



July 18, 2001

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

RE: Market Conduct Examination Report
National Interstate Insurance Company ("Company")
NAIC #32620
CDI #4354-7

Dear Commissioner Low:

We have received and reviewed the Report of Examination of the Claims Practices of the National Interstate Insurance Company as of June 30, 1999 (the "Report").

We are most pleased that the examiners did not find any claim file in the 84 which were reviewed that reflected an underpayment by the Company. Our fundamental claim goal is to pay what we owe, and the Report indicates that we are fully accomplishing that objective.

The Report does allege that there were several technical violations of the California Insurance Code ("CIC") or California Code of Regulations ("CCR") relating to claim handling practices, although none of the violations appear to have affected the settlement value of the claim involved. Given that the Company strives to comply fully with all California laws and regulations in conducting its insurance business, we have reviewed each of the alleged violations carefully to determine how the Company's practices and procedures can be improved. While we do not admit to committing any of the violations alleged in the Report, the Company is nevertheless taking the steps indicated in the Report to improve its practices and procedures so that there is not even a question about whether the Company is in compliance with applicable laws and regulation.

We are confident that taking these steps will result in substantial compliance with all of the sections of the CCR and CIC that are referenced in the Report.

As required by applicable regulation, I have enclosed a copy of this response on diskette.

Finally, we wish to take this opportunity to thank the examiners for their courtesy and professionalism. Their efforts will result in a better claims experience for California citizens.

Please let me know if I can provide you with any additional information.

Sincerely,

NATIONAL INTERSTATE INSURANCE COMPANY


Michael J. Moroney
General Counsel

Attachment

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Cc: Mr. Craig Dixon
Chief, Market Conduct Bureau
California Department of Insurance
300 S. Spring Street, 11th Floor
Los Angeles, CA 90013