

**Response to the State of California Adopted Public Report of Examination of the
Claims Practices of Farmers New World Life Insurance Company**

SUMMARY OF CRITICISMS AND COMPANY RESPONSES:

1. **The Company failed to provide an explanation of benefits.** In 82 instances, the Company failed to provide an explanation of benefits. The settlement letters involving life claims did not include an explanation of the life proceeds. The letters sent at the time of the settlement only include the total amount of the life proceeds. The Company does not explain how this figure was computed. The Company does not specify the face amount, the accumulation value added, cash surrender values added, how increasing and decreasing policies were calculated. The computation is simply the settlement figure. The Settlement letter does not include the dates or period to which the rate of interest was applied. The Department alleges these acts are in violation of CCR § 2695.11(b).

Company Response: FNWL maintains that an adequate explanation of benefits is provided in the settlement letter, which includes the death benefit amount and the following when applicable: rate of interest, premium refund, loan amount, partial surrender amount and taxes withheld. However, to address the Department's concern, FNWL has agreed to provide more information in their explanation of benefit letters. Settlement letters now include additional calculations used to compute individual benefit components, including applicable increasing or decreasing death benefit calculations and the dates from which interest is computed, in addition to the information already provided.

2. **The Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance.** In four instances, the Company failed to advise the claimant that he or she may have the claim denial reviewed by the California Department of Insurance. The Department alleges this act is in violation of CCR § 2695.7(b)(3).

Company Response. FNWL maintains that it has always been standard procedure to include the CDI denial language on all denial letters. FNWL has not included the CDI language on policies where coverage has lapsed, as it was the Company's position that confirmation of lapsed coverage was not a claim denial. However, FNWL has agreed to include the CDI language on all denied claims, regardless of the coverage status.

3. **The Company failed to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies.** In two instances, the Company failed to adhere to reasonable standards regarding timely investigation and processing of claims. The Department alleges this act is in violation of CIC § 790.03(h)(3).

Company Response: FNWL maintains that it is standard procedure to fully investigate all claims. The exceptions noted involved special circumstances and when the proper paperwork was received, the claims were promptly processed. However, as a result of this examination, a training meeting was conducted with claims handlers to ensure that claims are handled within the parameters required by CIC § 790.03(h)(3).

4. **The Company attempted to settle a claim by making a settlement offer that was unreasonably low.** In two instances, the Company made a settlement offer that was unreasonably low. These two instances involve claims where the adjuster did not compute the death benefits correctly. The Department alleges this act is in violation of CCR § 2695.7(g).

Company Response: FNWL acknowledges that benefits were not computed correctly in these two instances and has issued supplemental payments. These are isolated instances of adjuster error and not reflective of FNWL's standard procedures, which were in place at the time of the exam. Additionally, a training session was conducted with claims handlers to reinforce procedures and compliance with the California Fair Claims Settlement Practices Regulations.

5. **The Company failed to disclose all policy provisions.** In one instance, the Company failed to disclose all policy provisions. The Department alleges this act is in violation of CCR § 2695.4(a).

Company Response: FNWL maintains that this violation was an isolated incident and not reflective of a pattern and practice. It is FNWL's standard procedure to fully explain all benefits to claimants and comply with CCR § 2695.4(a). A training session was conducted with claims handlers to reinforce procedures.

6. **The Company did not attempt in good faith to effectuate prompt, fair, and equitable settlement of a claim in which liability had become reasonably clear.** In one instance, the Company failed to effectuate prompt, fair, and equitable settlement of a claim in which liability had become reasonably clear. The exception noted was a rescission that was later reversed, following receipt of a letter of representation on behalf of the claimant and CDI examiner inquiry. The Department alleges this act is in violation of CIC § 790.03(h)(5).

Company Response: FNWL respectfully disagrees with the CDI finding. The Company maintains that after conducting a full investigation, the information obtained did not warrant claim payment due to misrepresentation on the application. As a routine practice on any claim denial, the Company solicits any additional information that may have a material bearing on the claim decision reached. In this case, additional information was received which, upon further investigation, resulted in a claim payment. FNWL maintains that the claim was properly handled, and the fact that it is willing to accept additional information is evidence of its fair and equitable claims handling.