



Wawanesa
Insurance

WAWANESA MUTUAL INSURANCE COMPANY
WAWANESA GENERAL INSURANCE COMPANY
9050 Friars Road, San Diego, CA 92108-5865
Telephone 858-874-5440 Fax 619-584-7179

October 4, 2001

David J. Goss
Vice President, U.S. Operations

The Honorable Harry W. Low
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, CA 94105

RE: Market Conduct Examination Report
Wawanesa Mutual Insurance Company – NAIC #31526
Wawanesa General Insurance Company – NAIC #10683

Dear Commissioner Low:

The Wawanesa Insurance Group was pleased to have the California Department of Insurance conduct a most thorough examination of claim files for both Wawanesa Mutual Insurance Company and Wawanesa General Insurance Company.

As indicated by the examination report, 32,945 claims were handled by Wawanesa Mutual Insurance Company from April 1, 2000 to March 31, 2001. A random sampling found errors in 4 files or 1.5% of those files reviewed. Wawanesa Mutual Insurance Company considers this finding outstanding and extends its appreciation to the Department for determining that we were capable of achieving this result.

The Wawanesa General Insurance Company handled 27,914 claims during the period April 1, 2000 to March 31, 2001. Nineteen errors were found by the Department, seven of which remain in dispute. We dispute the Department's position that we attempted to settle seven claims by making a settlement offer that was unreasonably low. These losses were settled in accordance with the California Residential Property Insurance Disclosure form mandated by California Insurance Code 10102. This form is provided to each policyholder and defines Guaranteed Replacement Cost and Actual Cash Value. In each of the seven claims, our adjusters notified the policyholder in writing that replacement cost would be

paid if the damaged property was repaired or replaced within 180 days after the loss. It is our understanding that the Department of Insurance was a sponsor of the legislation requiring the use of the California Residential Property Insurance Disclosure Form to avoid a repeat of the loss settlement disputes that arose from the 1991 Oakland Hills firestorm.

There are twelve errors which are not disputed which represent 3.6% of the claims handled by Wawanesa General Insurance Company during the time period in question. Six of the remaining twelve have been rectified by making a minor change in the wording of the standard settlement letter used by Wawanesa General Insurance Company. That letter is directed to policyholders and claimants who suffered total losses and is, in fact, an explanation of our settlement offer. That letter is sent only after the policyholder or claimant is fully advised as to the reason for our settlement offer.

The remainder of the findings represent 1.8% of those claims handled by Wawanesa General Insurance Company. After careful review, it is determined that these findings while valid, were isolated instances and represent no pattern or negligent business practice by Wawanesa General Insurance Company. The overall finding for Wawanesa General Insurance Company is considered by this office to be very favorable and again, we thank the Department of Insurance for allowing us to achieve this result.

Sincerely,



David J. Goss
Vice President, U.S. Operations