

**[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**

**ZURICH AMERICAN LIFE INSURANCE COMPANY  
NAIC # 90557 CDI # 2391-1**

**AS OF FEBRUARY 28, 2014**

**ADOPTED DECEMBER 22, 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



December 22, 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:

**Zurich American Life Insurance Company  
NAIC # 90557**

**Group NAIC # 0212**

Hereinafter, the Company listed above also will be referred to as ZALIC, 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](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 and Annuities claims closed during the period from March 1, 2013 through February 28, 2014. 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.

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. While this report contains violations of law that were cited by the examiner, additional violations of CIC § 790.03, or other laws, not cited in this report may also apply to any or all of the non-compliant or problematic activities that are described herein.

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 this Companies closed by the CDI during the period March 1, 2013 through February 28, 2014. There was no prior CDI examination, nor any enforcement actions by CDI.

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

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

The life and annuities claims reviewed were closed from March 1, 2013 through February 28, 2014, referred to as the “review period”. The examiner randomly selected 88 ZALIC claims files for examination. The examiner cited seven alleged claims handling violations of the California Insurance Code and other specified codes from this sample file review.

Findings of this examination included failure to notify the beneficiary of the specified rate of interest paid on the death benefit, and failure to provide written notice of the need for additional time or information every 30 calendar days.

## **RESULTS OF REVIEWS OF MARKET ANALYSIS, CONSUMER COMPLAINTS AND INQUIRIES**

Except as noted below, market analysis did not identify any specific issues of concern.

The Company was the subject of one California consumer complaint and inquiry closed from March 1, 2013 through February 28, 2014, in regard to the lines of business reviewed in this examination. The CDI determined this complaint to be not justified.

There have been no prior claims examinations conducted 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>ZALIC 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 VIOLATIONS</b>
Life / Individual	17	14	0
Life / Group	9	8	0
Variable Universal Life	3	3	0
Variable Annuities	50	36	7
Fixed Annuities	45	27	0
<b>TOTALS</b>	124	88	7

## TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	ZALIC Number of Alleged Violations
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.	4
CCR §2695.7(c)(1) *[CIC §790.03(h)(3)]	The Company failed to provide written notice of the need for additional time or information every 30 calendar days.	2
CCR §2695.5(e)(1) *[CIC §790.03(h)(2)]	The Company failed to acknowledge notice of claim within fifteen (15) calendar days.	1
<b>Total</b>		<b>7</b>

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

CIC §790.03(h)(2)      The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.

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 ALLEGED VIOLATIONS BY LINE OF BUSINESS**

<b>LIFE</b> 2013 Written Premium: \$33,484,006	<b>NUMBER OF ALLEGED VIOLATIONS</b>
<b>SUBTOTAL</b>	<b>0</b>

<b>ANNUITIES</b> 2013 Written Premium: \$1,446,830	<b>NUMBER OF ALLEGED VIOLATIONS</b>
CIC §10172.5(c)	4
CCR §2695.7(c)(1)	2
CCR §2695.5(e)(1)	1
<b>SUBTOTAL</b>	<b>7</b>
<b>TOTAL</b>	<b>7</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 intends to implement corrective actions in all jurisdictions where such alleged violations are applicable.

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

### **ANNUITIES**

1. **In four instances, the Company failed to notify the beneficiary of the specified rate of interest paid on the death benefit.** In four instances the Company failed to state the rate of interest paid. 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:** The Company agrees the interest paid was stated as a dollar amount on the confirmation notice. This notice did not specify the interest rate paid on the death benefit. On January 24, 2014 the automated letter system was updated to state the specific interest rate.

2. **In two instances, the Company failed to provide written notice of the need for additional time or information every 30 calendar days.** In two instances the Company failed to conduct 30-day follow up. In one instance there was a 94-day period of file inactivity (January 20, 2012 to April 24, 2012). In the other instance there was an 85-day period of file inactivity (January 19, 2012 to April 14, 2012). The Department alleges these acts are in violation of CCR §2695.7(c)(1) and are unfair practices under CIC §790.03(h)(3).

**Summary of the Company's Response:** The Company agrees with the findings. On June 24, 2013 the Company implemented a work flow process that will prompt Claims handlers to provide written notice of the need for additional time or information every 30 calendar days.

3. **In one instances, the Company failed to acknowledge notice of claim within fifteen (15) calendar days.** On May 2, 2013 notice of the claim was received. The acknowledgement was sent July 2, 2013, 60 days later. The Department alleges this act is in violation of CCR §2695.5(e)(1) and is an unfair practice under CIC §790.03(h)(2).

**Summary of the Company's Response:** The Company agrees with the findings. As a result of the examination, the Company has changed its procedures. Claims handlers are required to upload the claim request notification into the work flow system. The workflow system will alert claims staff to send acknowledgement and follow-up as appropriate.