

**[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**

**WILTON REASSURANCE GROUP
NAIC # 4213**

AS OF JUNE 30, 2014

ADOPTED APRIL 27, 2016

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



April 27, 2016

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 the **WILTON REASSURANCE GROUP (NAIC Group #4213)**, comprised in California of:

TEXAS LIFE INSURANCE COMPANY (NAIC # 69396, CDI # 4622-7),

WILTON REASSURANCE COMPANY (NAIC # 66133, CDI # 1480-3),

WILTON REASSURANCE LIFE COMPANY OF NEW YORK
(NAIC # 60704, CDI # 1532-1), and

HERITAGE UNION LIFE INSURANCE COMPANY (NAIC # 62421, CDI # 1986-9)

hereinafter referred to as Texas Life (TLIC), Wilton Reassurance (WRC), Wilton Reassurance Life (WRLC) and Heritage Union Life (HULIC) individually, or collectively as the Companies or the Group.

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 Companies' ordinary life line of business during the period of July 1, 2013 through June 30, 2014. The limited examination was made to discover, in general, if these and other operating procedures of the Companies 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 Companies 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 Companies' 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 Companies 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 these Companies closed by the CDI during the period July 1, 2013 through June 30, 2014; and a review of reports on the previous CDI market conduct examination of these Companies; and a review of prior CDI enforcement actions.

This limited examination was conducted at the offices of the California Department of Insurance in Los Angeles, 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 Companies 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 2695.1 et seq. that were identified in the course of the examination include failure to comply with standards for letters and forms. Details of the findings are provided in the Summary of Examination Results section of this report.

Texas Life Insurance Company reported \$12,408,862, Wilton Reassurance Life Company of New York reported \$574,269, Heritage Union Life Insurance Company reported \$407,663 and Wilton Reassurance Company reported zero in written premiums on the Ordinary Life Line of Business insurance coverage in California during 2013. The Company closed 73 individual life claims during 2013.

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 Companies were not the subject of any California consumer complaints and inquiries closed from July 1, 2013 through June 30, 2014, in regard to the line of business reviewed in this examination.

No prior market conduct examinations have been conducted upon this Group by the Department. No other state has completed a market conduct exam of the Group during the past 3 years.

The Group has not been the subject of any California enforcement actions during the examination period of July 1, 2013 through June 30, 2014.

DETAILS OF THE CURRENT EXAMINATION

The following tables summarize the Companies’ 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.

Wilton Reassurance Company is not included in the tables below because it did not conduct any direct business in California during the examination review period.

AREAS OF REVIEW				
SPECIFIC ISSUE REVIEWED	TLIC INDICATION OF COMPLIANCE (YES/NO)	HULIC INDICATION OF COMPLIANCE (YES/NO)	WRLC INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
Certification of claims training by a principal – CCR §2695.6(b) [CIC §790.03(h)(3)]	YES	YES	YES	--
Copy of written standards for claims – CCR §2695.6(a) [CIC §790.03(h)(3)]	YES	YES	YES	--
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30-2698.43 [CIC §790.03(h)(3)]	YES	YES	YES	--
Compliance of letters and forms – CIC §1879.2(a) [CIC §790.03(h)(3)]	YES	YES	YES	--
Compliance of an explanation of benefits CCR §2695.11(b) §790.03(h)(3)	NO	YES	YES	2
Compliance with requirements for acknowledgement of claims CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	YES	YES	YES	--
Compliance with requirements for reasonable assistance – CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	YES	YES	YES	--

AREAS OF REVIEW				
SPECIFIC ISSUE REVIEWED	TLIC INDICATION OF COMPLIANCE (YES/NO)	HULIC INDICATION OF COMPLIANCE (YES/NO)	WRLC INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM #
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	YES	YES	--
Compliance with requirements to disclose statutory rate of interest – CIC §10172.5(c) [CIC §790.03(h)(3)]	YES	YES	YES	--
Compliance with the requirement for the policy provisions - CCR §2695.4(a) [CIC §790.03(h)(1)]	YES	YES	YES	--
Compliance with requirement to explain settlement options – CIC §10509.934 [CIC §790.03(h)(1)]	NO	YES	YES	3
Compliance with required disclosure when a retained asset account is a settlement option – CIC §10170(f) [CIC §790.03(h)(1)]	*N/A	*N/A	*N/A	--
Compliance with required written disclosures prior to establishment of retained asset account – CIC §10509.937 [CIC §790.03(h)(1)]	*N/A	*N/A	*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	*N/A	*N/A	--
Compliance with statements for retained asset accounts – CIC §10509.936 [CIC §790.03(h)(1)]	*N/A	*N/A	*N/A	--
Compliance with requirement to reference a CDI review on denial letters – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	YES	NO	NO	1
CIC §880 [CIC §790.03(h)(1)]	YES	NO	NO	1

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

CITED STATUTES AND REGULATIONS	
Citation	Description
CIC § 880 [CIC § 790.03(h)(1)]	Failure to identify the underwriting insurance company on its correspondence.
CIC § 10509.934 [CIC § 790.03(h)(1)]	At the time a claim is made the insurer shall provide the beneficiary of life insurance proceeds written information describing the settlement options available under the policy and any other option available to the beneficiary for the receipt of proceeds, including retained asset accounts, and how to obtain specific details relevant to those options. If a retained asset account is one of the available options, the written information shall include all of the disclosures required by Section 10509.937.
CCR § 2695.7(b)(3) [CIC § 790.03(h)(3)]	Failed to properly reference the California Department of Insurance on its claims denial letters, lacking a disclosure advising the insured to first attempt to resolve the issue with the insurer before calling the Department of Insurance.
CCR § 2695.11(b) [CIC § 790.03(h)(3)]	Failed to provide to the claimant an explanation of benefits including the name of the provider or services covered, dates of service and a clear explanation of the computation of benefits.

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

- CIC §790.03(h)(1) The Company misrepresented to claimants pertinent facts or insurance policy provisions relating to any coverages at issue.
- 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 Companies were required to identify remedial or corrective action that has been or will be taken to correct the deficiency. The Companies are obligated to ensure that compliance is achieved and maintained.

Any noncompliant practices identified in this report may extend to other jurisdictions. The Companies were asked if they intend to take appropriate corrective action in all jurisdictions where applicable. The Group indicates that it will not implement the corrective actions in other jurisdictions because it believes that its practices are compliant 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.

INDIVIDUAL LIFE

1. HULIC and WRLC's claims denial letters failed to include the disclosure required by CCR Section §2695.7(b)(3) and CIC §790.03(h)(3) and also failed to identify the underwriting company as required by CIC Section 880 and CIC §790.03(h)(1).

Summary of Company Response: HULIC and WRLC provided amended copies of their letters on February 13, 2015 to address these issues. The revised letters were implemented in June 2015.

2. The TLIC settlement letter and the notice of payment detail that is utilized by TLIC to provide an explanation of benefits to the claimant or assignee on the claim failed to include dates of service (date of death to date of payment). This is in violation of CCR Section §2695.11(b) and CIC §790.03(h)(3).

Summary of Company Response: TLIC modified the payment detail to include dates of service (date of death to date of payment). The implementation date for the payment detail was in May 2015.

3. TLIC failed to indicate the settlement options on the Claimant Statement and informed the Department that a copy of the policy is not mailed to the beneficiary and claimant to provide, at the time a claim is made, written information describing the settlement options available under the policy. This is in violation of CIC Sections §10509.934 and CIC §790.03(h)(1).

Summary of Company Response: TLIC has modified its claim form to include written information regarding the specific details concerning the settlement options available under the policy.