

REPORT OF
ASSOCIATION FINANCIAL EXAMINATION

FIREMAN'S FUND INSURANCE COMPANY

OF

MISSOURI

AS OF

DECEMBER 31, 2003



STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI

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Novato, California
May 12, 2005

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

Honorable Jorge Gomez, Commissioner
Wisconsin Department of Insurance
Midwestern Zone Secretary

Honorable W. Dale Finke, Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Sirs:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

Fireman's Fund Insurance Company of Missouri

hereinafter referred to as such, as the "Company" or as "FFIC-MO." Its main administrative office is located at 777 San Marin Drive, Novato, California, 94998, telephone number (415) 899-2000. This examination began on December 16, 2003 and on-site fieldwork by examiners from the Missouri Department of Insurance was concluded on July 15, 2004. This examination was held open pending the finalization of the examinations of affiliated companies by the California Department of Insurance (CDI) on the above date as significant reliance was placed on the CDI examination.

SCOPE OF EXAMINATION

Period Covered

The prior comprehensive financial examination of Fireman's Fund Insurance Company of Missouri was made as of December 31, 1999, and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association financial examination of the Company covers the period from January 1, 2000, through December 31, 2003, and has been conducted by examiners from the State of Missouri representing the Midwestern Zone of the NAIC with no other zones participating. This examination was done in conjunction with the examination that was conducted by the Missouri Department of Insurance of the Company's affiliate, American Automobile Insurance Company, and the examination conducted by the California Department of Insurance of Fireman's Fund Insurance Company, Associated Indemnity Corporation, San Francisco Reinsurance and Vintage Insurance Company.

This examination also included the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance (MDI) and statutes of the State of Missouri prevailed. Significant reliance was placed upon the California

Department of Insurance examination of Fireman's Fund Insurance Company, its systems and controls, and the reinsurance pool.

The examiners also relied upon information supplied by the independent auditor, KPMG LLP, of San Francisco, California, from its audit covering the period from January 1, 2003, through December 31, 2003. This information included, but was not limited to, attorney letters, account analysis information, and internal control evaluations.

Comments-Previous Examination

Listed below are notes, comments, and recommendations of the previous examination report dated as of December 31, 1999, and the subsequent response or action taken by the Company.

Conflict of Interest

Comment: It was recommended that the Company ensure that conflict of interest statements are executed annually by all elected and appointed directors and officers.

Company's Response: Our practice was to solicit signed statements from directors, elected officers and certain key employees. Some employees, who are not considered key employees, were appointed officers of our companies to facilitate various forms filings. Since the Missouri Examiner-in-Charge has recommended that we change our practice, procedures have been established to solicit statements from all employees with appointed titles beginning with our 2002 annual distribution.

Current Findings: The Company provided completed Conflict of Interest Statements for all elected and appointed directors and officers for the years under examination.

Reinsurance

Comment: It was recommended that the Company develop and implement adequate procedures and controls to ensure that the contracting parties to the Reinsurance Agreement comply with its terms and conditions. In addition, the Company was directed to ensure that the overdue outstanding commission amount of \$78,798 was collected immediately.

Company's Response: Fireman's Fund Insurance Company of Missouri was compensated for the override commission receivable incurred throughout 1998. The override commission was erroneously booked to an incorrect account. Despite this, Fireman's Fund of Missouri had appropriate income given the nearly offsetting percentages of the override commission and management fee agreements. No income changes will be made for Fireman's Fund of Missouri 1998 results.

Current Findings: No problems were noted with the ceding commission calculations or payments during the current exam period.

HISTORY

General

Fireman's Fund Insurance Company of Missouri was incorporated on February 6, 1992, under the laws of Missouri, as a stock property and casualty company, and was issued a certificate of authority on March 24, 1992. The Company operates under provisions of Chapter 379 RSMo (Insurance Other Than Life) and is authorized to write property and liability insurance solely in the state of Missouri.

Capital Stock

As of December 31, 2003, the Company was wholly owned by Fireman's Fund Insurance Company. The Company had 12,500,000 authorized shares of common stock with a par value of \$2. As of December 31, 2003, 600,600 shares were issued and outstanding for a total balance of \$1,201,200 in the FFIC-MO common capital stock account.

Dividends

No dividends were declared or paid to the sole shareholder during the examination period.

Management

Pursuant to Article III of the Company's Amended and Restated Bylaws, the Company's Board of Directors shall consist of nine (9) directors duly elected at each annual meeting of the shareholder. The directors elected and serving at December 31, 2003, were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Janet S. Kloenhamer Larkspur, California	Senior Vice President, General Counsel, & Secretary Fireman's Fund Insurance Company
H. David Lundgren ¹ Tiburon, California	Executive Vice President Fireman's Fund Insurance Company
Joseph J. Beneducci Santa Rosa, California	Exec. Vice President & Chief Admin. Officer Fireman's Fund Insurance Company
Thomas E. Geissler Mill Valley, California	Senior Vice President, Discontinued Operations Fireman's Fund Insurance Company
Peter Huehne ¹	Executive Vice President & Chief Financial Officer

¹ During 2004, Misters Lundgren, Huehne, Post, and Shore were replaced as FFIC-MO board members by Bruce F. Friedburg, Louise Jordan, Charles M. Kavitsky, and David C. Sargent.

Tiburon, California	Fireman's Fund Insurance Company
Jill E. Patterson Tiburon, California	Senior Vice President & Controller Fireman's Fund Insurance Company
Jeffrey H. Post ¹ Novato, California	President and Chief Executive Officer Fireman's Fund Insurance Company
Alastair C. Shore ¹ Novato, California	Senior Vice President Fireman's Fund Insurance Company
Linda E. Wright Tiburon, California	Senior Vice President and Treasurer Fireman's Fund Insurance Company

Article V, Section 5.1 of the Company's Amended and Restated Bylaws provide that the officers of the Company shall consist of a Chairman of the Board of Directors, a President, a Secretary, a Treasurer and such other officers as the Board of Directors may deem appropriate. The officers elected and serving as of December 31, 2003, were as follows:

<u>Name</u>	<u>Title</u>
Jeffrey H. Post ²	Chairman of the Board, President & Chief Executive Officer
Peter Huehne ³	Executive Vice President & Chief Financial Officer
Janet Kloenhamer	Senior Vice President, General Counsel & Secretary
Linda E. Wright	Senior Vice President and Treasurer

In each of the years under examination, the Board of Directors established an executive committee for the primary purpose of managing the affairs of the Company. The members elected and serving on the executive committee as of December 31, 2003, were as follows: Jeffrey H. Post, Peter Huehne, and H. David Lundgren.

² Effective May 2004, Mr. Post was replaced as Chairman, President, and CEO of FFIC-MO by Charles M. Kavitsky.

³ Effective January 2004, Mr. Huehne was replaced as Executive Vice President and Chief Financial Officer of FFIC-MO by Peter W. Presperin, who was subsequently replaced by Jill Patterson.

Conflict of Interest

The Company's policy dictates conflict of interest statements are to be executed annually by all elected directors and officers. Signed statements were reviewed for the directors and officers during the examination period. No material conflicts were revealed.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws of the Company for the period under examination. The Articles of Incorporation and Bylaws were not amended during the examination period.

The minutes associated with the actions in lieu of an annual or special meeting of the sole shareholder, the board of directors and the executive committee were reviewed for the period under examination, and appear to properly reflect and approve all material corporate transactions and events of the Company.

Acquisitions, Mergers and Major Corporate Events

There were no acquisitions, mergers or major corporate events for the period under examination.

Surplus Debentures

No surplus debentures were issued or outstanding for the period under examination.

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

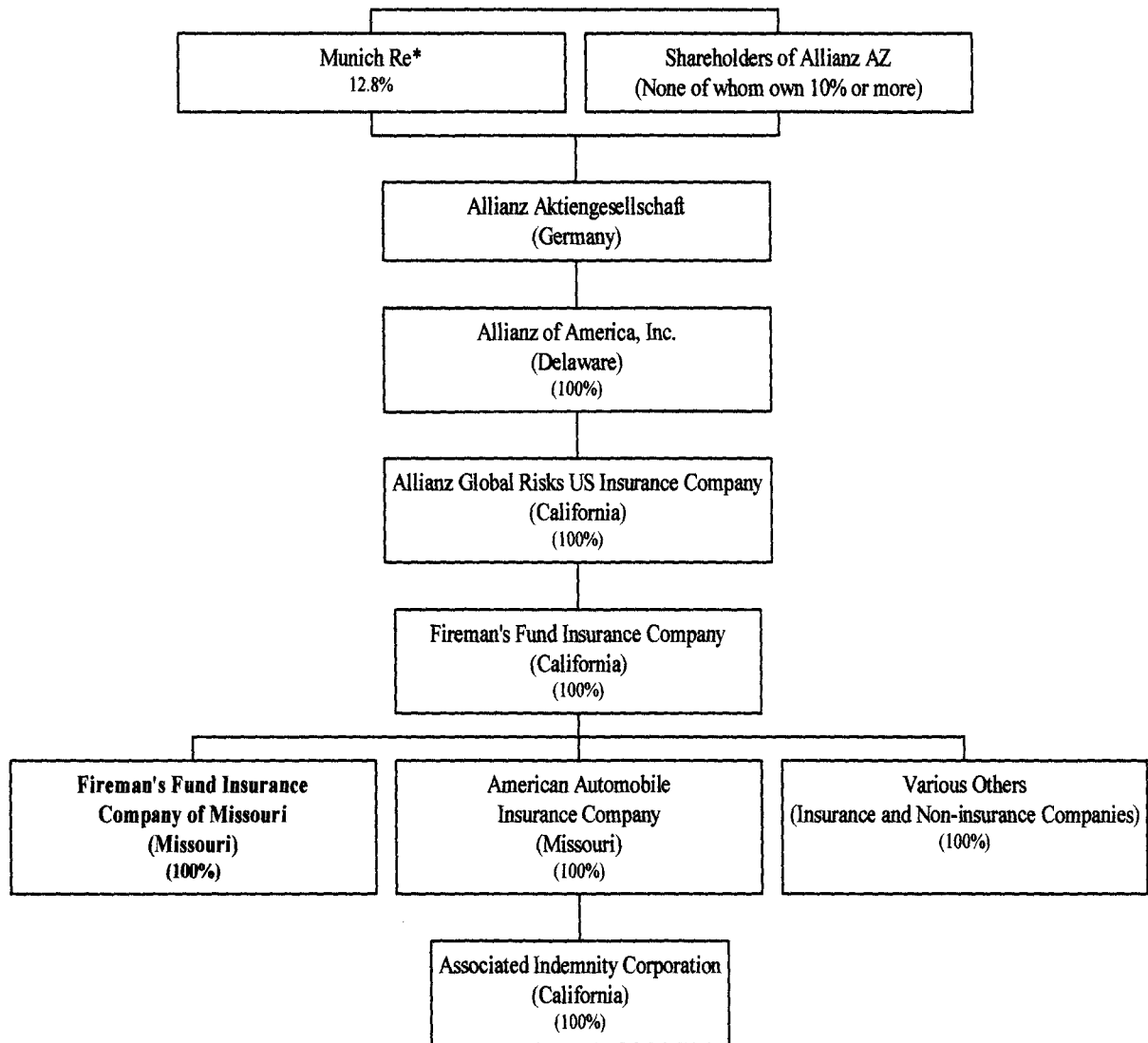
As of December 31, 2003, Fireman's Fund Insurance Company of Missouri was a member of an Insurance Holding Company System as defined by RSMo 382.010, (Definitions). The Company is a wholly owned subsidiary of Fireman's Fund Insurance Company, whose voting stock is owned entirely by Allianz Global Risks US Insurance Company. Allianz Global Risks US Insurance Company is a subsidiary of Allianz of America, Inc., whose voting stock is solely owned by Allianz Aktiengesellschaft (Allianz AG). Allianz AG is the ultimate controlling entity within the holding company system.

Allianz AG is a publicly held company traded on the New York Stock Exchange, under the ticker symbol AZ. As of December 31, 2003, there were 366,362,608 shares of AZ common stock outstanding. Munchener Ruckversicherungs-Gesellschaft Aktiengesellschaft in Muenchen (Munich Re) held 46,908,267 shares of the AZ common stock, or 12.8 percent of the outstanding shares on December 31, 2003. However, per a Disclaimer of Control filed with the MDI and dated September 3, 1990, Munich Re does not exercise control over Allianz AG. There were no other individual shareholders, directly or beneficially, who owned 10% or more of the outstanding shares.

During the period under examination, consolidated Insurance Holding Company System Registration Statements were filed on behalf of FFIC-MO by American Automobile Insurance Company, an affiliated Missouri-domiciled insurer.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group, including FFIC-MO as of December 31, 2003:



* Muenchener Rueckversicherungs-Gesellschaft Aktiengesellschaft in Muenchen

Intercompany Transactions

The Company entered into various intercompany agreements including:

1. **Type:** Management Agreement

 Parties: FFIC-MO and Fireman's Fund Insurance Company (FFIC)

 Effective: March 15, 1992

 Terms: FFIC agrees to provide FFIC-MO with all personnel, materials, facilities and services necessary for the Company to transact the business of insurance in Missouri, and perform all administrative and clerical functions with regards to investments and reinvestment of assets. In consideration for these services provided, FFIC-MO agrees to pay a monthly fee of 3 percent of premiums, and a quarterly fee of twenty-five hundredths of one percent of the average invested assets held during each calendar quarter.

2. **Type:** Tax Reimbursement Agreement

 Parties: Allianz of America, Inc. (AZOA) and Fireman's Fund Insurance Company (FFIC) and some of its insurance subsidiaries

 Effective: December 31, 1991 (Amended December 17, 1999)

 Terms: This agreement provides that a consolidated return will be filed by AZOA for each taxable year. The tax liability or refund due from or to each member of FFIC's insurance subsidiaries will be computed as if each member filed a separate stand-alone Federal return. All payments required pursuant to this agreement shall be made at the time, and in the amounts, such payments would have been required to be made to the Internal Revenue Service had each member filed a separate stand-alone return. However, final settlement shall be made within 90 days after the filing of the consolidated returns with the Internal Revenue Service.

3. **Type:** Limited Liability Company Operating Agreement

 Parties: Allianz Cash Pool LLC and Affiliated Insurance Companies of Fireman's Fund Insurance Company (Members).

 Effective: January 1, 1996

Terms: The Allianz Cash Pool LLC was organized as a limited liability company in the state of Delaware and was formed for the purpose of pooling and investing capital contributions made by member companies. The capital contributions made by each member shall be invested in short-term debt obligations issued by or on the behalf of the United States; corporate debt obligations (other than debt obligations issued, assumed or guaranteed by a participant or an affiliate of a participant); and accounts, deposits or obligations of banks insured by an agency of the federal government.

Following is a table of the fees incurred (or received) under the above described Fireman's Fund Insurance Company of Missouri intercompany agreements (excluding the tax agreement). This table shows the other party to the agreement, the agreement name, and the dollar amount incurred (or received) by FFIC-MO under each agreement for 2000, 2001, 2002, and 2003:

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Fireman's Fund Insurance Company -				
Management Agreement – Mgmt. Fee	\$ (206)	\$ 52,205	\$327,224	\$376,899
Management Agreement – Invest. Fee	16,659	17,246	15,140	15,939
Allianz Cash Pool LLC –				
Operating Agreement	<u>NF</u>	<u>NF</u>	<u>NF</u>	<u>NF</u>
Totals	<u>\$16,453</u>	<u>\$ 69,451</u>	<u>\$342,364</u>	<u>\$392,838</u>

NF = No fees were paid or due to or from FFIC-MO under this agreement during the exam period.

In addition to the intercompany agreements described above, FFIC-MO also ceded business to FFIC through a reinsurance agreement. Under this reinsurance agreement, FFIC-MO receives an override commission of 3.25% based on premiums written. However, as noted above, FFIC-MO pays FFIC a 3% management fee based on premiums written, resulting in a net profit for FFIC-MO of 0.25%. The reinsurance agreement is described in the Reinsurance section of this report.

FIDELITY BOND AND OTHER INSURANCE

Fireman's Fund Insurance Company of Missouri is the named insured, along with other subsidiaries of Allianz of America, Inc., on a Financial Institution Bond policy, which carries a single loss limit of \$10 million per occurrence, subject to a single loss deductible of \$1 million. FFIC-MO is also covered as a named insured on additional policies providing coverages which include, but are not limited to, the following: Umbrella Liability, Computer Crime, Property Liability, Workers' Compensation, General Liability, and Automobile.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Fireman's Fund Insurance Company of Missouri has no direct employees. Services are provided primarily by FFIC, as described in the Intercompany Transactions section of this report. The typical employee benefits are available to employees of the Allianz holding company system including, but not limited to, pension, 401(k), health care, dental, short-term and long-term disability, and group life insurance. The expenses for these benefits are charged to FFIC-MO through intercompany service fees. Other than any unpaid billings under intercompany agreements at year-end 2003, FFIC-MO had no additional liability for the benefits provided.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2003, as reflected below, were sufficient to meet the deposit requirements for the

State of Missouri in accordance with RSMo 379.098 (Insurance other life - Security deposits).

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
U.S. Strips and Bonds	\$1,388,000	\$1,746,682	\$1,618,347

Deposits with Other States

The Company does not have funds on deposit with any other states.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

The Company is licensed by the Missouri Department of Insurance under Chapter 379 RSMo (Insurance other than life) to write property and casualty insurance. As of December 31, 2003, the Company was only licensed in the State of Missouri.

FFIC-MO's parent, Fireman's Fund Insurance Company, plans to sell the Company. FFIC-MO issued its last new and/or renewal policies during the first quarter of 2002, and is currently in run-off. Through the first quarter of 2002, the Company wrote only private passenger automobile business in Missouri, marketed primarily through independent agents and direct marketing. The direct premiums written steadily decreased from a high of \$12.5 million in 2000 to a low of \$(6,883) in 2003. The Company ceded 100 percent (100%) of its direct written premiums to its parent, Fireman's Fund Insurance Company. This arrangement is described in the Reinsurance section of this report.

Policy Forms and Underwriting
Advertising & Sales Material
Treatment of Policyholders

The Missouri Department of Insurance has a market conduct staff which performs a review of these issues and generates a separate market conduct report. The last MDI Market Conduct Examination Report [#MO189-M59] dated January 21, 2000, was reviewed during the prior examination and no material discrepancies were noted.

REINSURANCE

General

The Company's reinsurance and premium activity during the period under examination are as follows:

<u>Premiums Written:</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Direct Business	\$ (6,883)	\$ 1,740,189	\$10,907,479	\$12,563,312
Reinsurance Assumed:				
Affiliates	0	0	0	0
Non-Affiliates	0	0	0	0
Reinsurance Ceded:				
Affiliates	6,883	(1,740,189)	(10,907,479)	(12,563,312)
Non-Affiliates	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Premiums Written	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Assumed

FFIC-MO assumes no reinsurance.

Ceded

Effective March 15, 1992, FFIC-MO entered into a reinsurance agreement whereby 100 percent (100%) of the Company's direct written premiums are ceded to its

parent organization, Fireman's Fund Insurance Company (FFIC). As compensation for the premiums ceded under this agreement, FFIC agrees to pay an override commission of 3.25 percent (3.25%) of direct premiums written.

Under a Management Agreement with FFIC, FFIC-MO pays FFIC 3 percent (3%) of written premium for various management services. (See the Affiliated Companies section of this report for details on this agreement.) The 3.25 percent (3.25%) override commission less the 3 percent (3%) management fee net to a 0.25 percent (0.25%) gross profit on written business for FFIC-MO.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer should fail to perform its obligations under its reinsurance agreement with the Company.

ACCOUNTS AND RECORDS

Financial statements of the Company were audited by the CPA firm KPMG LLP, of San Francisco, California, for the years ending December 31, 2003, 2002, 2001, and 2000.

Loss reserves of the Company were reviewed and certified as of December 31, 2003, 2002, 2001 and 2000, by David Heyman, FCAS, MAAA, Vice President, Loss Reserve Officer, and Actuary of Fireman's Fund Insurance Company, FFIC-MO's parent.

During the course of the examination, a review was made of the pooled companies' general controls over its information systems by the California Department of Insurance. As the result of this review, recommendations for improving the Company's

information systems controls were developed and presented to the Company by the CDI. The recommendations covered areas such as logical security, physical security and program changes. The Company should evaluate these recommendations and make appropriate changes to strengthen its controls over its information systems.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company for the period ending December 31, 2003. Any examination adjustments to the amount reported in the Annual Statement and/or comments regarding such are made in the "Notes to the Financial Statements". (The failure of any column of numbers to add to its respective total is due to rounding or truncation.)

There may have been differences found in the course of this examination which are not shown in the "Notes to the Financial Statements". These differences were determined to be immaterial, concerning their effect on the financial statements. Therefore, they were communicated to the Company and/or noted in the workpapers for each individual Annual Statement item.

	<u>Assets</u>		
	<u>ASSETS</u>	<u>ASSETS NOT ADMITTED</u>	<u>NET ADMITTED ASSETS</u>
Bonds	\$4,207,292		\$4,207,292
Common stocks (Note 1)	0		0
Cash and short-term investments	1,999,822		1,999,822
Other invested assets (Note 1)	334,608		334,608
Investment income due and accrued	24,731		24,731
Net deferred tax asset	(305)	(1,479)	1,174
Total Assets	<u>\$6,566,148</u>	<u>\$(1,479)</u>	<u>\$6,567,627</u>

Liabilities, Surplus and Other Funds

Other expenses	\$3,594
Taxes, licenses and fees (excluding federal and foreign income taxes)	2,439
Current federal income taxes	67,309
Payable to parent, subsidiaries and affiliates	<u>5,367</u>
Total Liabilities	\$78,709
Common capital stock	1,201,200
Gross paid in and contributed surplus	2,798,796
Unassigned funds (surplus)	<u>2,488,922</u>
Surplus as regards policyholders	<u>\$6,488,918</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$6,567,627</u>

Statement of Income

Underwriting Income

Premiums earned	\$0
Deductions	
Losses incurred	\$0
Loss expenses incurred	0
Other underwriting expenses incurred	<u>17</u>
Total underwriting deductions	<u>\$17</u>
Net underwriting gain/(loss)	(\$17)

Investment Income

Net investment income earned	\$192,272
Net realized capital gains or (losses)	<u>(1)</u>
Net investment gain or (loss)	<u>\$192,271</u>

Other Income

Net income before federal income taxes	\$192,254
Federal income taxes incurred	<u>67,584</u>
Net income (loss)	<u>\$124,670</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2002	\$6,362,473
Net income	124,670
Change in net deferred income tax	296
Change in nonadmitted assets	<u>1,479</u>
Net change in surplus as regards policyholders for the year	<u>\$126,445</u>
Surplus as regards policyholders, December 31, 2003	<u>\$6,488,918</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Common Stock	\$0
Other Invested Assets	\$334,608

At December 31, 2003, Common Stock was reduced by \$334,608 to \$0, and Other Invested Assets was increased to \$334,608, due to a reclassification of the Allianz Cash Pool LLC investment. The Company reported its investment in the Allianz Cash Pool LLC on Schedule D, Part 2, Section 2 of the 2003 Annual Statement as a common stock investment. Per SSAP 48, *Joint Ventures, Partnerships and Limited Liability Companies*, the Company should be reporting this investment on the Annual Statement's Schedule BA as an Other Invested Asset. Based on a review of the Company's 2004 Annual Statement, it appears the reporting for this item was corrected in 2004.

EXAMINATION CHANGES

Total Capital and Surplus Per Company, December 31, 2003:

Common capital stock	\$ 1,201,200	
Gross paid in and contributed surplus	2,798,796	
Unassigned funds (surplus)	2,488,922	
Total Capital and Surplus		\$6,488,918

Examination Changes (effect on surplus):

	<u>Increase in Surplus</u>	<u>Decrease in Surplus</u>	
Assets:			
Common Stock		\$334,608	
Other Invested Assets	\$334,608		
Totals	<u>\$334,608</u>	<u>\$334,608</u>	
Net Change			\$0

Total Capital and Surplus Per Examination, December 31, 2003:

Common capital stock	\$ 1,201,200	
Gross paid in and contributed surplus	2,798,796	
Unassigned funds (surplus)	2,488,922	
Total Capital and Surplus		<u>\$6,488,918</u>

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Accounts and Records (Page 15)

During the course of the examination, a review was made of the pooled companies' general controls over its information systems by the California Department of Insurance (CDI). As the result of this review, recommendations for improving the Company's information systems controls were developed and presented to the Company by the CDI. The recommendations covered areas such as logical security, physical security and program changes. The Company should evaluate these recommendations and make appropriate changes to strengthen its controls over its information systems.

Notes to the Financial Statements (Page 19)

The Company's Annual Statement presentation of its investment in the Allianz Cash Pool LLC was incorrect. The Company should implement procedures and controls to ensure its Annual Statement presentation is consistent with the relevant SSAPs and Annual Statement Instructions.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Fireman’s Fund Insurance Company of Missouri during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Angela Campbell, CFE, and Steven Koonse, CFE, examiners for the Missouri Department of Insurance, participated in this examination.

VERIFICATION

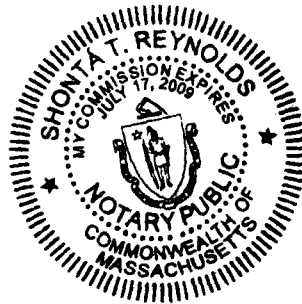
State of Missouri)
)
County of)

I, Vicki L. Denton, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Vicki L. Denton
Vicki L. Denton, CFE
Examiner-In-Charge
Missouri Department of Insurance

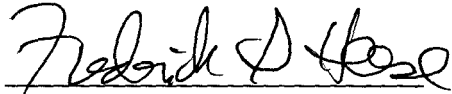
Sworn to and subscribed before me this 10th day of August, 2005.

My commission expires: July 17, 2009 *[Signature]*
Notary Public



SUPERVISION

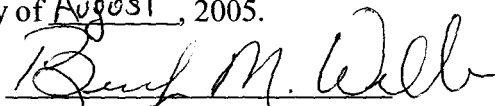
The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Frederick G. Heese, CFE, CPA
Audit Manager
Missouri Department of Insurance

Sworn to and subscribed before me this 10th day of August, 2005.

My commission expires: 03-17-2008


Notary Public

BEVERLY M. WEBB
Notary Public - Notary Seal
STATE OF MISSOURI
Clay County
My Commission Expires March 17, 2008



RECEIVED
MO INS DEPT
AUG 09 2005

July 28, 2005

Vicki L. Denton, CFE
Examiner-In-Charge
Missouri Department of Insurance

RE: Fireman's Fund Insurance Company of Missouri

Dear Ms. Denton,

The following is a written response to the recommendations discovered during the January 1, 2000 through December 31, 2003 examination of Fireman's Fund Insurance Company of Missouri as identified in the General Comments and/or Recommendations section of the Missouri Department of Insurance Report of Association Financial Examination.

1. Accounts and Records (Page 15)

During the course of the examination, a review was made of the pooled companies' general controls over its information systems by the California Department of Insurance (CDI). As the result of this review, recommendations for improving the Company's information systems controls were developed and presented to the Company by the CDI. The recommendations covered areas such as logical security, physical security and program changes. The Company should evaluate these recommendations and make appropriate changes to strengthen its controls over its information systems.

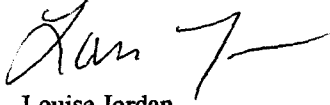
Company Response: The Company, as a result of the review of information systems controls and the recommendations received, has implemented changes to strengthen its controls over its information systems such as User Account Administration. The Company now utilizes a Lotus Notes Database to request and retain all access change requests and termination requests, and managers are provided with a checklist for terminated employees that includes terminating user ids.

2. Notes to the Financial Statements (Page 19)

The Company's Annual Statement presentation of its investment in the Allianz Cash Pool LLC was incorrect. The Company should implement procedures and controls to ensure its Annual Statement presentation is consistent with the relevant SSAPs and Annual Statement Instructions.

Company Response: *The Company has classified the Allianz Cash Pool, LLC as Other Invested Assets and reported it in Schedule BA in the 2004 annual statement.*

Sincerely,

A handwritten signature in black ink, appearing to read "Louise Jordan", with a long horizontal flourish extending to the right.

Louise Jordan
Vice President and Controller
Fireman's Fund Insurance Company