Report on

Market Conduct Examination

of

Continental Casualty Company

Chicago, Illinois

by Representatives of the

North Carolina Department of Insurance

as of

August 21, 2015

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Raleigh, North Carolina
August 21, 2015

Honorable Wayne Goodwin
Commissioner of Insurance
Department of Insurance
State of North Carolina
Dobbs Building
430 N. Salisbury Street
Raleigh, North Carolina 27603

Honorable Anne Melissa Dowling
Acting Director
Illinois Department of Insurance
320 W. Washington St.
Springfield, Illinois 62767

Honorable Commissioner and Honorable Acting Director:

Pursuant to your instructions and 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

Continental Casualty Company (NAIC # 20443)
NAIC Exam Tracking System Exam Number: NC299-M72
Chicago, Illinois

hereinafter generally referred to as the Company, at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The North Carolina Department of Insurance conducted a limited-scope examination of the Company. This examination commenced on January 5, 2015, and covered the period of January 1, 2013, through December 31, 2013, with analyses of certain operations of the Company being conducted through July 15, 2015. This action was taken due to market analysis on long-term care. All comments made in this report reflect conditions observed during the period of the 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, but included a limited review of the Company's claims practices and procedures. The findings and conclusion contained within the report are based solely 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 at or above the following levels: 7 percent for claims practices; and 10 percent for all other areas reviewed.

EXECUTIVE SUMMARY

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

Claims Practices – Individual Long-Term Care Paid: Claims did not contain 45-day status reports.

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 Web Site www.ncdoi.com, by clicking "INSURANCE DIVISIONS" then "Legislative Services".

This examination identified various statutory violations, some of which may extend to other

jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

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.

CLAIMS PRACTICES

Individual Long-Term Care Claims Paid

The Company provided a listing of 87 long-term care claims paid. Fifty files were randomly selected for review.

The Company did not adhere to the provisions of NCGS 58-3-100(c) and 11 NCAC 4.0319(5) as four claims (8.0 percent error ratio) did not contain 45-day status reports.

One file (2.0 percent error ratio) was incomplete as the application was not provided.

The average service time to process a claim payment was 29 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
8 - 14	14	28.0
15 - 21	10	20.0
22 - 30	11	22.0
31 - 60	10	20.0
Over 60	5	10.0
Total	**50**	**100.0**

Individual Long-Term Care Claims Denied

The entire population of 16 individual long-term care claims denied was reviewed.

One claim (6.25 percent error ratio) was denied in error. The benefits had been denied because the greater weight of the separate investigation performed by the Company's Third Party Administrator (TPA) rendered evidence which supported the Company's position that the insured

did not meet two Activities of Daily Living (ADLs). However, 11 NCAC 4.0319(1) states, "When the patient's health is in question, an insurer shall give greater weight to the opinion of a physician who has examined the patient than to the opinion of a physician who has not examined the patient and whose opinion is based solely on a review of the examining physician's notes or reports." While the Company maintained the position that the claimant had not met two ADLs, another investigation was launched resulting in the Company paying benefits including interest totaling $44,566.78.

One claim (6.25 percent error ratio) was denied due to an oversight of information in the plan of care which indicated that the claimant met three or more ADLs. The Company did not attempt in good faith to effectuate prompt, fair and equitable settlement of the claim in which liability had become reasonably clear. This matter could result in non-adherence of the provisions of NCGS 58-63-15(11)(f), if the occurrence is of such frequency to be considered a general business practice. After careful reconsideration, the Company paid benefits including interest totaling $13,678.01.

The average service time to process a claim denial was 76 calendar days. A chart of the service time follows:

Service Days	Number of Files	Percentage of Total
31 - 60	9	56.2
Over 60	7	43.8
Total	**16**	**100.0**

COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company must send claimants a status report 45 days after claim receipt and every 45 days after the claim acknowledgment until the claim is paid or denied.

CONCLUSION

A target examination has been conducted on the market conduct affairs of Continental Casualty Company for the period January 1, 2013, through December 31, 2013, with analyses of certain operations of the Company being conducted through July 15, 2015.

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 the Company's operations in the area of claims practices.

In addition to the undersigned, Darla Wright, Shane Masserd, MBA, and John Curry, CLU, FLMI, REBC, AIRC, North Carolina Market Conduct Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,

Vicki S. Royal

Vicki S. Royal, CPM, 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.

Tracy M. Biehn

Tracy M. Biehn, LPCS, MBA
Deputy Commissioner
Market Regulation Division
State of North Carolina