



September 7, 2011

The Honorable Dave Jones
Insurance Commissioner
State of California
300 Capitol Mall
Sacramento, CA 95814

**Re: Website Published Report of the Market Conduct Examination of the Claims Handling, Rating and Underwriting Practices of Household Life Insurance Company, NAIC #93777 CDI # 3275-5
Final Public Report Adopted on August 10, 2011
Response of Household Life Insurance Company**

Dear Honorable Commissioner Jones,

We appreciate the opportunity to respond to the Final Adopted Report of the Market Conduct Examination (the "Report") of the claims handling, rating and underwriting practices of Household Life Insurance Company (the "Company") by the California Department of Insurance (the "Department"), dated August 10, 2011.

Summary of Examination Results #1: Failure to Include Fraud Language on Proof of Claim Forms:

"HLIC provided the examiner with a sample term life proof of claim form in which the fraud warning notice did not comply with the language required by California law. It is alleged that the failure to include the fraud language on a proof of claim forms as required by California law violates CIC §1872.9(a) [sic] and is an unfair trade practice under CIC §790.03(h)(3)."

The Company provided the examiners with its term life proof of claim form, which includes the following fraud notice:

“Warning: any person who knowingly and with the intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which may constitute a crime and may also be subject to civil penalties; any insurance company or agent of any insurance company who knowingly provides false, incomplete or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claimant with regard to a settlement or award payable from the insurance proceeds shall be reported to the department of insurance.”

As noted above, the Department alleges that the Company’s fraud language fails to comply with CIC §1879.2(a), which requires that insurance claims forms include the following statement:

“Any person who knowingly presents a false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison. The statement shall be preceded by the words: ‘For your protection California law requires the following to appear on this form’ or other explanatory words of similar meaning.”

Although the Company’s fraud language differs somewhat from the language specified in CIC §1879.2(a), the Company respectfully submits that its fraud notice satisfies the spirit of the statute. As set forth in CIC §1879, the purpose of the fraud notice requirement and other anti-fraud provisions under the article is to “confront aggressively the problem of insurance fraud” in California through detection, prevention and the reduction of fraudulent claims. The Company’s fraud language puts claimants on notice that the

presentation of a fraudulent claim could constitute a “crime,” thereby alerting them that such an act could give rise to imprisonment. Moreover, the Company’s fraud notice provides claimants with advance knowledge of the risks associated with fraudulent claims, thus deterring, preventing and reducing the potential for fraud.

Notwithstanding the foregoing, the Company takes seriously its obligations to strictly comply with CIC §1879.2(a). As a result, effective February 14, 2011, the Company modified the fraud-notice language on its term life claim form to include the notice specified by CIC §1879.2(a). In addition, the Company modified the fraud-notice language on its credit life claim form and implemented the change on May 1, 2011.

Summary of Examination Results #2: Failure to Specify the Rate of Interest on Death Claim Payments Made 30 Days After Date of Death

“HLIC reported that the claim payments made 30 days after the date of death did not specify the rate of interest paid on these claims. It is alleged that the failure to specify the rate of interest paid on death claims to beneficiaries violates the provisions of CIC section 10172.5(c) and is an unfair trade practice CIC §790.03(h)(3).”

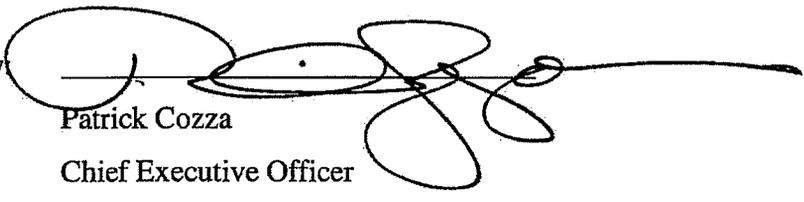
The Company acknowledges that its “explanation of benefit letter” to beneficiaries did not specify the rate of interest as required by CIC § 10172.5(c). However, the Company wishes to note that beneficiaries were in fact paid the required interest on claim payments made after 30 days. Thus, while the beneficiaries may not have been aware of the rate of interest applied to such claims, the Company respectfully submits that the beneficiaries were not disadvantaged by the lack of disclosure of the rate of interest.

Of course, the Company takes its obligations to comply with CIC § 10172.5(c) seriously. As a result, it modified its “explanation of benefit letter” to include the rate of interest effective December 7, 2011.

Thank you again for the opportunity to comment on the examination results of the Report.

Household Life Insurance Company

By


Patrick Cozza

Chief Executive Officer