



February 4, 2002

BY FACSIMILE AND FIRST-CLASS MAIL

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

Re: Comments concerning the Report of Examination of the Claims
Practices, as of June 30, 2001
Response Insurance Company (NAIC No.: 43044)
Response Indemnity Company of California (NAIC No.: 10970)

Dear Mr. Dixon:

This will acknowledge and respond to the draft Report of Examination of the Claims Practices of Response Insurance Company ("RIC") and Response Indemnity Company of California ("RICC") (together, the "Companies"), as of June 30, 2001, and received by the Company on January 21, 2002.

The draft report reflects the Companies' position with regard to each of the alleged violations as set forth therein.

Please note, however, that Professional Claims Services, Inc. ("PCS"), the Companies' third-party administrator, has completed its file audit and has "corrected file discrepancies." See the attached letter from David Churchill, PCS's President and Chief Executive Officer, to me, dated February 1, 2002. In particular, according to PCS, at-fault letters have been issued and sent, and applicable policy fees have been paid, for the policies listed on the schedule attached to Mr. Churchill's letter.

We regret that certain technical errors were made (*e.g.*, the violation cited most in the report was for the failure to use letterhead identifying each Company's proper name, per CIC §880). The alleged violations, however, were neither willful nor part of the Companies' general business practices and, according to the report, when remedied, resulted in the recovery of merely \$904.98 (Public Report at 5).

Response Insurance

4 Gannett Drive • White Plains, NY 10604 • Tel: 914-640-6500 • Fax: 914-640-6725

We are proud of the Companies' commitment to fair claims handling and their reputation of providing fair and excellent service to claimants and insureds alike. The Companies, therefore, view the examination report as a crucial tool in permitting them and PCS to improve their practices and procedures and to enable them to better comply with all aspects of applicable law. To that end, we have advised PCS that the Companies' senior home office personnel will conduct more frequent compliance audits to verify that PCS continues to handle the Companies' claims fairly, but also in a thoroughly proper and lawful manner.

The Companies appreciate the opportunity to respond to the draft examination report, as well as the courtesies extended to it by the Department during the course of the examination process.

If you have any questions, please feel free to call me.

Very truly yours,

Response Insurance Company

Response Indemnity Company
of California

A handwritten signature in black ink, appearing to read 'T. Rocchio', with a long horizontal line extending to the right.

Thomas E. Rocchio
Vice President, Claims

Enclosures



Professional Claims Services, Inc.

February 1, 2002

Thomas E. Rocchio
Vice President, Claims
Response Insurance Company
Response Indemnity Company of California
4 Gannett Drive
White Plains, New York 10604

Re: **Field Claims Examination Report Response**
Response Insurance Company (NAIC #43044)
Response Indemnity Company of California (NAIC #10970)

Dear Mr. Rocchio:

Professional Claims Services has completed an audit of all files received from the companies referenced above and has corrected file discrepancies as outlined below.

The following responses are keyed to the numbered paragraphs in the confidential portion of the report:

1. Action was taken as described in the "Companies' response.
2. An audit was conducted of 100% of the claims files received by PCS and letters were issued to all insureds affected.
3. A new Affidavit of Theft form with the required perjury warning language was created and is currently in use.

The following responses are keyed to the numbered paragraphs in the public portion of the report:

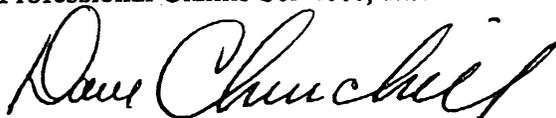
1. PCS has completed an internal audit of all open and closed files and has issued payment of any applicable taxes and fees that were inadvertently overlooked. This issue was also a topic in a company training session that was held for all claims adjusters in September 2001.
2. PCS addressed these issues in an adjuster training session held in September 2001 and managers and supervisors will be reviewing files to insure more aggressive file handling.
3. The companies have addressed this issue during a recent adjuster training session and file reviews by supervisors will insure that estimates are sent on partial losses.

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4. The companies have addressed this issue and supervisors review of files will insure that letters are sent every 30 days to explain the reason(s) a claim file has not been resolved.
5. This issue has been addressed during a recent training session with adjusters and file reviews by supervisors will insure that claims will either be accepted or denied within 40 days as required.
6. A recent adjuster training session addressed these issues. During an internal audit of all open and closed files, any fees that were not previously paid were sent to the vehicle owners.
7. The issue of timely payments was discussed during the recent adjuster training session and follow up by supervisors' file reviews will insure that payments are made timely as required.
8. This issue was also addressed during a recent adjuster training session. The New York offices of the companies will notify the insured in writing if subrogation is abandoned.
9. It is the company's practice to always include the manufacturer or distributor of after market parts on the repair estimate. A written reminder was sent to appropriate personnel reminding them to be sure that all written estimates contain this information.
10. This issue was addressed in a recent training session for all adjusters and supervisors will monitor compliance through file reviews.
11. All adjusters were reminded of the need for acknowledgement of the notice of a claim within 15 days during a recent training session. Continued file reviews by supervisors will insure compliance.
12. This issue was addressed during a recent training session for all adjusters. Monitoring of files by supervisors will insure compliance.
13. The issue was addressed during a September 2001 training session and reviews of adjuster files will help to insure reoccurrence.
14. The adjusters were reminded the importance of written notification of the statute of limitations and this issue will be monitored by supervisor's file reviews.
15. The recent training session addressed the issue of betterment, depreciation or salvage and the need to document these in writing. File reviews will help to insure compliance.

Please contact me directly at (858) 748-3880 if you have any questions.

Sincerely,
Professional Claims Services, Inc.



David B. Churchill
President and C. E. O.