

**[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**

**SENTINEL SECURITY LIFE INSURANCE COMPANY
NAIC # 68802 CDI # 1782-2**

AS OF MAY 31, 2013

ADOPTED APRIL 30, 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.

TABLE OF CONTENTS

SALUTATION	1
FOREWORD.....	2
SCOPE OF THE EXAMINATION.....	3
EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED.....	4
RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES, PREVIOUS EXAMINATIONS, AND PRIOR ENFORCEMENT ACTIONS .	5
DETAILS OF THE CURRENT EXAMINATION	6
TABLE OF TOTAL CITATIONS	7
TABLE OF CITATIONS BY LINE OF BUSINESS.....	8
SUMMARY OF EXAMINATION RESULTS	9

DEPARTMENT OF INSURANCE

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



April 30, 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:

Sentinel Security Life Insurance Company
NAIC # 68802

Group NAIC # 0000

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

This report is made available for public inspection and is published on the California Department of Insurance website (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, Annuity, and Health Medicare Supplement claims closed during the period from June 1, 2012 through May 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’s 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 June 1, 2012 through May 31, 2013; and a review of previous CDI market conduct claims 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 Department of Insurance in Sacramento, California.

EXECUTIVE SUMMARY OF CLAIMS SAMPLE REVIEWED

The Life, Annuity, and Health Medicare Supplement claims reviewed were closed from June 1, 2012 through May 31, 2013, referred to as the “review period”. The examiners randomly selected 142 SSLIC claims files for examination. The examiners cited 38 alleged claims handling violations of the California Insurance Code from this sample file review.

Findings of this examination included the failure to provide the beneficiary with written settlement options, failure to notify the beneficiary of the specified rate of interest paid on the death benefit, and failure to reference the California Department of Insurance in claim denials.

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

The review of market analysis and consumer complaints identified no specific issues of concern.

The previous claims examination reviewed a period from July 1, 2007 through June 30, 2008. The most significant noncompliance issues identified in the previous examination report were the Company's failure to train claims adjusters and failure to have written claims handling procedures. These issues were not identified as problematic in the current examination.

SSLIC was not the subject of any prior enforcement actions by the California Department of Insurance.

DETAILS OF THE CURRENT EXAMINATION

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

SSLIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED CITATIONS
Life	231	70	34
Annuity	2	2	0
Health – Medicare Supplement	10,440	70	4
TOTALS	10,673	142	38

TABLE OF TOTAL CITATIONS

Citation	Description of Allegation	SSLIC Number of Alleged Citations
CIC §10509.934 *[CIC §790.03(h)(1)]	The Company failed to provide the beneficiary, at the time a claim is made, written information describing the settlement options available under the policy and any other option available to the beneficiary for the receipt of proceeds, including retained asset accounts, and how to obtain specific details relevant to those options.	26
CIC §10172.5(c) *[CIC §790.03(h)(3)]	The Company failed to notify the beneficiary of the specified rate of interest paid on the death benefit.	7
CIC §10123.13(a) *[CIC §790.03(h)(3)]	The Company failed to include in its notice of a contested or denied claim that either the insured or the provider may seek a review by the Department.	4
CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	The Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.	1
Total Number of Citations		38

*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. |
| CIC §790.03(h)(3) | The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies. |

TABLE OF CITATIONS BY LINE OF BUSINESS

LIFE 2012 Written Premium: \$977,859 AMOUNT OF RECOVERIES \$0	NUMBER OF CITATIONS
CIC §10509.934 [CIC §790.03(h)(1)]	26
CIC §10172.5(c) [CIC §790.03(h)(3)]	7
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
SUBTOTAL	34

ANNUITY 2012 Written Premium: \$25,491 AMOUNT OF RECOVERIES \$0	NUMBER OF CITATIONS
SUBTOTAL	0

HEALTH – MEDICARE SUPPLEMENT 2012 Written Premium: \$563,430 AMOUNT OF RECOVERIES \$0	NUMBER OF CITATIONS
CIC §10123.13(a) [CIC §790.03(h)(3)]	4
SUBTOTAL	4

TOTAL	38
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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 intends to implement corrective actions in all jurisdictions.

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

LIFE

1. **In 26 instances, the Company failed to provide the beneficiary, at the time a claim is made, written information describing the settlement options available under the policy and any other option available to the beneficiary for the receipt of proceeds, including retained asset accounts, and how to obtain specific details relevant to those options.** The Department alleges these acts are in violation of CIC §10509.934 and are unfair practices under CIC §790.03(h)(1).

Summary of the Company's Response: As a result of the examination, the Company will provide a revised claim form that lists the settlement options available to the beneficiary, effective January 2014.

2. **In seven instances, the Company failed to notify the beneficiary of the specified rate of interest paid on the death benefit.** The Department alleges these acts are in violation of CIC §10172.5(c) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: As a result of the examination, the Company will provide the rate of interest in correspondence to the beneficiary, effective November 2013.

3. **In one instance, the Company failed to include a statement in its claim denial that, if the claimant believes the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance.** The Department alleges this act is in violation of CCR §2695.7(b)(3) and is an unfair practice under CIC §790.03(h)(3).

Summary of the Company's Response: As a result of the examination, the Company will include contact information for the California Department of Insurance on all notices of denied claims, as of November 2013.

HEALTH – MEDICARE SUPPLEMENT

4. **In four instances, the Company failed to include in its notice of a contested or denied claim that either the insured or the provider may seek a review by the Department.** The Department alleges these acts are in violation of CIC §10123.13(a) and are unfair practices under CIC §790.03(h)(3).

Summary of the Company's Response: As a result of the examination, the Company will include on all denied claims contact information for the California Department of Insurance, effective February 2014.