

**[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**

**SYNCORA GUARANTEE INC.
NAIC # 20311 CDI # 3617-8**

AS OF OCTOBER 31, 2013

ADOPTED SEPTEMBER 29, 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



September 29, 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:

Syncora Guarantee Inc.
NAIC # 20311
Group NAIC # 4676

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) 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's Financial Guaranty Insurance during the period November 1, 2012 through October 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 during the period November 1, 2012 through October 31, 2013; a review of reports on the previous CDI market conduct examination of this Company; and a review of prior CDI enforcement actions.

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

Syncora Guarantee Inc. reported \$5,412,216 in written premiums on Financial Guaranty insurance coverage in California during 2012 and \$1,633,400 during 2013. The Company reported no Financial Guaranty claims in California during the examination review period. The Company has 276 active California policies as of the end of the review period. The Company signed a Cease and Desist Order from the California Department of Insurance on March 23, 2010, and is not writing new business.

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

The market analysis did not identify any specific issues of concern within the scope of this report.

The Company was the subject of zero California consumer complaints and inquiries closed from November 1, 2012 through October 31, 2013, in regard to the lines of business reviewed in this examination.

No prior market conduct examinations have been conducted upon this Company by the Department.

The Company is under a Cease and Desist Order from the California Department of Insurance as of March 23, 2010.

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)]	*N/A	--
Copy of written standards for claims – CCR §2695.6(a) [CIC §790.03(h)(3)]	*N/A	--
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30-2698.43 [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to disclose and explain applicable benefits, coverage, time limits or other policy provisions – CCR §2695.4(a) [CIC §790.03(h)(1)]	*N/A	--
Compliance with requirements for response to a communication – CCR §2695.5(b) [CIC §790.03(h)(2)]	YES	--
Compliance with requirements for acknowledgement of a claim – CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	YES	--
Compliance with requirements for providing reasonable assistance – CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	*N/A	--
Compliance with requirements for beginning an investigation CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	*N/A	--

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Compliance with requirements to provide denials in writing – CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	*N/A	--
Compliance with requirements to provide a reference to the CDI in written denials – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	*N/A	--
Compliance with acceptance or denial of a claim within 40 days after proof of claim is received – CCR §2695.7(b) [CIC §790.03(h)(4)]	YES	--
Compliance with payment of claims within 30 days of acceptance – CCR §2695.7(h) [CIC §790.03(h)(5)]	YES	--

*N/A – Not applicable; the Company indicates that this law is not relevant to its particular claims handling, rating or underwriting practice.

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.