REPORT OF EXAMINATION
OF THE

CALIFORNIA STATE AUTOMOBILE ASSOCIATION
INTER-INSURANCE BUREAU
AS OF
DECEMBER 31, 2008

Participating State
and Zone:

California

Filed April 12, 2010

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San Francisco, California
March 4, 2010

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition (EX4) Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable Christina Urias
Secretary, Zone IV-Western
Director
Arizona Department of Insurance
Phoenix, Arizona

Honorable Steve Poizner
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman, Secretary, and Commissioner:

Pursuant to your instructions, an examination was made of the

CALIFORNIA STATE AUTOMOBILE ASSOCIATION INTER-INSURANCE BUREAU

(hereinafter also referred to as the Bureau) at its home office located at 100 Van Ness Avenue, San Francisco, California 94102. In October 2009, the Bureau relocated its home office to 3055 Oak Road, Walnut Creek, California 94597.

SCOPE OF EXAMINATION

The previous examination of the Bureau was made as of December 31, 2004. This examination covers the period from January 1, 2005 through December 31, 2008. The examination was conducted pursuant to the National Association of Insurance Commissioners' (NAIC) plan of examination. The examination included a review of the Bureau's practices and procedures, an examination of management records, tests and analyses of detailed transactions, and an evaluation of assets and a determination of liabilities as of December 31, 2008, as deemed necessary under the circumstances.

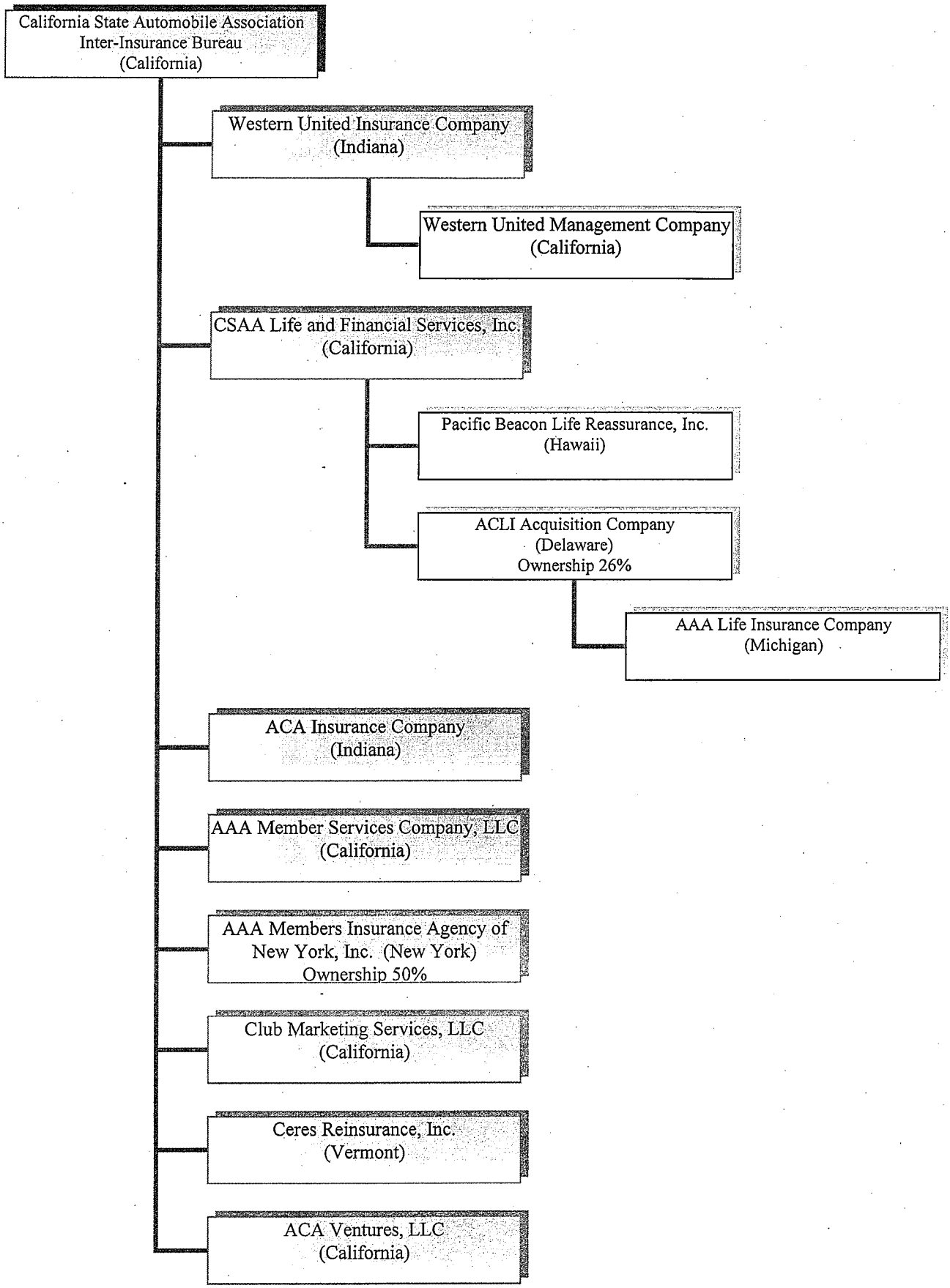
In addition to those items specifically commented upon in this report, other phases of the Bureau's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of Bureau; business in force by states; loss experience; and sales and advertising.

BUREAU HISTORY

The Bureau is a reciprocal insurer organized under the laws of California on June 20, 1914. The Bureau was created to offer automobile insurance to members of the California State Automobile Association, a motor club incorporated in 1907.

MANAGEMENT AND CONTROL

The Bureau is a reciprocal exchange and is not directly owned by any party. It is part of a holding company system, which includes the California State Automobile Association (CSAA) as well as other insurers, agencies, and holding companies. It is managed by an Insurance Board of eighteen directors, who are elected by the board of directors of CSAA, and two attorneys-in-fact. During the examination period, a disclaimer of affiliation between the Bureau and CSAA, which had been in effect since 1974, was discontinued. As a result, CSAA is considered the ultimate controlling entity of the Bureau due to its control over the Bureau's Insurance Board. The following chart depicts the Bureau with its subsidiaries at December 31, 2008. Each company is 100% owned except as otherwise indicated:


California State Automobile Association Inter-Insurance Bureau (California)
Western United Insurance Company (Indiana)
Western United Management Company (California)
CSAA Life and Financial Services, Inc. (California)
Pacific Beacon Life Reassurance, Inc. (Hawaii)
ACLI Acquisition Company (Delaware) Ownership 26%
AAA Life Insurance Company (Michigan)
ACA Insurance Company (Indiana)
AAA Member Services Company, LLC (California)
AAA Members Insurance Agency of New York, Inc. (New York) Ownership 50%
Club Marketing Services, LLC (California)
Ceres Reinsurance, Inc. (Vermont)
ACA Ventures, LLC (California)

The Bureau's Insurance Board was comprised of eighteen directors, seventeen of whom are elected annually by the board of directors of CSAA and one ex-officio director, who is the Chief Executive Officer of the Bureau. A listing of the members of the board and principal officers serving on December 31, 2008 follows:

Directors

Name and Residence	Principal Business Affiliation
Robert N. Barone, Chair Reno, Nevada	Principal Ancora West Advisors
Kenneth L. Coleman Los Altos Hills, California	Consultant Coleman Consulting
Paula R. Collins San Francisco, California	Chief Executive Officer WDG Ventures, Inc.
Mary B. Cranston San Francisco, California	Senior Partner Pillsbury Winthrop Shaw Pittman LLP
Edgar H. Grubb Walnut Creek, California	Retired
Norma J. Howard Novato, California	President NOHOW Communications
Sylvester Lucena Dunham, California	President Collier Hardware
Wayne R. Moon Carmel, California	Retired
A. Kenneth Nilsson Carmel, California	Retired
Wendy Paskin-Jordan San Francisco, California	Managing Partner Paskin & Kahr Capital Management, LLC
James R. Pouliot Diablo, California	Chief Executive Officer California State Automobile Association Inter-Insurance Bureau

Name and Residence	Principal Business Affiliation
Leo Soong Walnut Creek, California	President Trinity Products, LLC
Vivian M. Stephenson San Francisco, California	Retired
Bashir M. Wada San Francisco, California	Senior Vice President Capmark Finance, Inc.
Shirley A. Ward Santa Rosa, California	Retired
Daniel K. Whitehurst St. Helena, California	Retired
Robert E. Wilcox Alpine, Utah	Consulting Actuary R.E. Wilcox & Company
Kline A. Wilson, Jr. Oakland, California	Operations Manager Fouche's Hudson Funeral Home

Principal Officers

Name	Title
James R. Pouliot	Chief Executive Officer
Paula F. Downey *	President
Jamie E. Chung *	Senior Vice President and Secretary
Michael S. Day	Senior Vice President and Chief Financial Officer

* Also served as Attorney-in-Fact

Related Party Agreements

Marketing Services Agreement: This agreement, effective January 1, 2008, calls for Club Marketing Services, LLC, a subsidiary of the Bureau, to provide marketing, advertising, and other promotional

services to promote the Bureau's insurance products. Services were provided at cost. The California Department of Insurance (CDI) approved the agreement on May 30, 2008.

Service Agreement: This agreement, effective June 1, 2006, between the Bureau and AAA Member Services Company, LLC (AAAMSC), provided for AAAMSC to operate a call center to respond to routine telephone inquiries from policyholders of the Bureau and its affiliated insurers. The agreement was approved by the CDI on February 9, 2007.

Services and Investment Management Agreement: This agreement, effective June 1, 2006, calls for the Bureau to provide facilities, personnel, and other administrative services to AAAMSC. The agreement was approved by the CDI on February 27, 2007.

Amended Restated Intercompany Services Agreement: This agreement, effective January 1, 2007, was with the following subsidiaries: CSAA Life and Financial Services, Inc., ACA Insurance Company, Western United Insurance Company, Pacific Beacon Life Reassurance, Inc., Ceres Reinsurance Company, and ACA Ventures, LLC. The agreement outlines services to be provided by the Bureau to the subsidiaries including personnel, facilities, accounting, tax, auditing, underwriting, claims, and investments. Reimbursement is based on allocated costs plus a reasonable charge for overhead. The CDI was not notified of this agreement pursuant to California Insurance Code (CIC) Section 1215.5(b)(4). It is recommended the Bureau file for approval of this agreement with the CDI pursuant to CIC Section 1215.5(b)(4).

Restated Intercompany Tax Allocation Agreement: This agreement, effective January 1, 2004, was with the following subsidiaries and affilates: ACA Insurance Company, CSAA Life and Financial Services, Inc., CSAA Life Insurance Agency of California, Inc., CSAA Life Insurance Agency of Nevada, Inc., Pacific Beacon Life Reassurance, Inc., Western United Insurance Company, and Western United Management Company. The agreement allocates federal income taxes among the companies on a separate-company basis. This agreement replaced the Tax Allocation Agreement dated February 26, 1999. It was approved for use by the CDI on August 1, 2005.

Claims Administration Services Agreement: This agreement, effective October 13, 2003, was between the Bureau and ACA Insurance Company (ACAIC). The purpose of the agreement was for the Bureau to provide claims services for homeowners policies written by ACAIC in states other than Alaska, its domiciliary state. The agreement was approved as part of ACAIC's certificate of authority application for admission to California, effective April 6, 2005.

Restated Claims Administration Services Agreement: This agreement, effective March 10, 2004, was between the Bureau and Western United Insurance Company (WUIC). The purpose of this agreement was for the Bureau to provide claims services to WUIC for homeowner policies written by WUIC. The agreement was approved by the CDI on March 22, 2004.

Service Agreement(s): There were two separate agreements, both effective January 1, 1988, covering the provision of services between the Bureau and the California State Automobile Association (CSAA). In one agreement, CSAA provided services to the Bureau, which included operation and management of district offices, and related administrative services. The Bureau paid CSAA $58.8 million in 2008 for these services. In the second agreement, the Bureau provided the following services to CSAA: accounting, programming, data processing, real estate development, personnel management, and other related administrative and consultation services. CSAA paid the Bureau $197.2 million in 2008 for these services. All services were provided at cost. This agreement did not require approval by the CDI due to a disclaimer of affiliation in effect at the time.

Brand Fee Agreement: This agreement, effective January 1, 1999, replaced an earlier agreement effective February 20, 1974. It provides that the Bureau pay CSAA a fee equal to one percent of direct premium written for use of trademarks owned or licensed to CSAA which were used by the Bureau to promote its insurance products. The Bureau paid $17.9 million to CSAA in 2008 under this agreement. This agreement did not require approval by the CDI due to a disclaimer of affiliation in effect at the time. It was noted in the board minutes that this agreement was amended February 27, 2005. However, that amendment contained a provision that made it effective only upon securing CDI approval. CDI approval was not obtained and the amendment was never executed.

Business Systems Development Agreement: This agreement, effective January 1, 1999, provides that the Bureau be responsible for and to pay for any system development costs and to be reimbursed by CSAA for its share. Payments from CSAA can be made in installments with interest payable to the Bureau. This agreement did not require approval by the CDI due to a disclaimer of affiliation in effect at the time.

Amended and Restated Insurance Agency Agreement: This agreement, originally effective January 1, 1974, then amended in both 1999 and 2000, was between the Bureau and CSAA. The purpose of the agreement was to appoint CSAA as the exclusive agent for the Bureau's production of business, setting commission rates, and responsibilities of each party. This agreement did not require approval by the CDI due to a disclaimer of affiliation in effect at the time. This agreement was terminated effective January 1, 2008. No commissions were paid to CSAA under this agreement in 2008. The termination of this agreement was not disclosed in the Form B filing for 2008.

Development Agreements, Reorganization Agreements and Partner Club Agreements: The Bureau was party to a number of Development Agreements with motor clubs which are members of the American Automobile Association (AAA). The purpose of the agreements was to provide insurance to members of these motor clubs, using the Bureau's insurer subsidiaries as direct writers. It was noted in the prior Report of Examination that one Development Agreement did not meet the fair and reasonable standards of CIC Section 1215.5, because it did not make clear which of the affiliated parties are subject to the agreement and what their individual obligations are, as all references to the Bureau include its insurer subsidiaries. It is again recommended the Bureau revise the agreement to specify which insurer subsidiaries are party to the agreement, and what their individual obligations are, or file for an exemption under CIC Section 1215.5(i). A total of $18.4 million was paid under these agreements during the examination period.

The Bureau and ACA Holdings, Inc. (ACA), which changed its name in 2008 to AAA Club Affiliates, Inc., were party to a number of Reorganization Agreements during the examination period with other auto clubs. ACA was formed by CSAA in 2004 as a California mutual benefit

corporation in order to form alliances with other auto clubs. The Reorganization Agreements provided, among other things, the Bureau pay a brand fee to ACA and fund an investment company.

Lastly, a series of Partner Club Agreements were formed between ACA and other auto clubs, which indirectly involve the Bureau. The Partner Club Agreements set forth rules and guidelines for the auto club's corporate membership in ACA, as well as offering cash investments to the auto clubs.

The Partner Club Agreements, Reorganization Agreements, and Development Agreements are inter-related agreements involving the Bureau, CSAA, ACA and other affiliates, and as such, should be treated as affiliated agreements and transactions under the Holding Company Act. It is recommended that the Bureau treat ACA as a member of the holding company and provide the required disclosures and notifications pursuant to CIC Sections 1215.4 and 1215.5. It is also recommended the Bureau file the foregoing Development, Reorganization and Partner Club Agreements with the CDI pursuant to CIC Section 1215.5(b)(4) or seek an exemption from filing pursuant to CIC 1215.5(i).

In addition to the recommendations made above, it is recommended that the Bureau implement procedures to properly report and disclose all affiliated and other agreements as required by CIC Sections 1215.4 and 1215.5. It is also recommended the Bureau develop a more comprehensive system of tracking its inventory of existing agreements, including amendments and amounts spent pursuant to those agreements.

TERRITORY AND PLAN OF OPERATION

The Bureau primarily writes private passenger automobile and homeowner's coverages for members of the California State Automobile Association in its assigned territory of Northern California, Nevada, and Utah. Direct premiums written in 2008 were $1.8 billion (99.99%) in California and $0.3 million (0.01%) in Nevada. Major lines of business included private passenger auto liability (39.6%), auto physical damage (35.3%), and homeowner multiple peril (23.2%). All California earthquake coverage was written on behalf of the California Earthquake Authority, therefore all

premiums and losses from these policies were not recorded on the Bureau's books. Sales are generated through exclusive agents of the Bureau. The Bureau continues to support the geographic expansion of its subsidiaries, Western United Insurance Company (WUIC) and ACA Insurance Company (ACAIC) into new territories through partnerships with other AAA partner clubs. In exchange, the Bureau funds projects and invests marketing and other resources with the partner clubs. Effective December 31, 2008, WUIC and ACAIC re-domesticated to the State of Indiana from the States of California and Alaska, respectively.

REINSURANCE

Reinsurance Pooling Agreement

The Bureau participated in a pooling agreement with its subsidiary, Western United Insurance Company (WUIC). WUIC writes a variety of auto insurance products in seventeen states and homeowner products in Utah and Arizona. All premiums, losses, and expenses were pooled, with the Bureau's participation set at 98.87% and WUIC at 1.13%. Premiums assumed from WUIC under the pooling agreement were $359.9 million in 2008.

Assumed

The Bureau assumed reinsurance from its wholly-owned subsidiary, ACA Insurance Company (ACAIC), under a 90% quota share agreement. ACAIC writes a variety of homeowner, dwelling fire, umbrella, and motorcycle products in nine states and operated under a third party administration agreement with WUIC. The Bureau also participated in a portfolio participation program of global catastrophe risks, whereby they assume catastrophe reinsurance from Renaissance Reinsurance Limited (Ren Re), a Bermuda insurer. The largest component of catastrophe events insured was Florida hurricane exposures. Premiums assumed from ACAIC and Ren Re in 2008 were $167.9 million and $85.4 million, respectively.

Ceded

The Bureau's ceded reinsurance program consisted mainly of catastrophe coverage of $500 million in excess of the Bureau's retention of $100 million. Other than amounts ceded under the Reinsurance Pooling Agreement to Western United Insurance Company, and minor amounts to the National Flood Insurance Program, the Bureau had no ceded losses at December 31, 2008. The following is a summary of the principal ceded reinsurance treaties inforce as of December 31, 2008:

Type of Contract and Lines of Business	Reinsurer(s)	Bureau's Retention	Reinsurer's Limits
Catastrophe Excess of Loss Covers catastrophic property loss on homeowner multiple peril (property sections), auto physical damage, earthquake, fire and inland marine.	12 authorized and 15 unauthorized reinsurers and percentages apply.	1st Layer: 60% of $50 million excess of $100 million per occurrence	1st Layer: 40% of $50 million excess of $100 million per occurrence, limited to $100 million aggregate during the term
		2nd Layer: 50% of $100 million excess of $150 million per occurrence	2nd Layer: 50% of $100 million excess of $150 million per occurrence, limited to $200 million aggregate during the term
		3rd Layer: 20% of $100 million excess of $250 million per occurrence	3rd Layer: 80% of $100 million excess of $250 million per occurrence, limited to $200 million aggregate during the term
		4th Layer: 15% of $250 million excess of $350 million per occurrence	4th Layer: 85% of $250 million excess of $350 million per occurrence, limited to $500 million aggregate during the term

ACCOUNTS AND RECORDS

Information System Controls

During the course of the examination, a review was made of the Bureau's general controls over its information systems. As a result of this review, weaknesses were noted in the areas of user access administration, information security, program change controls, and physical controls. The weaknesses noted were presented to the Bureau along with recommendations to strengthen its controls. It is recommended that the Bureau continue to address the recommendations made regarding its information systems controls.

Premiums and Agents' Balances in the Course of Collection

The Bureau does not report deferred premiums, agents' balances and installments booked but deferred and not yet due in the Annual Statement, page 2, line 13.2. The Bureau has an installment plan, but these amounts are reported along with uncollected premium balances on line 13.1. It was also noted that the Bureau's premium system does not provide policy level detail for aging of uncollected premiums. These comments were noted in the prior Report of Examination. It is recommended the Bureau follow the National Association of Insurance Commissioners' Annual Statement Instructions for reporting installment premiums. It is also recommended the Bureau revise its premium system to include policy-level aging of uncollected premiums.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2008

Underwriting and Investment Exhibit for the Year Ended December 31, 2008

Reconciliation of Surplus as Regards Policyholders
from December 31, 2004 through December 31, 2008

Statement of Financial Condition
as of December 31, 2008

Assets	Ledger and Nonledger Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 2,425,025,918	$	$ 2,425,025,918	
Preferred stocks	145,283,806		145,283,806	
Common stocks	1,042,740,369		1,042,740,369	
Real estate:				
Properties occupied by the company	135,190,724		135,190,724	
Properties held for the production of income	78,641,084		78,641,084	
Cash, cash equivalents and short-term investments	154,098,285		154,098,285	
Other invested assets	124,134,520	5,579,070	118,555,450	
Receivable for securities	8,790,455		8,790,455	
Aggregate write-ins for invested assets	815,265		815,265	
Investment income due and accrued	32,531,932		32,531,932	
Uncollected premiums and agents' balances in the course of collection	673,370,199	3,641,403	669,728,796	
Amounts recoverable from reinsurers	(1,201,028)		(1,201,028)	
Current federal and foreign income tax recoverable	34,335,655		34,335,655	
Net deferred tax asset	232,156,617	36,736,469	195,420,148	
Electronic data processing equipment and software	156,212,686	155,911,277	301,409	
Furniture and equipment	37,717,440	37,717,440		
Receivables from parent, subsidiaries and affiliates	3,046,820		3,046,820	
Aggregate write-ins for other than invested assets	384,632,067	327,520,668	57,111,398	
Total assets	$ 5,667,522,813	$ 567,106,326	$ 5,100,416,486	

Liabilities, Surplus and Other Funds			
Losses		$ 785,273,202	(1)
Reinsurance payable on paid loss and loss adjustment expenses		6,419,478	
Loss adjustment expenses		172,640,100	(1)
Other expenses (excluding taxes, licenses and fees)		49,617,024	
Taxes, licenses and fees (excluding federal and foreign income taxes)		2,211,771	
Current federal and foreign income taxes		26,311,070	
Unearned premiums		1,100,289,996	
Advance premiums		6,869,152	
Amounts withheld or retained by company for account of others		192,347,167	
Remittances and items not allocated		8,449,523	
Drafts outstanding		140,252	
Payable for securities		3,524,952	
Aggregate write-ins for liabilities		8,812,015	
Total liabilities		2,362,905,702	
Aggregate write-ins for special surplus funds	$ (5,211,284)		
Unassigned funds (surplus)	2,742,722,068		
Surplus as regards policyholders		2,737,510,784	
Total liabilities, surplus and other funds		$ 5,100,416,486	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2008

Statement of Income

Underwriting Income		
Premiums earned		$ 2,421,778,989
Deductions:		
Losses incurred	$ 1,293,960,610	
Loss expenses incurred	294,600,326	
Other underwriting expenses incurred	781,188,720	
Total underwriting deductions		2,369,749,656
Net underwriting gain		52,029,333
Investment Income		
Net investment income earned	$ 169,913,275	
Net realized capital losses	(152,890,422)	
Net investment gain		17,022,853
Other Income		
Net loss from agents' balances charged off	(12,732,796)	
Finance and service charges not included in premiums	3,689,214	
Aggregate write-ins for miscellaneous income	$ 50,175,016	
Total other income		41,131,434
Net income before dividends to policyholders and before federal income taxes		110,183,620
Dividends to policyholders		7,753,829
Federal income taxes incurred		20,621,411
Net income		$ 81,808,380

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2007		$ 3,096,963,316
Net income	$ 81,808,380	
Change in net unrealized capital losses	(316,054,663)	
Change in net deferred income tax	31,363,577	
Change in nonadmitted assets	(156,667,827)	
Aggregate write-ins for gains and losses in surplus	98,001	
Change in surplus as regards policyholders for the year		(359,452,532)
Surplus as regards policyholders, December 31, 2008		$ 2,737,510,784

Reconciliation of Surplus as Regards Policyholders
from December 31, 2004 through December 31, 2008

Surplus as regards policyholders, December 31, 2004, per Examination			$ 2,404,214,363
	Gain in Surplus	Loss in Surplus	
Net income	$ 892,444,355	$	
Change in net unrealized capital gains or losses		252,852,296	
Change in net deferred income tax	36,821,591		
Change in nonadmitted assets		343,134,546	
Aggregate write-ins for gains in surplus	17,317		
Total gains and losses	$ 929,283,263	$ 595,986,842	
Net increase in surplus as regards policyholders			333,296,421
Surplus as regards policyholders, December 31, 2008, per Examination			$ 2,737,510,784

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

Based on an analysis by a Senior Casualty Actuary for the California Department of Insurance, the Bureau's loss and loss adjustment expense reserves as of December 31, 2008 were found to be reasonably stated and have been accepted for purposes of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Management and Control – Related Party Agreements, Amended Restated Intercompany Services Agreement (Page 6): It is recommended the Bureau file the Amended Restated Intercompany Services Agreement effective January 1, 2007 with the California Department of Insurance (CDI) pursuant to California Insurance Code (CIC) Section 1215.5(b)(4).

Management and Control – Related Party Agreements, Development Agreements (Page 8): It is again recommended the Bureau revise its Development Agreement to specify which insurer subsidiaries are party to the agreement, and what their individual obligations are, or file for an exemption under CIC Section 1215.5(i).

Management and Control – Related Party Agreements (Page 9): It is recommended that the Bureau treat ACA Holdings, Inc. as a member of the holding company system and provide the required disclosures and notifications pursuant to CIC Section 1215.4 and 1215.5. It is also recommended that the Bureau file the various Development, Reorganization, and Partner Club Agreements with the CDI pursuant to CIC Section 1215.5(b)(4), or file for an exemption pursuant to CIC Section 1215.5(i).

Management and Control – Related Party Agreements (Page 9): It is recommended that the Bureau implement procedures to properly report and disclose all affiliated and other agreements as required by CIC Sections 1215.4 and 1215.5. It is also recommended the Bureau develop a more comprehensive system of tracking its inventory of existing agreements, including amendments and amounts spent pursuant to those agreements.

Accounts and Records - Information System Controls (Page 12): It is recommended that the Bureau continue to address the recommendations made regarding its information systems controls.

Accounts and Records – Premiums and Agents' Balances in the Course of Collection (Page 12): It is recommended the Bureau follow the National Association of Insurance Commissioners' Annual Statement Instructions for reporting installment premiums. It is also recommended the Bureau revise its premium system to include policy-level aging of uncollected premiums.

Previous Report of Examination

Management and Control – Management Agreements (Page 8): It was recommended the Bureau revise its Development Agreement with AAA Arizona, Inc. to specify which insurer subsidiaries were party to the agreement and what their individual obligations were, in order to meet the fair and reasonable standards of California Insurance Code (CIC) Section 1215.5. The Bureau has not complied with this recommendation.

Corporate Records (Page 9): It was recommended that the Bureau implement procedures to ensure future compliance with CIC Section 735 regarding presentation of the financial examination report to the board of directors. The Bureau has complied with this recommendation.

Corporate Records (Page 9): It was recommended that the Bureau implement procedures to ensure future compliance with CIC Section 1201 regarding authorization and approval of investments. The Bureau has complied with this recommendation.

Accounts and Records - Information System Controls (Page 12): It was recommended that the Bureau review the recommendations made regarding its information systems and make appropriate changes to strengthen internal controls. As a result of changes to the Bureau's information systems, new and different recommendations were made as a result of this examination, which the Bureau is in the process of addressing.

Accounts and Records – Premiums and Agents' Balances in the Course of Collection (Page 12): The Bureau's premium system did not provide policy level detail for aging of uncollected premiums, nor did it segregate installments booked but deferred and not yet due from premiums in the course of collection. This recommendation has not yet been addressed.

ACKNOWLEDGEMENT

The courtesy and cooperation extended by the Bureau's officers and employees during the course of this examination is gratefully acknowledged.

Respectfully submitted,

/s/

Isabel Spiker, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California