



FARMERS

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October 12, 2005

Craig Dixon
Bureau Chief
Field Claims Bureau
California Department of Insurance
300 South Spring Street, 11th Floor
Los Angeles, CA. 90013

RE: Field Claims Examination Report -
Farmers Insurance Exchange – NAIC #21652
Fire Insurance Exchange – NAIC #21660
Mid-Century Insurance Company – NAIC #21687
Truck Insurance Exchange – NAIC #21709
Civic Property & Casualty Company – NAIC #10315
Exact Property & Casualty Company – NAIC #10318
Neighborhood Spirit Property & Casualty Company- NAIC #10317

Dear Mr. Dixon:

We are in receipt of your correspondence dated September 28, 2005, and the final report from the above mentioned Claims Examination. We appreciate your consideration in extending our response due date to October 13, 2005. The following is our response to the Public Adopted Report.

We would like to thank you and your exam team for the cooperation and courtesies shown to us during the examination process. Before we address specific areas of the Report, we wish to point out that we seriously consider all insurance department examinations and the recommendations of the examiners. Therefore, we have thoroughly reviewed each of the findings and comments.

Our response includes those areas where we agree with the findings, as well as those where we respectfully disagree. The responses track with the order and sequence of the findings in the report.

Please note that neither these comments nor any of our actions are admissions on our part of any violation, wrongdoing or fault and should not be interpreted by the Department or any other party as constituting any admissions. Please further note that we are providing these comments and taking actions without waiver of any defense, legal or equitable, and without waiver of any applicable privilege in connection with the information provided.

1. The Companies failed to adopt and implement reasonable standards for the prompt investigation and processing of claims. 790.03 (h)(3)

We agree with the findings, except in relation to the following:

Policy #1004597559 – We continue to disagree with this citation, which was issued due to a significant gap in the file activity. After exhausting our efforts to collect subrogation from the other insurance carrier, the claim was referred to an outside collection agency. Our practice is to allow the collection agency every opportunity to adequately pursue the other party. Our policyholder's claim was handled timely and we do not believe this gap in documented activity during the collection phase violates any reasonable standard for prompt investigation and processing of claims.

2. Upon Acceptance of the claim the Companies failed to tender payment within 30 calendar days. 2695.7(h)

We agree with the findings.

3. The Companies failed to respond to communications within 15 days. 2695.5(b)

We agree the findings, except in relation to the following:

Policy #1004351728 – We continue to disagree with this citation. The regulation does not specify acknowledgment needs to be in writing. While it is preferred that a letter be answered with a letter, our claims representatives must be given the ability to respond orally during a conversation with the other party, if the file is properly documented. The acknowledgment was documented in the activity log and a telephone call was made to the attorney's office. We believe the documentation of this file supports our response.

To further help alleviate this situation, our new electronic claims system has been designed with built in escalations. If a document is not opened and read within a prescribed period of time, the supervisor is automatically notified.

4. The Companies failed to maintain hard copy files. 2695.3(b)(3)

We agree with the findings.

5. The Companies failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance. 2695.7(b)(3)

We agree with the findings.

6. 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. 2695.8(b)(1)

We agree with the findings.

7. The Companies failed to explain in writing for the claimant the basis of the fully itemized cost of the comparable automobile. 2695.8(b)(1)

We agree with the findings.

8. The Companies failed to accept or deny the claim within 40 calendar days. 2695.7(b)

We agree with the findings.

To help alleviate this situation in the future, we have designed an escalation protocol in our electronic claims system that will remind our adjusters of the need to complete an investigation or send a status letter.

9. The Companies failed to provide written notice of the need for additional time every 30 calendar days. 2695.7(c)(1)

We agree with the findings.

To help alleviate this problem in the future, we have designed an escalation protocol in our electronic claims system that will remind our adjusters of the need to complete an investigation or send a status letter.

10. The Companies failed to properly document claim files. 2695.3(a)

We agree with the findings.

11. The Companies failed to effectuate prompt, fair and equitable settlements of claims in which liability had become reasonably clear. 790.03(h)(5)

We agree with the findings.

12. The Companies failed to document the determination of value. 2695.8(b)(1)(C)

We agree with the findings.

13. The Companies failed to supply the claimant with a copy of the estimate upon which the settlement is based. 2695.8(f)

We agree with the findings.

14. The Companies failed to provide written notice of any statute of limitations 60 days prior to the expiration date. 2695.7(f)

We agree with the findings.

15. The Companies failed to provide written basis for the denial of the claim. 2695.7(b)(1)

We agree with the findings, however, we were advised by the Department that the citation number would be changed to 2695.7(b)(3), instead of the above.

16. The Companies failed to document the basis of betterment, depreciation, or salvage. The basis for any adjustment shall be fully explained to the claimant in writing. 2695.8(k)

We agree with the findings.

17. The Companies failed to begin investigation of the claim within 15 calendar days. 2695.5(e)(3)

We agree with the findings.

18. The Companies persisted in seeking unnecessary information. 2695.7(d)

We agree with two of the three findings, however, we continue to disagree with the following:

Policy #1002126694 – The injury adjuster asked for medical bills, because they are not allowed to look in the Med/PIP file without a release. Permission was granted on September 8, 2003, and we immediately shared the pertinent documents.

19. The Companies failed to acknowledge notice of claim within 15 calendar days. 2695.5(e)(1)

We agree with the findings.

20. The Company attempted to settle a claim by making a settlement offer that was unreasonably low. 2695.7(g)

We agree with the findings.

21. The Companies failed to comply with the Fair Claims Settlement Practices Regulations. 2695.4(a), 2695.8(e)(2), 2695.8(j), 2695.8(k)(1)(2)

We agree with the findings. Please note that under the Summary of Companies' Response, the phrase "examiner oversight" is used, when in fact it should say "adjuster oversight".

22. The Companies failed to comply with the California Insurance Code. 793.03(h)(1), 790.03(h)(13)

We agree with one finding, however, we continue to disagree with citation 793.03(h)(1), in relation to the following:

Policy #1005099130 – The notification of unrepaired damages is not a misrepresentation of insurance policy provisions. The insured has an obligation to inform the company when and if repairs are completed. Until the repairs are completed, a damaged portion of the car replaced from one loss will not be paid again on subsequent losses unless it has been replaced. To do anything else would allow double indemnification.

Also, as we commented under #21 above, please note that under the Summary of Companies' Response, the phrase "examiner oversight" is used, when in fact it should say "adjuster oversight".

Once again, thank you and your staff for your professionalism shown throughout the examination process. If you have any questions, or need additional information, please feel free to contact me, or Mary Rountree of my staff, at (323) 932-3965.

Sincerely,



Bennett L. Katz
AVP – Regulatory Affairs

c: Maribel Salonga, Associate Insurance Compliance Officer
Mary Rountree, Manager – Regulatory Affairs