

**[IN ACCORDANCE WITH CALIFORNIA INSURANCE CODE (CIC) SECTION 12938,  
THIS REPORT WILL BE MADE PUBLIC AND PUBLISHED ON THE  
CALIFORNIA DEPARTMENT OF INSURANCE (CDI) WEBSITE]**

**WEBSITE PUBLISHED REPORT OF THE MARKET CONDUCT  
EXAMINATION OF THE CLAIMS PRACTICES OF**

**BANNER LIFE INSURANCE COMPANY  
NAIC # 94250 CDI # 2948-8**

**AS OF JANUARY 31, 2013**

**ADOPTED JANUARY 23, 2014**

**STATE OF CALIFORNIA**



**CALIFORNIA DEPARTMENT OF INSURANCE  
MARKET CONDUCT DIVISION  
FIELD CLAIMS BUREAU**

## NOTICE

**The provisions of Section 735.5(a) (b) and (c) of the California Insurance Code (CIC) describe the Commissioner's authority and exercise of discretion in the use and/or publication of any final or preliminary examination report or other associated documents. The following examination report is a report that is made public pursuant to California Insurance Code Section 12938(b)(1) which requires the publication of every adopted report on an examination of unfair or deceptive practices in the business of insurance as defined in Section 790.03 that is adopted as filed, or as modified or corrected, by the Commissioner pursuant to Section 734.1.**

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**DEPARTMENT OF INSURANCE**

Consumer Services and Market Conduct Branch  
Field Claims Bureau, 11th Floor  
300 South Spring Street  
Los Angeles, CA 90013



January 23, 2014

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

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims handling practices and procedures in California of:

**Banner Life Insurance Company**  
**NAIC # 94250**

Hereinafter, the Company listed above also will be referred to as the Company.

This report is made available for public inspection and is published on the California Department of Insurance website ([www.insurance.ca.gov](http://www.insurance.ca.gov)) pursuant to California Insurance Code section 12938(b)(1).

## FOREWORD

The examination covered the claims handling practices of the aforementioned Company on life claims closed during the period from February 1, 2012 through January 31, 2013. The examination was made to discover, in general, if these and other operating procedures of the Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law. This report contains all alleged violations of laws that were identified during the course of the examination.

The report is written in a “report by exception” format. The report does not present a comprehensive overview of the subject insurer’s practices. The report contains a summary of pertinent information about the lines of business examined, details of the non-compliant or problematic activities that were discovered during the course of the examination and the insurer’s proposals for correcting the deficiencies. When a violation that reflects an underpayment to the claimant is discovered and the insurer corrects the underpayment, the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered. Failure to identify, comment upon or criticize non-compliant practices in this state or other jurisdictions does not constitute acceptance of such practices.

Alleged violations identified in this report, any criticisms of practices and the Company responses, if any, have not undergone a formal administrative or judicial process.

## **SCOPE OF THE EXAMINATION**

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of the California Insurance Code, Fair Claims Settlement Practices Regulations, and other related statutes, regulations and case law used by the Company to ensure fair claims settlement practices.

2. A review of the application of such guidelines, procedures, and forms, by means of an examination of a sample of individual claims files and related records.

3. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about the Company closed by the CDI during the period February 1, 2012 through January 31, 2013; a review of previous CDI market conduct claim examination reports on the Company; and a review of prior CDI enforcement actions.

The review of the sample of individual claims files was conducted at the offices of the California Department of Insurance in San Francisco, California.

## **EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED**

The life claims reviewed were closed from February 1, 2012 through January 31, 2013, referred to as the “review period”. The examiner randomly selected 37 claims files for examination. The examiner cited 29 alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination included the failure to notify beneficiaries of settlement options available under the policy.

## **RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS AND PRIOR ENFORCEMENT ACTIONS**

Market analysis did not identify any specific issues of concern.

There was no specific area of concern identified in the complaint review.

The previous claims examination reviewed a period from July 1, 2007 through June 30, 2008. The most significant noncompliance issue identified in the previous examination report was the failure to maintain a certificate of training. This issue was not identified as problematic in the current examination.

There have been no enforcement actions taken upon this Company.

## DETAILS OF THE CURRENT EXAMINATION

Further details with respect to the examination and alleged violations are provided in the following tables and summaries:

<b>BANNER LIFE INSURANCE COMPANY SAMPLE FILES REVIEW</b>			
<b>LINE OF BUSINESS / CATEGORY</b>	<b>CLAIMS IN REVIEW PERIOD</b>	<b>SAMPLE FILES REVIEWED</b>	<b>NUMBER OF ALLEGED CITATIONS</b>
Life/ Individual/ Paid	303	36	29
Life/ Individual/ Rescission	1	1	0
<b>TOTALS</b>	304	37	29

### TABLE OF TOTAL CITATIONS

Citation	Description of Allegation	Banner Life Insurance Company Number of Alleged Citations
CCR §2695.4(a) *[CIC §790.03(h)(1)]	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy	29
<b>Total Number of Citations</b>		<b>29</b>

### \*DESCRIPTONS OF APPLICABLE UNFAIR CLAIMS SETTLEMENT PRACTICES

CIC §790.03(h)(1)      The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.

### TABLE OF CITATIONS BY LINE OF BUSINESS

LIFE 2012 Written Premium: \$84,864,259 AMOUNT OF RECOVERIES      \$ 0	NUMBER OF CITATIONS
CCR §2605.4(a)[CIC §790.03(h)(1)]	29
<b>TOTAL</b>	<b>29</b>

## SUMMARY OF EXAMINATION RESULTS

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report.

In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. The Company is obligated to ensure that compliance is achieved.

Any noncompliant practices identified in this report may extend to other jurisdictions. The Company was asked if it intends to take appropriate corrective action in all jurisdictions where applicable. The Company does not intend to implement corrective actions in other jurisdictions.

There were no recoveries discovered within the scope of this report.

### LIFE

1. **In 29 instances, the Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.** The Company failed to provide the beneficiary with the settlement options available in the policy. The Department alleges these acts are in violation of CCR §2695.4(a) and are unfair practices under CIC §790.03(h)(1).

**Summary of the Company Response:** While the Company states it respectfully disagrees it violated the laws cited, the initial notice letter has been updated to provide a description of available settlement options. The new letter will be implemented no later than November 4, 2013.