

SAFECO EXECUTIVE SUMMARY

The Kansas Insurance Department (KID) performed a market conduct examination of Safeco. The period of examination was January 1, 2004 through June 30, 2006.

The examiners reviewed the Company underwriting, claims, and rating manuals. The exam team reviewed underwriting, claim, and complaint files in the Company's administrative office in Seattle, WA. A series of meetings were held with the Safeco staff that focused on their current operations. To supplement and verify the understanding of how the Company does business, a series of samples were selected for review to verify their procedures and practices in claims, underwriting and rating.

The Company passed most tests; and in terms of delivering good service to its insureds, the examiners were impressed with the overall positive and very professional performance by the Safeco staff and management to their policyholders. The exam team has made recommendations on several issues.

LIST OF RECOMMENDATIONS

Underwriting and Rating Recommendations

1. Safeco needs to review their termination procedures and how it relates to cancelled agents. The Company must report to KID within 30 days of the final order adopting this exam regarding how they are going to be in compliance with K.S.A. 40-276a,(a)(6).

Claim Handling Recommendations

1. The Company was within the tolerances for completing claim investigations within the 30 day period per K.A.R. 40-1-34, 7. However the three homeowners claims cited in Standard #2 were the result of a lack of activity on the Company's part until either the insured or the claims supervisor pursued the claim settlement issue. It appears that the Company should review their claims procedures to insure prompt handling by the front line claims adjuster.