[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

UNITED GUARANTY RESIDENTIAL INSURANCE COMPANY
NAIC # 15873 CDI # 2347-3

AS OF DECEMBER 31, 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; 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:

United Guaranty Residential Insurance Company
NAIC # 15873
Group NAIC # 0012

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

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 Mortgage Guaranty line of business during the period January 1, 2014 through December 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 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 line 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 January 1, 2014 through December 31, 2014; a review of reports on the previous CDI market conduct examination 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 claim files during this examination.

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

United Guaranty Residential Insurance Company reported $45,732,102 in written premiums on Mortgage Guaranty insurance coverage in California during 2014. The Company closed 149 Mortgage Guaranty claims during 2014.

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.

There were no specific areas of concern identified in the complaints.

The previous examination was completed by the Field Claims Bureau and reviewed the period from April 1, 2009 through March 30, 2010. There was no specific area of concern identified during the previous examination.

The California Department of Insurance has conducted no prior enforcement action on this Company.

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.

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	**INDICATION OF COMPLIANCE (YES/NO)**	**SUMMARY OF RESULTS ITEM NUMBER**
Certification of claims training – CCR §2695.6(b)	YES	-
Copy of written standards for claims – CCR §2695.6(a)	YES	-
Compliance with Special Investigative Unit Regulations – CIC §1875.20 and CCR §§2698.30-2698.43	YES	-
Compliance of letters and forms – CIC §1879.2(a)	YES	-
Quality controls for compliance with – CCR §2695.4(a), CCR §2695.5(b), CCR §2695.5(d), CCR §2695.5(e)(1) – 2695.5(e)(3), CCR §2695.7 and CIC §790.03(h)	YES	-
Compliance with requirement to disclose and explain applicable benefits, coverage, time limits or other policy provisions – CCR §2695.4(a) [CIC §790.03(h)(1)]	YES	-
Compliance with requirements for response to a communication – CCR §2695.5(b) [CIC §790.03(h)(2)]	YES	-
Compliance with requirements for acknowledgement of a claim – CCR §2695.5(e)(1) [CIC §790.03(h)(2)]	YES	-
Compliance with requirements for providing reasonable assistance – CCR §2695.5(e)(2) [CIC §790.03(h)(3)]	YES	-
Compliance with requirements for beginning an investigation – CCR §2695.5(e)(3) [CIC §790.03(h)(3)]	YES	-

Compliance with requirements to provide denials in writing – CCR §2695.7(b)(1) [CIC §790.03(h)(13)]	YES	-
Compliance with requirements to provide a reference to the CDI in written denials – CCR §2695.7(b)(3) [CIC §790.03(h)(3)]	YES	-

SUMMARY OF EXAMINATION RESULTS

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