



Report on
Market Conduct Examination

of the
Standard Insurance Company
Portland, Oregon

by Representatives of the
North Carolina Department of Insurance

as of
March 7, 2024

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Raleigh, North Carolina
March 7, 2024

Honorable Michael Causey
Commissioner of Insurance
Department of Insurance
State of North Carolina
325 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Andrew R. Stolfi
Director/Insurance Commissioner
Oregon Division of Financial Regulation
350 Winter St. NE
Salem, Oregon 97301-3883

Honorable Commissioners:

In accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of the following entity:

**Standard Insurance Company
(NAIC #69019)**

NAIC Exam Tracking System Exam Number: NC-NCHOWENC-3
Portland, Oregon
(hereinafter referred to as the Company)

This examination was conducted at the North Carolina Department of Insurance (Department) office located at 325 N. Salisbury Street Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

This examination commenced on November 14, 2022, and covered the period of January 1, 2020, through June 30, 2022. Analyses of certain operations of the Company were concluded during the Wrap-Up Conference which was held September 13, 2023. This examination was initiated by market analysis on April 14, 2022. All comments made in this report reflect conditions observed during the period of examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive and consisted of a review of the Company's practices and procedures in policyholder treatment, marketing, and claims. The findings and conclusions contained within the report are based on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied 0% for consumer complaints, sales and advertising, 7% for claims; and 10% for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the company.

EXECUTIVE SUMMARY

This market conduct examination revealed concerns with Company's procedures and practices in the following area:

Policyholder Treatment – Maintenance of records; response time to the Department.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the North Carolina Department of Insurance Website: <https://www.ncdoi.gov/insurance-industry/market-regulation>.

This examination identified statutory violations which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations. Examination report findings that do not reference specific insurance laws, regulations, or bulletins are presented to improve the Company's practices and ensure consumer protection.

POLICYHOLDER TREATMENT

As a result of the Department's market analysis surveillance activities, the Company's complaint handling practices and procedures were reviewed to determine compliance with applicable North Carolina statutes and rules. Two types of complaints were reviewed: "Department of Insurance Consumer Complaints" (Departmental Complaints) and "Non-Department of Insurance Complaints" (complaints). Departmental Complaints are those for which the Department submitted an inquiry to the Company regarding the complaint and complaints are those which the Company received directly from the complainant.

Department of Insurance Consumer Complaints

The Company's complaint register was reconciled with a listing furnished by the Consumer Services Division of the Department. The Company logged each Departmental complaint into the complaint register and was found to be in compliance with the provisions of Title 11 of the North Carolina Administrative Code (NCAC) Chapter 19, Section 0103. Fifty Departmental complaints from a population of 90 were randomly selected and reviewed.

The Company's response to each complaint was deemed to be appropriate to the circumstances. Forty-one complaints were responded to in excess of 7 calendar days, however extensions were granted. The Company was deemed to be in violation of 11 NCAC 19.0102

and 19.0106(b)(2) as it was unable to provide documentation supporting an extension request for thirty-nine complaints (78.0% error ratio). Extension requests were confirmed by the Department.

One Departmental complaint (2.0% error ratio) was not responded to within seven calendar days. The Company was deemed to be in violation of the provisions of 11 NCAC 1.0602.

The following table displays the types of complaints received for each year of the examination:

Type	2020	2021	2022
Administrative Related	41	2	0
Claims Related	3	1	3
Total	44	3	3

The average service time to respond to a Departmental complaint was 19.0 calendar days. A chart of the response time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	9	18.0
8 - 14	18	36.0
15 - 21	16	32.0
22 - 30	1	2.0
31 - 60	3	6.0
Over 60	3	6.0
Total	50	100.0

Non-Department of Insurance Consumer Complaints

The Company only had one complaint which was reviewed for accuracy, adherence to Company guidelines, and compliance with North Carolina statutes and rules.

No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

The following table displays the type of complaint that was received during the period under examination:

Type	2021
Claim Related	1
Total	1

The average service time to respond to a Non-Departmental complaint was one calendar day. A chart of the response time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	1	100.0
Total	1	100.0

Premium Refunds

As a result of the Department's market analysis surveillance activities, the Company's policyholder treatment practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules. The Company provided a list of 227 premium refund files. Fifty files were randomly selected for review.

No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

The average service time to process a premium refund was 23 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	15	42.0
8 - 14	14	50.0
15 - 21	7	8.0
22 - 30	6	12.0
31 - 60	6	12.0
Over 60	2	4.0
Total	50	100.0

MARKETING

Sales and Advertising

The Company provided sales and advertising materials that displayed evidence of control over content, form, and method of dissemination of all advertisements of its policies. The review of the Company's internet site at <https://www.standard.com/> was also completed. No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

CLAIMS

Group Long-Term Disability Claims Paid

As a result of the Department's market analysis surveillance activities, the Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules. The Company provided a list of 749 group long-term disability paid claims files. Fifty files were randomly selected for review.

Three files (6% error ratio) did not contain a copy of the approval letter to the employee. The Company was reminded of the provisions of 11 NCAC 19.0105.

One file (2% error ratio) showed no evidence that a claim status report was sent to the employee and the benefits were not paid within 45 days after receipt of the initial claim. The Company was reminded of the provisions of 11 NCAC 04.0319.

The average service time to process a claim payment was 31 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	7	14.0
8 - 14	13	26.0
15 - 21	7	14.0
22 - 30	3	6.0
31 - 60	14	28.0
Over 60	6	12.0
Total	50	100.0

Group Long-Term Disability Claims Denied

As a result of the Department's market analysis surveillance activities, the Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules. The Company provided a list of 156 group long-term disability denied claim files. Fifty files were randomly selected for review.

No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

The average service time to process a claim denial was 61 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	2	4.0
8 - 14	7	14.0
15 - 21	2	4.0
22 - 30	9	18.0
31 - 60	12	24.0
Over 60	18	36.0
Total	50	100.0

Group MEWA Disability Claims Paid

The Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules.

The Company provided a list of 30 group multiple employer welfare arrangement disability paid claim files. All 30 files were reviewed.

No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

The average service time to process a claim payment was 36 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	5	16.7
8 - 14	4	13.3
15 - 21	7	23.3
22 - 30	5	16.7
31 - 60	4	13.3
Over 60	5	16.7
Total	30	100.0

Group MEWA Disability Claims Denied

The Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules. The Company provided a list of 3 group multiple employer welfare arrangement disability denied claim files. All files were reviewed.

No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

The average service time to process a claim denial was 59 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
22 - 30	1	33.3
31 - 60	1	33.3
Over 60	1	33.3
Total	3	100.0

Group Short-Term Disability Claims Paid

The Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules. The Company provided a list of 2,721 group short-term disability paid claim files. Fifty files were randomly selected for review.

No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

The average service time to process a claim payment was 27 calendar days. A chart of the service time follows

Service Days	Number of Files	Percentage of Total
1 - 7	8	16.0
8 - 14	12	24.0
15 - 21	4	8.0
22 - 30	9	18.0
31 - 60	12	24.0
Over 60	5	10.0
Total	50	100.0

Group Short-Term Disability Claims Denied

The Company's claims practices were reviewed to determine accuracy, adherence to Company guidelines, and compliance with the applicable North Carolina statutes and rules. The Company provided a list of 710 group short-term disability denied claim files. Fifty files were randomly selected for review.

No irregularities, adverse trends, or unfair trade practices were found in this section of the examination.

The average service time to process a claim denial was seven calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	5	10.0
8 - 14	14	28.0
15 - 21	4	8.0
22 - 30	2	4.0
31 - 60	10	20.0
Over 60	15	30.0
Total	50	100.0

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company must complete and implement corrective actions as a result of this targeted examination. The Company is directed to respond to consumer complaints received from the Department within seven calendar days or otherwise request and be granted an extension. The Company is required to retain all files for five years and be able to produce copies when requested by the Commissioner.

Upon acceptance of the Report, the Company shall provide the Department with a statement of corrective actions to address the violations identified during the examination. The Department will conduct a future investigation, if warranted, to determine if the Company successfully implemented its statement of corrective action.

CONCLUSION

A target examination has been conducted on the market conduct affairs of Standard Insurance Company for the period January 1, 2020, through June 30, 2022, with analyses of certain operations being concluded through February 29, 2024.

This examination was conducted in accordance with the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures including analyses of Company operations in the areas of policyholder treatment, marketing, and claims practices.

In addition to the undersigned, Princess Greene, MPM, MCM North Carolina Market Conduct Senior Examiner participated in this examination.

Respectfully submitted,



Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC
Examiner-In-Charge
Market Regulation Division
State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Teresa Knowles, MCM, ACS
Deputy Commissioner
Market Regulation Division
State of North Carolina