vice President, U. S. Operations

DJG:dm

Enclosure:

1. **The Companies failed to disclose all policy provisions.**

Companies Response: The Companies standard benefits letter specific to the disclosure of the Uninsured Motorist Coverage was not misleading and did not misstate the coverages available. The Examination found no instances where policyholders were not paid timely and in accordance with their policy provision. The Companies believe this was a semantics issue and have amended their form letter in accordance of the Department's wishes.

2. **The Companies failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile.**

Companies Response: All settlements are discussed at length with both insureds and claimants prior to sending the settlement letter. The settlement letter format was modified at the Department's request during an audit examination in the year 2001. The current Department Examiner requested further modification and the Companies again agreed to include a supporting document to the settlement letter.

3. **The Companies failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile.**

Companies Response: The Companies acknowledge this violation and attribute all three instances to adjuster error. The Companies issued additional monies to the insureds and provided the Department with proof of payments. The Companies have conducted training and updated procedures for claims staff.

4. **The Companies attempted to settle a claim by making a settlement offer that was unreasonably low.**

Companies Response: The Companies acknowledge this violation and attribute all thirteen instances to adjuster error. These errors were addressed with the claims staff and quality review procedures have been initiated.

5. **The Companies failed to provide written basis for the denial of the claim.**

Companies Response: As a result of this examination, the Companies acknowledge this violation. The Companies have agreed to send written denial letters in every instance. Written guidelines formalizing the denial of benefits were given to the Department.

6. **The Companies failed to adopt and implement reasonable standards for the prompt investigation and processing of claims.**

Companies Response: As a result of this examination, the Companies acknowledge this violation. The Companies attribute adjuster error in matters of delayed handling and agree these instances were not in conformity with their standard procedures. The Companies have provided the Department with a copy of a new directive/procedure for their staff addressing the use of depreciation schedules and claim file documentation.

7. **The Company failed to properly document claim files.**

Company Response: As a result of this examination, the Company acknowledges this violation. The Company will continue to emphasize with the claim staff the importance of proper claim file documentation. The Company has also revised their form letter pertinent to the theft affidavit, as well as the Company's reimbursement of monetary fees when applicable.

8. **The Companies failed to document the determination of value.**

Companies Response: As a result of this examination, the Companies acknowledge this violation. The Companies have addressed changes on salvage procedures with its claims staff to ensure salvage quotes are obtained with complete information including, but not limited to the source of the bid, number and amount of bids, date and time.

9. **The Company failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing.**

Company Response: The Company has agreed to attach supporting documentation to the claims settlement letter prior to mailing.

10. **The Companies failed to provide written notice of the need for additional time every 30-calendar days.**

Companies Response: The Companies acknowledge this violation and has emphasized procedures with its claim staff to send timely status letters to insureds and/or claimants when applicable. It is the Companies' position that this violation is not indicative of a general business practice.

The Company failed to record claim data in the file.

Company Response: The Company acknowledges this violation as isolated instances as it is standard procedure to record receipt of all file communications. It is the Company's position that this violation is not indicative of a general business practice.

12. **The Companies failed to represent correctly, pertinent facts or insurance policy provisions.**

Companies Response: The Companies acknowledge this violation as isolated instances and not indicative of a general business practice and has undertaken additional staff training to reiterate strict code compliance.

The Companies failed to accept or deny the claim with 40 calendar days.

Companies Response: The Companies acknowledge this violation as isolated instances not indicative of a general business practice. The Companies have addressed timeliness regulations with its staff.

14. **The Company failed to maintain hard copy claim files.**

Company Response: The Company acknowledges this violation as an isolated instance and not indicative of a general business practice as it is standard practice to maintain hard copy files.

15. **The Companies failed to comply with the Fair Claims Settlement Practices Regulations.**

Companies Response: The Companies acknowledge this violation as isolated instances and not indicative of a general business practice. The Companies have provided additional instructions and training to its staff.

16. The Companies failed to adopt and communicate to all its claims agents written standards for the prompt investigation and processing of claims.

Companies Response: The Companies have indeed adopted and communicated to its claims agents, standards for the prompt investigation and processing of claims via one-on-one, or group training by supervisors. Notwithstanding the above, the Companies have dispatched written communications to its claim staff advising of procedural changes, instructions and claims handling processes for consistency in handling. Copies of these written procedures and instructions have been provided to the Department.