

INTERINSURANCE EXCHANGE OF THE AUTOMOBILE CLUB

HEADQUARTERS: 2601 South Figueroa Street, Los Angeles, California 90007-3294
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January 25, 2002

Harry W. Low, Commissioner
California Department of Insurance
300 Capitol Mall, Suite 1500
Sacramento, CA 95814

Re: Interinsurance Exchange of the Automobile Club
Market Conduct Examination as of December 31, 1999

Dear Commissioner Low:

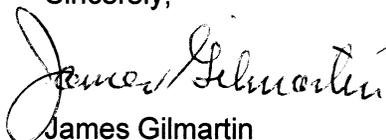
The Interinsurance Exchange of the Automobile Club ("Exchange") is a reciprocal insurance company that was formed by the Automobile Club of Southern California in 1912 for the benefit of its members and to provide an alternative to the excessive premiums that were being charged for automobile insurance coverage.

The California Department of Insurance (CDI) recently conducted a Market Conduct Examination of the claims handling practices for the Exchange for the period of January 1, 1999 through December 31, 1999. CDI staff was professional during the examination process and the examination was thorough and fair.

While some errors are inevitable, we strive to comply with the law. Appropriate procedures are developed and implemented, and claims adjusters receive regular and frequent training and guidance from their supervisors, to help ensure that each claim is handled properly and in compliance with the law. We have analyzed the issues identified by the CDI in the report and have revised procedures, enhanced training, and strengthened quality control measures where appropriate. We are confident that these changes will address the CDI's concerns.

We have offered quality insurance products and services to meet the needs of our member policyholders for 90 years and it is our goal to continue this tradition for years to come.

Sincerely,



James Gilmartin
Senior Vice President
ACSC Management Services, Inc.
Attorney-in-fact for the
Interinsurance Exchange of the Automobile Club