



WESTERN MUTUAL INSURANCE COMPANY

P.O. BOX 6019, Agoura Hills, California 91376-6019 (818) 879-2142

October 2, 2002

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

RE: Field Claims Examination Report

Dear Mr. Dixon:

This letter responds to your September 19, 2002 transmittal of the Department's public report of examination of the claims practices of Western Mutual Insurance Company and Residence Mutual Insurance Company (collectively referred to herein as "Western Mutual").

First, we are pleased that the public report acknowledges the fact that examiners found that no recoveries were due in any of the 195 claim files reviewed. We believe that this favorable finding demonstrates that our Claims Department is fulfilling its primary objective, which is to adjust all claims as fairly as possible.

Second, not only does Western Mutual strive to provide fair claim settlements on behalf of our insureds, we also work hard to conform to existing laws and regulations pertaining to claims handling practices. Therefore, as the report notes, we immediately implemented procedures designed to ensure correction of the documentation issues that resulted in over 85% of the alleged violations in the report. Further, prior to the examination date (but after the file review's

“as of” date), we had implemented new procedures in our liability unit that should prevent recurrence of most of the few remaining alleged violations.

Finally, item number 5 on page 6 states that “the Companies have acknowledged this violation on HO liability claims.” We realize that this section of the report was changed, and that this final report language may have therefore been inadvertent. However, we wanted to remind the Department that we consistently argued that CCR Section 2695.4(a) does not apply to third party claims. Our agreement to amend our practice with respect to liability claims was made in a spirit of cooperation, and was not intended as an acknowledgment on our part that the cited regulation applied to third party claims.

We appreciate the opportunity to respond to the public report.

Sincerely,



Catherine L. Crail
Vice President, Controller and Compliance Officer
Western Mutual Insurance Group