

**[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**

**ANTHEM LIFE INSURANCE COMPANY
NAIC # 61069 CDI # 4662-3**

AS OF OCTOBER 31, 2013

ADOPTED OCTOBER 3, 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



October 3, 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:

Anthem Life Insurance Company
NAIC # 61069
Group NAIC # 0671

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

The California Department of Insurance will be referred to as the Department.

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 Group Life/AD&D and Disability Income business 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; and 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 San Francisco, 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.

The primary findings resulting in alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. that were identified in the course of the examination include failure to provide a certification of training for the Disability Income and Group Life/AD&D products signed by a principal of the Company under penalty of perjury. Details of the findings are provided in the Summary of Examination Results section of this report.

Anthem Life Insurance Company reported \$8,739,539 in written premiums on Group Life/AD&D insurance coverage in California during 2012. The Company closed 1,150 Life claims during 2012.

Anthem Life Insurance Company reported \$9,864,985 in written premiums on Disability Income insurance coverage in California during 2012. The Company closed 996 disability claims during 2012.

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

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 of three 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 complaints were justified.

The previous examination was completed by the Field Claims Bureau. There were no specific areas of concern identified during the previous examination.

The Company has not been the subject of an enforcement action taken by the Department.

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.

DISABILITY INCOME AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM NUMBER
Certification by a company principal of claims training – CCR §2695.6(b) [CIC §790.03(h)(3)]	NO	1
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)]	NO	2
Quality controls for compliance with – CCR §§2695.4(a), 2695.5(b), 2695.5(e)(1), (2), and (3), 2695.7(b)(1), 2695.11 (a), (b), and (g); and CIC §§10111.2(a), (b), and (c) [CIC §790.03(h)(3)]	YES	--
Acknowledgement of receipt of claim— CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	YES	--

DISABILITY INCOME AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM NUMBER
Compliance with requirements of HIPAA regulations on medical authorizations forms – CIC §791.06 [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to reimburse insured's and providers for record copying expenses – CCR §2695.11(g) [CIC §790.03(h)(5)]	YES	--
Compliance with requirement to identify the factual and legal basis for denial – CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	YES	--
Compliance with requirement to advise of possibility of CDI review of denials – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to pay benefits within 30 days – CIC §10111.2(a) [CIC §790.03(h)(4)]	YES	--
Compliance with requirement to pay interest on benefits paid over 30 days – CIC §10111.2(c) [CIC §790.03(h)(5)]	YES	--

GROUP LIFE/AD&D AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM NUMBER
Certification of claims training by a principal – CCR §2695.6(b) [CIC §790.03(h)(3)]	NO	3
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 §§2698.30-2698.43 [CIC §790.03(h)(3)]	YES	--
Compliance of letters and forms – CIC §1879.2(a) [CIC §790.03(h)(3)]	NO	4
Compliance with requirements for acknowledgement of claims CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	YES	--
Compliance with requirements for reasonable assistance – CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to pay statutory interest from date of death for claims on contracts with a situs of California - CIC §10172.5(a) [CIC §790.03(h)(5)]	YES	--
Compliance with requirements to disclose statutory rate of interest – CIC §10172.5(c) [CIC §790.03(h)(3)]	YES	--
Compliance with requirement to explain settlement options – CCR §2695.4(a) [CIC §790.03(h)(1)]	YES	--
Compliance with required disclosure when a retained asset account is a settlement option – CIC §10170(f) [CIC §790.03(h)(1)]	YES	--
Compliance with required written disclosures prior to establishment of retained asset account – CIC §10509.937 [CIC §790.03(h)(1)]	YES	--

GROUP LIFE/AD&D AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM NUMBER
Compliance with providing supplemental contract when life insurance benefits are provided through a retained asset account – CIC §10509.935 [CIC §790.03(h)(1)]	YES	--
Compliance with statements for retained asset accounts – CIC §10509.936 [CIC §790.03(h)(1)]	YES	--
Compliance with requirement to reference a CDI review on denial letters – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	YES	--

CITED STATUTES AND REGULATIONS	
Citation	Description
CIC § 1879.2(a) *[CIC §790.03(h)(3)]	Any insurer that prints, reproduces, or furnishes a form to any person upon which that person gives notice to the insurer of a claim under any contract of insurance or makes a claim against the insurer for any loss, damage, liability, or other covered event shall cause to be printed or displayed, in comparative prominence compared to other contents, the following statement: "Any person who knowingly presents a false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison." The statement shall be preceded by the words: "For your protection California law requires the following to appear on this form" or other explanatory words of similar meaning.
CCR §2695.6(b)(2) *[CIC §790.03(h)(3)]	Where the licensee is an entity, the annual written certification of Fair Claims Settlement Practices regulations training shall be executed, under penalty of perjury, by a principal of the entity.

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

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

The following is a brief summary of the practices, within the scope of this report, that were alleged to be non-compliant during the course of this limited examination. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

In response to each of the Department's allegations of non-compliance, the Company was 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 and maintained.

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 indicates that it will implement the corrective actions in all jurisdictions.

Within the scope of this report, there were no claims recoveries or return premium as a result of the issues described in this report.

DISABILITY INCOME

1. The examination revealed that the Company failed to complete the certification of Fair Claims Settlement Practices regulations training for the Disability Income product. This certification is to be signed by a principal of the Company under penalty of perjury, stating that all claims agents were provided thorough and adequate training.
CIC § 790.03(h)(3) and CCR § 2695.6(b)(2)

Summary of Company Response: The Company advised that it has been providing documentation from each individual trainee complying with CCR § 2695.6(b)(1); in the future they will comply with CCR § 2695.6(b)(2). The Company will adhere to CCR § 2695.6(b)(2) on the next annual certification, which was completed on August 27, 2014.

2. The examination revealed the fraud language on the "Beneficiary Claim Form", section four "Signature and Certification" does not mirror the language in the California Insurance Code.

CIC §§ 1879.2(a) and CIC 790.03(h)(3)

Summary of Company Response: The Company will revise the "Beneficiary Claim Form" under section four, "Signature and Certification", placing a statement whereby the insured acknowledges that they have read the California fraud statement on page two of the document. This will fulfill the Company's need for a serviceable multi-state form and still comply with the California requirements. The Company advises, that it will also correct the fraud statement on page two of the document, as the original statement omitted a word. Draft changes were completed by August 1, 2014, and are going through the Company's internal implementation process with an expected completion date of October 1, 2014.

GROUP LIFE/AD&D

3. The examination revealed that the Company failed to complete the certification of Fair Claims Settlement Practices regulations training for the Life product. This certification is to be signed by a principal of the Company under penalty of perjury, stating that all claims agents were provided thorough and adequate training.

CIC § 790.03(h)(3) and CCR § 2695.6(b)(2)

Summary of Company Response: The Company advised that it has been providing documentation from each individual trainee complying with CCR § 2695.6(b)(1), in the future the Company will comply with CCR § 2695.6(b)(2). The Company will adhere to CCR § 2695.6(b)(2) on the next annual certification, which was completed on August 27, 2014.

4. The examination revealed the fraud language on the "Beneficiary Claim Form", section four "Signature and Certification" does not mirror the language in the California Insurance Code.

CIC §§ 1879.2(a) and CIC 790.03(h)(3)

Summary of Company Response: The Company will revise the "Beneficiary Claim Form" under section four, "Signature and Certification", placing a statement whereby the insured acknowledges that they have read the California fraud statement on page two of the document. This will fulfill the Company's need for a serviceable multi-state form and still comply with the California requirements. The Company advises that it will also correct the fraud statement as the original statement on page two of the document, as the original statement omitted a word. Draft changes were completed by August 1, 2014, and are going through the Company's internal implementation process with an expected completion date of October 1, 2014.