

September 27, 2002

VIA OVERNIGHT MAIL

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

Re: NCMIC Insurance Company
NAIC # 15865 / CDI # 2090-9
Field Claims Examination Report

Dear Mr. Dixon:

This letter will acknowledge the receipt of the field claims examination report as of September 30, 2000. It is our understanding that the report and our response will be published on the Department of Insurance website.

First of all, NCMIC appreciates the professional manner in which the Department, and in particular Ms. Maribel Salonga, handled the field claims examination. Although we respectfully disagree with the Department's conclusion that two of the twenty-seven files reviewed included alleged violation of CIC §790.03 (h)(3), the Department's approach was positive and constructive throughout.

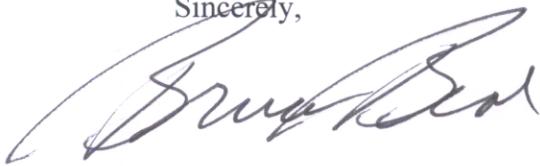
Our principal disagreement with the two alleged citations is that the Department's allegations suggest that NCMIC did not have in place reasonable standards for prompt investigation and processing of claims. The fact that 25 out of 27 claim files reviewed were free of any alleged violation demonstrates that reasonable standards for prompt investigation and claims processing were in place, and more importantly were being implemented. Moreover, the two claims at issue involved situations where the claims department immediately contacted the claimants as well as NCMIC's insureds. In both cases the insured categorically denied the claimant's allegation. The two claimants were asked in writing to provide evidence supporting their claims. Neither claimant responded with evidentiary support for their claims. The Department's suggestion that a letter be sent to non-responsive claimants setting a time limit for a response is a constructive suggestion that has been implemented. However, NCMIC does not believe that the

absence of such a letter justifies an allegation that NCMIC did not have reasonable claims standards in place at the time the two claims at issue were processed.

Our second concern relates to the statement on page two of the report which indicates that the Department reviews consumer complaints as a part of its overall examination process. Although NCMIC believes that a review of consumer complaints is appropriate, it also believes that the report should reflect that there were no consumer complaints directed at NCMIC during the year prior to the start of the Department's examination. The statement on page two, without clarification, would tend to suggest incorrectly that complaints did exist relative to NCMIC's claims handling practices.

Thank you for the opportunity to publicly respond to the Department's report. Again, we appreciate the professional manner in which the examination was conducted.

Sincerely,

A handwritten signature in black ink, appearing to read "Bruce Beal", written in a cursive style.

Bruce Beal
Director of Claims

BAB:mrg