



FARMERS®

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August 12, 2010

Pamela J. O'Connell
Bureau Chief - Field Rating and Underwriting Bureau
Market Conduct Division
300 Capitol Mall, 16th Floor
Sacramento, California 95814

Re: California Market Conduct Report (Format 12938)

Dear Ms. O'Connell:

We have received the Official Adopted Report for the California Wildfire Market Conduct Examination of Farmers Insurance Exchange, Fire Insurance Exchange, Mid-Century Insurance Company and Civic Property & Casualty Company (Farmers®). We would like to thank the Department, and your examination team, for the cooperation and consideration shown to us during the exam process.

We wish to point out to the Department that Farmers seriously considers all insurance department examinations and the recommendations of the examiners.

Farmers and its agents take pride in providing world class service to its customers. The 2007 Wildfires were some of the worst in California's history, requiring hundreds of our claims representatives to make thousands of individual claims decisions. We acknowledge that the Department found four technical violations out of all the decisions that were made by our claims personnel under catastrophe claims handling conditions. We continue to implement and enforce internal controls to ensure that compliance with the law is a first priority among all Farmers employees and Agents.

With the large volume of claims received, we are extremely proud of our claims personnel and how our Agency Force came to the assistance of insureds during such trying times.

Thank you for allowing our us to respond to this Report, and we appreciate the Department's openness, willingness to communicate and their professionalism throughout the examination.

Very truly yours,

Burt Garavaglia
Assistant Vice President Regulatory Affairs
Farmers Group, Inc.