

**[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**

**NATIONAL GUARDIAN LIFE INSURANCE GROUP  
NAIC GROUP # 1211**

**AS OF JUNE 30, 2014**

**ADOPTED MAY 4, 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



May 4, 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 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 **NATIONAL GUARDIAN LIFE INSURANCE GROUP** (NAIC # 1211), comprised in California of:

NATIONAL GUARDIAN LIFE INSURANCE COMPANY (NAIC # 66583, CDI # 1852- 3),

and

SETTLERS LIFE INSURANCE COMPANY (NAIC # 97241, CDI #2966-0)

Hereinafter, the Companies listed above also will be referred to as NGLIC or SLIC individually or collectively as the Companies. The California Department of Insurance will be referred to as the Department.

Due to its minimal premium volume in California during 2013, the review of SLIC was limited to market analysis data.

This report is made available for public inspection and is published on the California Department of Insurance website ([www.insurance.ca.gov](http://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 NGLIC's group life line of business during the period July 1, 2013 through June 30, 2014. The limited examination was made to discover, in general, if these and other operating procedures of the NGLIC 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 NGLIC 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 NGLIC 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 of July 1, 2013 through June 30, 2014; 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.

There were no alleged violations or findings of non-compliance within the scope of this report.

National Guardian Life Insurance Company reported \$37,892,353 and Settlers Life Insurance Company reported \$3,432 in written premiums on Group Life insurance coverage in California during 2013. The Companies closed 7,125 Group 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.

Within the scope of this report, the Companies were the subject of no 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.

The previous examination was completed by the Field Claims Bureau; it covered NGLIC and reviewed the period from April 1, 2008 through March 31, 2009. In the previous examination report, NGLIC was cited for failing to notify the claimant of right to have the California Department of Insurance review the denial on cases in which the claim was not being paid because the policy was being rescinded. The examiner followed up with the NGLIC management on this issue during the course of this examination. The issue was not identified as problematic in the current examination.

There have been no prior enforcement actions taken against the Companies by the Department.

## DETAILS OF THE CURRENT EXAMINATION

The following tables summarize NGLIC’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.

<b>AREAS OF REVIEW</b>		
<b>SPECIFIC ISSUE REVIEWED</b>	<b>INDICATION OF COMPLIANCE (YES/NO)</b>	<b>SUMMARY OF RESULTS ITEM #</b>
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)]	YES	--
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)]	*N/A	--

<b>AREAS OF REVIEW</b>		
<b>SPECIFIC ISSUE REVIEWED</b>	<b>INDICATION OF COMPLIANCE (YES/NO)</b>	<b>SUMMARY OF RESULTS ITEM #</b>
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)]	*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)]	YES	--

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

## **SUMMARY OF EXAMINATION RESULTS**

There were no alleged violations or criticisms of the Companies' practices made within the scope of this report. There were no recoveries discovered within the scope of this report.