

**[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**

**GUARANTEE TRUST LIFE INSURANCE COMPANY
NAIC # 64211 CDI # 3088-2**

AS OF MARCH 31, 2014

ADOPTED DECEMBER 21, 2015

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



December 21, 2015

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, 742.32 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:

Guarantee Trust Life Insurance Company
NAIC # 64211
Group NAIC # 0687

Hereinafter, the Company listed above also will be referred to as GTL 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 life insurance business during the period April 1, 2013 through March 31, 2014. 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 2695.1 et seq. A separate report pertains to laws other than Section 790.03 and Title 10, California Code of Regulations, Section 2695.1 et seq.

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 April 1, 2013 through March 31, 2014; and a review of reports on the previous CDI market conduct examination of this Company.

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.

The findings identified in the course of the examination include failure to reference the Department of Insurance in claims denial letters and a failure to include fraud language in the format in accordance with the current insurance code on beneficiary form and standalone disclosures. Details of the findings are provided in the Summary of Examination Results section of this report

Guarantee Trust Life Insurance Company reported \$3,499,986 in written premiums on life insurance coverage in California during 2012. The Company closed 30 Life insurance claims during 2012

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

The results of the market analysis review from April 1, 2013 through March 31, 2014, one enforcement action was taken against Guarantee by the state of Montana. The action alleged marketing and sales practices violations. This issue was not identified in the results of this examination.

Within the scope of this report, the Company was not the subject of any California consumer complaints and inquiries closed from April 1, 2013 through March 31, 2014 in regard to the line of business reviewed in this examination.

The previous Market Conduct examination reviewed the period from July 1, 2007 through June 30, 2008. During the previous examination the Company reported that it did not notify the beneficiary of the specified rate of interest paid on the death benefits in accordance with California law and that it did not comply with the requirement for the annual written certification attesting to the fact that claims training had taken place in accordance with California law. During the current review period the Company reported that it is compliant with the notice to beneficiaries and that it completed the written certification of claims training.

The Company has not been the subject of any enforcement actions 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 2695.1 et seq., 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 NUMBER
Certification of claims training by a principal – 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 §§2698.30-2698.43 [CIC §790.03(h)(3)]	Yes	--
Compliance of letters and forms – CIC §1879.2(a) [CIC §790.03(h)(3)]	NO	1
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 communicate to the claimant or beneficiary policy provisions and any additional benefits that may be payable – CCR §2695.4(a) [CIC §790.03(h)(1)]	Yes	--
Compliance with requirement to provide settlement options in writing – CCR §10509.934 [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)]	*N/A	--
Compliance with required written disclosures prior to establishment of retained asset account – CIC §10509.937 [CIC §790.03(h)(1)]	*N/A	--
Compliance with providing supplemental contract when life insurance benefits are provided through a retained asset account – CIC §10509.935 [CIC §790.03(h)(1)]	*N/A	--
Compliance with statements for retained asset accounts – CIC §10509.936 [CIC §790.03(h)(1)]	*N/A	--
Compliance with requirement to reference a CDI review on denial letters – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	NO	2

*N/A – Not applicable; the Company indicates that this law is not relevant as it does not offer a retained asset option.

CITED STATUTES AND REGULATIONS	
Citation	Description
CIC § 1879.2(a) *[CIC §790.03(h)(3)]	Any insurer that furnishes a form upon which notice to the insurer of a claim under any contract of insurance is given shall include the disclosure language prescribed in this section.
CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	Written notification pursuant to this subsection shall include a statement that, if the claimant believes all or part of the claim has been wrongfully denied or rejected, he or she may have the matter reviewed by the California Department of Insurance, and shall include the address and telephone number of the unit of the Department which reviews claims practices.

***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.

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 2695.1 et seq.

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.

LIFE INSURANCE

1. The examination revealed that the Company's beneficiary and standalone disclosure forms are not in compliance as the fraud language does not mirror the Insurance Code.
CIC §§ 1879.2(a) and 790.03(h)(3)

Summary of Insurer Response: The Company implemented corrective action as of February 2015 and is now in compliance with the Insurance Code.

2. The examination revealed that the Company's denial letter includes the statement that if the claimant believes all or part of a claim has been wrongfully denied or rejected, that they may have the matter reviewed by the California Department of Insurance Consumer Service Bureau and includes

the address of the Department. However the Company failed to include the telephone number in the system generated letter pursuant to code. CIC § 790.03(h)(3) and CCR § 2695.7(b)(3)

Summary of Insurer Response: The sample letter provided for review was not produced by the system. In this instance the letter was composed by the adjuster handling this claim. In drafting the letter it appears the adjuster failed to include the required wording and CA DOI contact information. The Company advised that it will remind adjusters to be sure to include the required CA DOI notice on CA denial letters that are drafted outside the claim processing system. The Company also adjusted the system to include the Bureau's telephone number as referenced in the insurance code as of December 31, 2014.