

**[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**

**EQUITRUST LIFE INSURANCE COMPANY  
NAIC # 62510 CDI # 2378-8**

**AS OF SEPTEMBER 30, 2014**

**ADOPTED APRIL 28, 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



April 28, 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; Chapter 9, Article 6, Sections 1857.2, 1857.3 and 1857.4; Chapter 10, Article 7, Sections 11138 and 11140; Part 7, and Chapter 2, a limited examination was made of the claims handling, rating, and underwriting practices and procedures in California of:

**EquiTrust Life Insurance Company**  
**NAIC # 62510**  
**Group NAIC # 0431**

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

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 the aforementioned Company's Life and Annuity lines of business during the period October 1, 2013 through September 30, 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 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 October 1, 2013 through September 30, 2014; and a review of reports on the previous CDI market conduct examinations 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 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 Company in response to the Department's data request. There was no review of underwriting or claims files during this examination.

The primary finding within the scope of this report that was identified in the course of the examination is the failure to specify the rate of interest used in the explanation of payment to the beneficiary. Details of the finding is provided in the Summary of Examination Results section of this report.

EquiTrust Life Insurance Company reported \$12,539,137 in written premiums on Life insurance coverage and \$202,605,593 in written premiums on Annuity coverage in California during 2013. The Company closed six claims during October 1, 2013 through September 30, 2014.

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

The examination included a review of market analysis information, information concerning regulatory actions taken against the Company in other states, if any, and a review of consumer complaints. This review identified no specific areas of concern within the scope of this report.

The previous examination was completed by the Field Rating and Underwriting Bureau in 2011 and reviewed the period from December 1, 2009 through November 30, 2010. There were no alleged violations or criticisms of the Company's practices made within the scope of the report. There was no prior examination of the Company conducted by the Field Claims Bureau.

## DETAILS OF THE CURRENT EXAMINATION

The following table summarizes 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.

<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 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 reference a CDI review on denial letters – CCR §2695.7(b)(3) *[CIC §790.03(h)(3)]	Yes	--
Compliance with requirements to disclose statutory rate of interest – CIC §10172.5(c) * [CIC §790.03(h)(3)]	No	1

<b>CITED STATUTES AND REGULATIONS</b>	
<b>Alleged Violation</b>	<b>Description</b>
CIC §10172.5(c) *[CIC §790.03(h)(3)]	Compliance with requirements to disclose statutory rate of interest

**\*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.

### **LIFE**

1. ELIC reported to the Department that the Company failed to disclose the rate of statutory interest. The Department alleges this act is in violation of CIC §10172.5(c) and is an unfair practice under CIC §790.03(h)(3).

**Summary of Company's Response:** The Company acknowledges and agrees that it does not specify the specific rate of interest in the settlement payment to the beneficiary. As a remedial action plan, the Company has amended its death claims procedures to include a disclosure letter to California beneficiaries on the specific rate of interest applied to their settlement proceeds.