

**[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 HANDLING, RATING, AND UNDERWRITING PRACTICES OF**

**FAMILY LIFE INSURANCE COMPANY
NAIC # 63053 CDI # 1420-9**

AS OF May 31, 2013

ADOPTED JANUARY 23, 2014

STATE OF CALIFORNIA



**CALIFORNIA DEPARTMENT OF INSURANCE
MARKET CONDUCT DIVISION**

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

Market Conduct Division
300 Capitol Mall
Sacramento, CA 95814



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

Family Life Insurance Company
NAIC # 63053
Group NAIC # 1117

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

This limited desk examination covered the claims handling, rating, and underwriting practices of the aforementioned Company during the period June 1, 2012 through May 31, 2013. The limited 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 pertains to Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

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 identified violations result in payments by the Company to policyholders or claimants, those amounts paid are identified as recoveries 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 specified guidelines, procedures, and forms adopted by the Company for use in California.
2. A review of the California Department of Insurance's (CDI) market analysis results; a review of consumer complaints and inquiries about this Company closed by the CDI June 1, 2012 through May 31, 2013.

This limited examination was conducted at the offices of the California Department of Insurance in Los Angeles, California, California.

EXECUTIVE SUMMARY

This desk examination was limited in scope to market analysis information, including California consumer complaint information, to national enforcement activity and to information provided by the Company in response to the Department's data request. There was no review of underwriting or claims files during this examination.

There were no alleged violations or findings of non-compliance within the scope of this report.

Family Life Insurance Company reported \$5,342,976 in written premiums on Accident and Disability Health insurance coverage in California during 2012. The Company closed 66,728 Medicare Supplement claims during 2012.

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

Except as noted below in the complaints, the results of the market analysis did not identify any specific issues of concern within the scope of this report.

Within the scope of this report, the Company was the subject two California consumer complaints and inquiries closed from June 1, 2012 through May 31, 2013, in regard to the line of business reviewed in this examination. Of the complaints and inquiries, the CDI determined two complaints were justified for failing to supply forms, instructions and assistance within 15 calendar days of claim notification; and failing to adopt and implement standards for the prompt investigation and processing of claims. The examiner followed up on these issues during the course of the file review.

The previous examination was completed by the Field Rating and Underwriting Bureau and reviewed the period from August 1, 2007, through July 31, 2008. There were no specific areas of concern identified during the previous examination.

DETAILS OF THE CURRENT EXAMINATION

The following tables summarize the Company’s responses, within the scope of this report, to the Department’s data request and the alleged violations under Section 790.03 and title 10, California Code of Regulations, Section 2695 et al., that resulted from the review of that data. All “NO” answers in the Areas of Review table are addressed in the Summary of Examination Results section of this report. A summary of each of the laws cited due to a “NO” answer is provided in the Cited Statutes and Regulations table.

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Certification by a company principal of claims training – CCR §2695.6(b) [CIC §790.03(h)(3)]	YES	
Copy of written standards for claims – CCR §2695.6(a) [CIC §790.03(h)(3)]	YES	
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30 through 2698.43 [CIC §790.03(h)(3)]	YES	
Compliance of letters and forms – CIC §1879.2(a) [CIC §790.03(h)(3)]	YES	
Acknowledgement of receipt of claim from provider within 15 days and in same form as received -- CIC §10133.66(c) [CIC §790.03(h)(2)]	YES	
Compliance with requirements of HIPAA regulations on medical authorizations forms – CIC §791.06 [CIC §790.03(h)(3)]	N/A	
Compliance with requirements to pay interest on uncontested claims paid after 30 working days – CIC §10123.13(b) [CIC §790.03(h)(5)]	YES	
Compliance with requirements to provide a clear EOB – CCR §2695.11(b) [CIC §790.03(h)(3)]	YES	
Compliance with all requirements of – CIC §10123.13(a) [CIC §790.03(h)(3), and/or (4), and/or (13)]	YES	

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Provider contracts contain required dispute resolution provisions – CIC §10123.137(a) [CIC §790.03(h)(3)]	N/A	
Non-contracting provider accessible dispute mechanism – CIC §10123.137(b) [CIC §790.03(h)(3)]	N/A	
Compliance with dispute mechanism report submission – CIC §10123.137(d) [CIC §790.03(h)(3)]	N/A	
Compliance with requirements for providing information on Independent Medical Reviews – CIC §10169.(i) [CIC §790.03(h)(3)]	N/A	
Compliance with requirements for time limits for response to requests for pre-authorization of non-emergency services – CCR §2695.11(e) [CIC §790.03(h)(3)]	N/A	
Compliance with requirements for no pre-authorization of emergency services – CCR §2695.11(f) [CIC §790.03(h)(3)]	YES	
Compliance with EOB requirements when emergency services are contested or denied -- CIC §10123.147(a) [CIC §790.03(h)(3)]	YES	
Compliance with requirement to pay interest on emergency services not paid within 30 working days -- CIC §10123.147(b) [CIC §790.03(h)(5)]	YES	

N/A – Not applicable

CITED STATUTES AND REGULATIONS	
Citation	Description
N/A	N/A

SUMMARY OF EXAMINATION RESULTS

There were no alleged violations or criticisms of the Company's practices made within the scope of this report. There were no recoveries discovered within the scope of this report.