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November 14, 2001

Mr. Craig Dixon, Bureau Chief
California Department of Insurance
Market Conduct Bureau
300 South Market Street, 11th Floor
Los Angeles, Ca 90013

RE: Market Conduct Examination Report
Cal Farm Insurance Company-NAIC #18961

Dear Mr. Dixon,

We have had an opportunity to review your Market Conduct Examination Report of October 19, 2001 and understand this report is available to the public. We would appreciate your including this letter as our response to that report. Please extend our thanks to your staff and in particular, Paula Pinelli, for her availability during the course of this examination. We have provided her a copy of this letter for her review. Although there are the minor issues on which we do not fully agree with your audit, the examination substantially reflects the quality of our claims practices prior to September 30, 2000 at CalFarm Insurance.

CalFarm Insurance remains dedicated to providing prompt, accurate and fair claims service for our customers. As is indicated in our responses to your criticisms, we have completed training that will result in a significant improvement in our documentation process. A review of the files audited indicate that in almost every case, our claims professionals had appropriately given our customers required documents or information but occasionally failed to thoroughly document their files on the issue. We have made significant progress in improving our file documentation since your review. It is notable in your report that there were no violations that stated we inappropriately withheld coverage or paid less than a fair value for any claim.

We will continue to refine our claims processes to fully comply with Department of Insurance guidelines in the future. We appreciated the opportunity for this review and to work closely with your staff in the completion of the examination. Thanks to you and your staff for the professionalism displayed during the examination process.

Sincerely,


David R. Peterson
PCRO Claims Director
CalFarm Insurance Company