

**[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 PRACTICES OF**

**5 STAR LIFE INSURANCE COMPANY
NAIC # 77879 CDI # 3143-5**

AS OF JULY 31, 2017

ADOPTED SEPTEMBER 27, 2019

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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FOREWORD

This report does not present a comprehensive overview of the subject insurer's practices. It contains a summary of the areas reviewed for compliance, 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 insurer to policyholders or claimants to correct the deficiencies, 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.

This report pertains to California Insurance Code (CIC) § 790.03 and Title 10, California Code of Regulations (CCR) § 2695.1 et seq. While this report contains alleged violations of law that were cited by the examiner, if any, additional violations of CIC § 790.03 or other laws not cited in this report may also apply to any or all of the non-compliant or problematic activities that are described herein.

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.

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).

SCOPE OF THE EXAMINATION

Under the authority granted in 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 practices and procedures in California of:

**5 Star Life Insurance Company
NAIC # 77879**

Group NAIC # 0000

Hereinafter, the Company listed above also will be referred to as 5 Star or the Company. The California Department of Insurance will be referred to as the Department.

This limited desk examination covered the aforementioned Company's claim handling practices in its Life Insurance line(s) of business during the period of August 1, 2016 through July 31, 2017. The limited examination was made to discover, in general, if these and other operating procedures of 5 Star comply with specified sections of the California Insurance Code (CIC) and the California Code of Regulations (CCR), and case law.

To accomplish the foregoing, the examination included:

1. A review of specified guidelines, procedures, and claim-related forms adopted by 5 Star for use in California.

2. A review of market analysis information concerning 5 Star; a review of the consumer complaints and inquiries about 5 Star, if any, closed by the Department during the period August 1, 2016 through July 31, 2017; a review of reports on any

previous market conduct examinations by the Department of 5 Star; and a review of any prior enforcement actions.

The 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, California consumer complaint information, and national enforcement activity, and to information provided by 5 Star in response to the Department's data request. There was no review of claim files during this examination.

The 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 complete a California Fair Claims Settlement Practices Regulations certification of training signed under penalty of perjury by a principal of the Company, use of a claims Beneficiary form that does not provide fraud language as prescribed by the insurance code, and failure to include the name of 5 Star Life Insurance Company on certain forms. Details of the findings are provided in the Summary of Examination Results section of this report.

5 Star Life Insurance Company reported \$9,913,352 in written premiums on Life insurance coverage in California during 2016. The Company closed 321 Life insurance claims during 2016.

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, if any, under CIC § 790.03 and Title 10, CCR § 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)]	NO	1
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	2
Compliance of letters and forms – 880 and [CIC §790.03(h)(3)]		3
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	--

AREAS OF REVIEW		
SPECIFIC ISSUE REVIEWED	INDICATION OF COMPLIANCE (YES/NO)	SUMMARY OF RESULTS ITEM NUMBER
Compliance with requirements to disclose statutory rate of interest – CIC §10172.5(c) [CIC §790.03(h)(3)]	YES	--
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)]	YES	--
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; the Company indicates that it does not utilize retained asset accounts.

CITED STATUTES AND REGULATIONS	
Citation	Description
CIC §880 *[CIC §790.03(h)(3)]	Except as provided in this article, every insurer shall conduct its business in this State in its own name.
CIC §1879.2 *[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 §2695.6(b)(2) *[CIC §790.03(h)(3)]	Where the licensee is an entity, the annual written certification shall be executed, under penalty of perjury, by a principal of the entity.

***DESCRIPTORS 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 that were alleged to be non-compliant during the course of this limited examination.

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 should address corrective action for other jurisdictions when applicable. Findings cited in this Market Conduct Examination by the Department of Insurance will be implemented in jurisdictions where 5 Star Life Insurance Company is authorized to market and sell life insurance products.

There were no claims recoveries or return premium as a result of the issues described in this report.

LIFE INSURANCE

1. The documentation (Certification-California Fair Claims Settlement Practices Regulation) provided by the Company does not comply with the California Insurance Code and the California Code of Regulations section 2695.6(b)(2) as the certificate provided was not signed under penalty of perjury.
CIC §§section 790.03(h)(3) and CCR 2695.6(b)(2)

Summary of Insurer Response: Pursuant to CIC §790.03(h)(3) and CCR §2695.6(b)(2), the Training and Certification was revised to include the language "under penalty of perjury."

2. The fraud language on the Company's Beneficiary statement does not mirror the language as prescribed in the California Insurance Code.

CIC §§ 1879.2 and 790.03(h)(3)

Summary of Insurer Response: In respect to California Insurance Code section 1879.2(a), the state-specific fraud language was incorporated into the Beneficiary Statement on July 13, 2018. With respect to California Insurance Code the claims procedures were also modified and implemented on July 13, 2018.

3. 5 Star is not in compliance with the California Insurance code as there were at least eight separate standardized forms and letters that did not reflect that 5 Star Life Insurance Company as the underwriting company. Insurers must conduct business in their own name. The forms and letters identified were written on the Armed Forces Benefit Association (AFBA) letterhead and did not display the name of the Company.

CIC §§ 880 and 790.03(h)(3)

Summary of Insurer Response: Pursuant to California Insurance Code §880, 5 Star Life Insurance Company will modify the Additional Term Life Insurance Benefit Rider (GMWL100CERT R-1) and its claim forms to reflect 5 Star Life Insurance Company, the underwriter, and not AFBA. These form revisions were sent to Compliance on July 18, 2018 and the implementation of the revised forms was completed by the end of the first quarter of 2019. However, the Letter of termination was revised and implemented January 2018.