

**CROWN INSURANCE COMPANY
OF THE DISTRICT OF COLUMBIA**

2122 24th Place, N.E., Suite A
Washington, D.C. 20018
202-529-8050

April 29, 2002

VIA HAND DELIVERY

Mr. William F. McCune
Examiner-in-Charge
Government of the District of Columbia
Department of Insurance and Securities Regulation
810 First Street, N.E., Suite 701
Washington, D.C. 20002

Dear Mr. McCune:

This letter will respond to the draft market conduct examination report dated October 31, 2002 that you sent me for review and comment on March 14, 2002.

As noted on page 16 of the draft report, recommendations to improve overall operations were made to management during the course of the examination and management has already implemented some of the recommendations expressed in this report. This letter will detail the implementation of those recommendations for inclusion in the report under a proposed new section to be titled Subsequent Events.

The Company has developed an Anti-Fraud Plan that is attached to this letter and submitted to you for filing with the Department. This plan sets forth policies and procedures for preventing, detecting and investigating insurance fraud, as required by the report. The Company had not been made aware of this requirement during process of obtaining its license.

The Company has applied for a Fidelity Bond in the amount of \$15,000.00 as required by the report. A copy of the application to Travelers Property Casualty is attached to this letter. In the initial examination of the Company by the Department, the report noted the absence of a Fidelity Bond but made no request or indication that one be obtained or was required. The Company therefore concluded that the requirement did not apply.

The Company has contracted with Ace Insurance Services to act as the insurance agent of the Company. The Company has filed with the Department an appointment of Samuel Bekele, District of Columbia Insurance License Number 8187533, as an agent of the Company. Copies of both documents are attached. Moreover, an employee of the Company is currently studying to become a licensed insurance agent. The Company initially believed that it could write directly, as its Parent does in the State of Georgia.

As noted on page 12 of the report, the Company corrected the isolated cases where written cancellations or terminations had inadvertently not been sent to the insured or Department of Motor Vehicles. Furthermore, the Company has adopted a written procedure to make sure that notices of cancellation or terminations are timely sent. A copy of the written procedure is attached.

Page 15 of the report makes reference to the Company “amending” its practice of waiving premium payments without sending notification to the Department of Motor Vehicles. The Company has never had such a practice. In one isolated instance, premium was waived on a vehicle that had been removed from service for mechanical reasons and notice was inadvertently not sent. This isolated case was corrected during the exam.

As acknowledged by the examiner, the Company has been following market custom in certain of its practices, in order to be competitive in the District of Columbia taxicab insurance market. The Company has implemented or is in the process of implementing the recommendations made during the examination or set out in the report. The Company has sought to cooperate with the Department at every opportunity and will continue to do so.

RECOMMENDATIONS:

Crown plans to follow the recommendations listed in pages 19-20 of the report. Specifically, the following addresses those items:

1. The Company will develop a written procedures manual that will address the items listed in this recommendation.
2. The Company does not have any marketing and service agreements with anyone at this time. In the event such agreements exist, Crown will seek approval from DISR.
3. The Company intends to audit records of licensed insurance representatives for compliance with Company policies and procedures.
4. The Company plans to establish systems to control policy issuances, i.e. proof of insurance in force.
5. The Company will effect cancellations in a timely manner in accordance with policy terms and conditions.
6. The Company will provide to DISR evidence of returned premium and/or cancelled policies.
7. The Company will implement the appropriate underwriting file documentation that will mirror the underwriting manual as indicated in the report.

8. The Company maintains files on policy declinations to support policy and practices.
9. Insured will be given full disclosure of all costs regarding their insurance policies that are issued consistent with prevailing market practice.
10. Policy fees will be approved by DISR.
11. Crown has established procedures to verify YIN numbers submitted with application and other information contained in the application.
12. The Company has procedure that documents notice of cancellation/non-renewal is mailed or delivered to the insured's last known address.
13. Cancellation notices will include a statement to the policyholder that the DC Taxicab Commission requires that insurance be maintained on all registered vehicles and a copy of the cancellation notice has been received by the Department of Motor Vehicles Services.

I wish to thank you for extending the response period. This has allowed us to address the issues raised in the report of March 14, 2002. Crown will take every effort to fully comply with DC laws and regulations. We look forward to working with you furtherance of this effort.

Very truly yours

Solomon Bekele
President