

1 CALIFORNIA DEPARTMENT OF INSURANCE  
LEGAL DIVISION

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California Insurance Commissioner

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8 **BEFORE THE COMMISSIONER OF THE DEPARTMENT OF INSURANCE**  
9 **OF THE STATE OF CALIFORNIA, SAN FRANCISCO**  
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11 In the Matter of the Licenses and Licensing  
Rights of

12 KEMPER INVESTORS LIFE  
13 INSURANCE COMPANY,

14 FEDERAL KEMPER LIFE ASSURANCE  
15 COMPANY,

16 and

17 FIDELITY LIFE ASSOCIATION

18 Respondents.  
19 .

File No. LO04041434

ORDER TO SHOW CAUSE  
(Ins. §§ 790.03 and 790.05);

STATEMENT OF CHARGES/ACCUSATION  
(Ins. §§ 790.03 and 790.05);

and,

NOTICE OF MONETARY PENALTY  
(Ins. §§ 790.03, 790.05 and 790.035).

20 **ORDER TO SHOW CAUSE**

21 WHEREAS, the Insurance Commissioner of the State of California (hereafter, “the  
22 Commissioner”) has reason to believe that KEMPER INVESTORS LIFE INSURANCE  
23 COMPANY (“KILICO”), FEDERAL KEMPER LIFE ASSURANCE COMPANY (“FKLA”),  
24 AND FIDELITY LIFE ASSOCIATION (hereafter “FLA”) have engaged in or are engaging in  
25 this State in the unfair methods of competition or unfair or deceptive acts or practices, and other  
26 unlawful acts set forth in the STATEMENT OF CHARGES/ACCUSATION contained herein;

27 WHEREAS, the Commissioner has reason to believe that a proceeding with respect to the  
28 alleged acts of Respondents would be in the public interest;

1 NOW, THEREFORE, and pursuant to the provisions of Section 790.05 of the California  
2 Insurance Code, Respondents are ordered to appear before the Commissioner on a date and at a  
3 time and place to be determined by the parties, and show cause, if any cause there be, why the  
4 Commissioner should not issue an Order to Respondents requiring Respondents to Cease and  
5 Desist from engaging in the methods, acts and practices set forth in the STATEMENT OF  
6 CHARGES/ACCUSATION contained herein and imposing the penalties set forth in Section  
7 790.035 and referenced herein.

8 **STATEMENT OF CHARGES/ACCUSATION**

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10 1. At all times set forth herein, Respondents have each held a Certificate of Authority  
11 issued by the Insurance Commissioner to transact Life and Disability insurance.

12 2. Under the authority granted pursuant to Part 2, Chapter 1, Article 4, Sections 730,  
13 733, 736 and Article 6.5, Section 790.04 of the California Insurance Code and Title 10, Chapter  
14 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, the Commissioner  
15 made an examination of Respondents' claims practices and procedures in California for the  
16 period April 1, 2002 through March 31, 2003. The examination was done to determine whether  
17 Respondents' practices and procedures conform with the contractual obligations in the policy  
18 forms, to provisions of the California Insurance Code ("CIC"), the California Code of  
19 Regulations ("CCR") and case law.<sup>1</sup> The examination included reviews of:

- 20 A. The guidelines, procedures, training plans and forms adopted by Respondents for  
21 use in California, including any documentation maintained by Respondents in  
22 support of positions or interpretations of fair claims settlement practices;  
23 B. the application of such guidelines, procedures and forms, by means of an  
24 examination of claims files and related records;  
25 C. consumer complaints received by the California Department of Insurance in the  
26 most recent year prior to the examination.

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<sup>1</sup> A true and correct copy of the Public Report of Examination is Attached as Exhibit 1 and incorporated by reference.

1           3.       The examination was conducted at the Respondents' claims office in Schaumburg,  
2 Illinois. The examiners reviewed 66 KILICO claim files, 40 FKLA claim files, and 19 FLA claim  
3 files.

4           4.       The examiners cited KILICO for 12 claims handling violations under CIC Section  
5 790.03 (h) and the Fair Claims Settlement Practices Regulations (Title 10, California Code of  
6 Regulations, Sections 2695.1 through 2695.14.) Specifically, KILICO was cited for 7 violations  
7 of CIC 790.03(h)(3), failing to adopt and implement reasonable standards for the prompt  
8 investigation and processing of claims arising under its insurance policies; 2 violations of CCR  
9 2695.3(a), failing to contain in the claim file all documents, notes and work papers that pertain to  
10 the claim; 1 violation of CCR 2695.6(a), failing to adopt and communicate to all its claims agents  
11 written standards for the prompt investigation and processing of claims; 1 violation of CCR  
12 2695.6(b), failing to provide thorough and adequate training regarding these regulations to all its  
13 claims agents; and 1 violation of CCR 2695.6(b)(4), failing to maintain a copy of the required  
14 certification at the principal place of business.

15           5.       The examiners also cited KILICO for 64 violations of CIC 1879.2(a), failing to  
16 include the California fraud warning on insurance forms; 64 violations of CIC 880, failing to use  
17 the correct company name in correspondence; 56 violations of CIC 10172.5(c), failing to notify  
18 the beneficiary of the specified rate of interest paid on the death benefit; and 1 violation of CIC  
19 10172.5(b), withholding payment of money payable under a life insurance policy to any  
20 beneficiary for a period longer than reasonably necessary to transmit such payment.

21           6.       The examiners cited FKLA for 10 claims handling violations under CIC Section  
22 790.03 (h) and the Fair Claims Settlement Practices Regulations. Specifically, Respondents were  
23 cited for 5 violations of CIC 790.03(h) (3); 1 violation of CCR 2695.3(a); 1 violation of CCR  
24 2695.7(d), persisting in seeking information not reasonably required for or material to the  
25 resolution of a claim dispute; 1 violation of CCR 2695.6(a); 1 violation of CCR 2695.6(b); and 1  
26 violation of CCR 2695.6(b) (4).



1 certificate of authority for not exceeding one year or a fine of fifty-five thousand dollars  
2 (\$55,000) in lieu of suspension pursuant to CIC Section 704.7.

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Dated:

JOHN GARAMENDI

By \_\_\_\_\_  
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