

**[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**

**SENTRY LIFE INSURANCE COMPANY
NAIC # 68810 CDI # 0169**

AS OF SEPTEMBER 30, 2015

ADOPTED MAY 31, 2016

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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FOREWORD

This 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 examiners, 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.

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).

SCOPE OF THE EXAMINATION

Under the authority granted in Part 2, Chapter 1, Article 4, Sections 730, 733, and 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 claim handling practices and procedures in California of:

**Sentry Life Insurance Company
NAIC # 68810**

Group NAIC # 0000

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

This examination covered the claim handling practices of the aforementioned Company on life, annuity, and accident and health claims closed during the period from October 1, 2014 through September 30, 2015. The examination was made to discover, in general, if these and other operating procedures of the Sentry Life Insurance Company conform to the contractual obligations in the policy forms, the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law.

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 claim files and related records.

3. A review of the California Department of Insurance's (CDI) market analysis results; and if any, a review of consumer complaints and inquiries about this Company closed by the CDI during the period October 1, 2014 through September 30, 2015, a review of previous CDI market conduct claims examination reports on this Company; and a review of prior CDI enforcement actions.

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

EXECUTIVE SUMMARY

The life, annuity, accident, and health claims reviewed were closed from October 1, 2014 through September 30, 2015, referred to as the “review period”. The examiners randomly selected 161 SLIC claim files for examination. The examiners cited 39 alleged claim handling violations of the California Insurance Code 10123.13 (a) and cited one (1) alleged claim handling violation of California Code and Regulation 2695.7(b)(3) from this sample file review.

Findings of this examination pertain to the failure to include in its notice of a contested or denied claim that the provider may seek a review by the Department.

DETAILS OF THE CURRENT EXAMINATION

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

SLIC SAMPLE FILES REVIEW			
LINE OF BUSINESS / CATEGORY	CLAIMS IN REVIEW PERIOD	SAMPLE FILES REVIEWED	NUMBER OF ALLEGED VIOLATIONS
Disability Health / Individual Dental	876	63	39
Life / Group Life	29	20	0
Life / Rider	1	1	0
Annuity/ Individual Annuity	41	26	0
Supplemental Disability Health / Student Accident (Blanket)	208	51	1
TOTALS	11551155	161	40

TABLE OF TOTAL ALLEGED VIOLATIONS

Citation	Description of Allegation	SLIC Number of Alleged Violations
CIC §10123.13(a) *[CIC §790.03(h)(3)]	The Company failed to include in its notice of a claim being contested or denied that either the insured or the provider may seek a review by the Department.	39
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 Alleged Violations		40

***DESCRIPTIONS 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 insurance policies.
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TABLE OF ALLEGED VIOLATIONS BY LINE OF BUSINESS

ACCIDENT AND DISABILITY (Disability Health Dental / Supplemental Disability Health) SLIC 2014 Written Premium: \$458,083.00 AMOUNT OF RECOVERIES \$0	NUMBER OF ALLEGED VIOLATIONS
CIC §10123.13(a) [CIC §790.03(h)(3)]	39
CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	1
SUBTOTAL	40

LIFE SLIC 2014 Written Premium: \$2,531,449.00	
SUBTOTAL	0

ANNUITY SLIC 2014 Written Premium: \$53,549.500	
SUBTOTAL	0
TOTAL	40

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 should address corrective action for other jurisdictions when applicable.

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

DISABILITY HEALTH - DENTAL

1. **In 39 instances, the Company failed to include in its notice of a contested or denied claim that the provider may seek a review by the Department.** These instances involve individual dental claims. The Company partially or wholly denied the charges on dental claims without including the right to review language by the California Department of Insurance (CDI). 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: The Company agrees that the appeal language was not included on the provider remittance letters. The Company initiated a project with its IT Department and vendor and updated its template (provider) remittance notice to include the CDI language. The target completion date is April 30, 2016. The Company will provide the Department with a copy of its revised template notice upon completion of its project.

SUPPLEMENTAL DISABILITY HEALTH

2. **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.** On a student accident claim, the Company wholly denied the claim without

including the right to review language by the California Department of Insurance (CDI). 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: The Company agrees that the appeal language was not included on the provider remittance letter in this instance. The Company initiated a project with its IT Department and vendor and updated its template (provider) remittance notice to include the CDI language. The target completion date is April 30, 2016. The Company will provide the Department with a copy of its revised template notice upon completion of its project.