

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

CONTINENTAL CASUALTY COMPANY
CNA PLAZA
333 S WABASH, 43S
CHICAGO, IL 60604

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, and 5/425) do hereby appoint Examiner-In-Charge, Max Weaver and associates as the proper persons to examine the insurance business and affairs of Continental Casualty Company, NAIC #20443, and to make a full and true report to me of the examination made by them of Continental Casualty Company, with a full statement of the condition and operation of the business and affairs of Continental Casualty Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Continental Casualty Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 11th day of September, 2012.

Andrew Boron

Director

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403, and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Joe Clennon
Staff Attorney

CONTINENTAL CASUALTY COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: October 29, 2012 through March 14, 2013

EXAMINATION OF: Continental Casualty Company
NAIC #20443

LOCATION: 333 South Wabash Avenue, 24 S
Chicago, Illinois 60604

PERIOD COVERED
BY EXAMINATION: June 1, 2011 to August 1, 2012
Complaints June 1, 2009 to August 1, 2012
Appeals June 1, 2010 to August 1, 2012

EXAMINER: Max R. Weaver
Examiner-In-Charge

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I. SUMMARY

Continental Casualty Company (“Company” or “CCC”) was criticized under 50 Il. Adm. Code 926.40 for failure to respond within 21 days to seven (7) complaints from the Department. The Company’s response to the criticism with additional information found that of the seven (7), two (2) of the complaints had been granted additional response time and one (1) complaint was determined to have been received on the 21st day. Therefore, only four (4) complaints were determined to be delinquent in response.

II. BACKGROUND

CCCC was originally chartered on November 29, 1897, as Continental Assurance Company of North America, as an Indiana corporation. On November 1, 1900, the name was changed to "Continental Casualty Company". The Company continued as an Indiana corporation until June 30, 1948 at which time it merged with its subsidiary, the Concasco Casualty Insurance Company of Illinois, which was incorporated February 17, 1948 under the provisions of the Illinois and Indiana laws, the Concasco Casualty Insurance Company of Illinois became the surviving company. Simultaneously, the name of the survivor was changed to Continental Casualty Company on June 30, 1948.

The Financial control is held indirectly by Loews Corporation,(Lowe's) a publicly traded corporation. Lowe's acquired control late in 1974. As of December 31, 2003, CNA Financial Corporation contributed all of the outstanding shares of CCC to the Continental Corporation, an insurance holding corporation domiciled in the State of New York.

The company was licensed in Illinois on February 28, 1948 and is licensed to do business in 50 states, Puerto Rico and the U.S. Virgin Islands.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The following categories are the general areas examined:

1. Producer Licensing and Production Analysis
2. Policy Forms and Advertising Material Analysis
3. Claims
4. Department of Insurance Complaints
5. Appeals and Consumer Complaints

The review of these categories is accomplished through examination of producer files, claim files, Department of Insurance complaint files, policy forms and advertising material. Each of these categories is examined for compliance with Department regulations and applicable State laws.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated to the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments in claim surveys or undercharges and/or overcharges in underwriting surveys. The following methods were used to obtain the required samples and to assure a methodical selection.

Producer Licensing and Production Analysis

Populations for the producer file reviews were determined by whether or not the producers were licensed by the State of Illinois.

New business listings were retrieved from Company records selecting newly solicited insurance applications which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

The Company was requested to provide specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Claims

Claim surveys were selected using the following criteria:

1. Paid Claims - Payment for a coverage made during the examination period.
2. Denied Claims - Denial of benefits for losses not covered by policy provisions.

3. Individual or Franchise Claims - Determine whether the contracts were issued on an individual or franchise basis.

All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code [215 ILCS 5/1 *et seq.*] and Illinois Administrative Code (50 Ill. Adm. Code *et seq.*).

All median payment periods were measured from the date necessary proofs of loss were received to the date of payment or denial was made to the insured or the beneficiary.

Department of Insurance Complaints and Consumer Complaints Appeals

The Company was requested to provide all files relating to complaints which had been received via the Department of Insurance as well as the consumer complaints and appeals received directly by the Company from the insureds or his/her representative. A copy of the Company's complaint register was also reviewed.

Median periods were measured from the date of notification of the complaint to the date of response to the Department of Insurance.

The examination period for Department of Insurance complaints was January 1, 2009 through August 1, 2012. The examination period for Appeals was January 1, 2010 through August 1, 2012.

SELECTION OF SAMPLE

	<u>Population</u>	<u>Reviewed</u>	<u>Reviewed</u>
Survey	<u>#</u>	<u>#</u>	<u>%</u>
Producer Production Analysis			
Terminated Producers	67	67	100
Producers Production	27/63	27/63	100
Claims Analysis			
Paid Individual Long Term Care	334	100	30
Denied Individual Long Term Care	90	90	100
Paid Group Long Term Care	39	39	100
Denied Group Long Term Care	9	9	100
Policy Forms and Riders			
Policy Forms and Riders and Advertising	87	87	100
Complaints			
Department_of Insurance Complaints	77	77	100
Consumer Complaints/Appeals	72	72	100

IV. FINDINGS

A. Producer Analysis

1) Production

A review of 90 producer production files produced no criticisms. During the review it was determined the commissions paid were a result of acceptance of new eligible group employees, from existing groups, with the employer submitting completed applications. This procedure involved no solicitation or actions by a producer.

2) Terminated

A review of 67 terminated producer files revealed no terminations for a cause and produced no criticisms.

B. Claims Analysis

1. Paid Individual Long Term Care

A review of 100 of 334 paid individual long term claim files produced no criticisms.

The median for payment was 19 days.

The mean for subsequent payments was 20 days.

2. Denied Individual Long term Care

A review of the 90 denied long term care claim files produced no criticisms.

The median for denial was 15 days.

3. Paid Group Long Term Care

A review of the 39 paid group long term care claim files produced no criticisms.

The median for denial was 15 days.

The mean for subsequent payments was 16 days.

4. Denied Group Long Term Care

A review of the nine (9) denied group long term care claim files produced no criticisms.

The median for denial was six (6) days.

C. Policy Forms and Advertising Review

A review of the Company policy forms and advertising produced no criticisms.

The Company discontinued all sales of Individual Long Term Care (ILTC) products effective October 3, 2003. This decision does not cancel any policies that are currently in force, and the policyowner service and claims departments continue to service the business they have in force.

The Company discontinued quoting new Group Long Term Care (GLTC) business in May of 2011. This decision does not cancel any GLTC certificates that are currently in force, and continues to respond to bids from existing GLTC accounts. In addition, the company continues to accept new eligible employees as certificate holders under existing group plans.”

D. Complaints

1. Department of Insurance Complaints

A review of 77 Department of Insurance complaint files produced a general criticism. The criticism was for failure to respond to the Department of Insurance within 21 days as required by 50 Il. Adm. Code 926.40. The response by the company and additional information they provided revealed that of the seven (7), three (3) of the files were not late responses. Two (2) complaints had been granted additional time for response and one (1) complaint response was actually received by the Department on 21st day. Therefore only four (4) of the original seven (7) were late responses.

The median for response was 16 days.

2. Consumer Complaints and Appeals

A review of 72 consumer complaint and appeal files produced no criticisms.

The median for response was 9 days.

V. INTERRELATED FINDINGS

On October 3, 2003 the Company discontinued all sales of Individual Long Term Care products. The Company's policy-owner service and claim department continue to service the business that is in force.

The Company discontinued quoting new Group Long Term Care business in May of 2011. No policies were canceled due to this decision and the Company continues to accept new eligible employees as certificate holders under existing group plans.

STATE OF ILLINOIS)
) ss
COUNTY OF MACON)

Max Weaver, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

Continental Casualty Company, NAIC # 20443

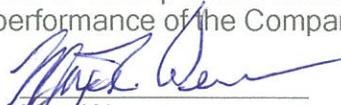
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company's business and affairs and the manner in which the Company conducts its business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company's affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

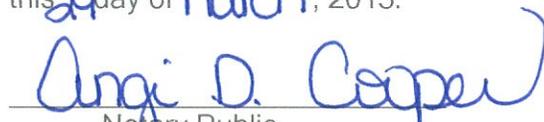
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.



Max Weaver
Examiner-In-Charge

Subscribed and sworn to before me
this 29th day of March, 2013.



Notary Public



STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Continental Casualty Company NAIC #20443
333 South Wabash Avenue, 24 S
Chicago, Illinois 60604

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Continental Casualty Company is authorized under the insurance laws of this State and by the Director as a P&C Domestic Stock insurance company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners appointed by the Director pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403 and 5/425); and

WHEREAS, the appointed examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited one area in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company.

WHEREAS, the Company is aware of and understand its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:

1. That the Market Conduct Examination indicated one area in which the Company was not in compliance with provisions of the Illinois Insurance Code, and/or Department Regulations; and
2. That the Director and the Company consent to this order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code, and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:

1. The Company should institute and maintain procedures to assure prompt responses to all complaints pursuant to 50 Il. Adm. Code 926.40.
2. Pay to the Director of Insurance, a civil forfeiture in the amount of \$2,000 to be paid within 30 days of receipt of these Orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of:

Continental Casualty Company

William A. Nachtsheim
Signature

William A. NACHTSHEIM
Name

Chief Compliance Officer
Title

Subscribed and sworn to before me this

13th day of August A.D. 2013 .

Margaret J. Spradau
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

DATE August 27, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

October 10, 2013

Mark Herman
President
Continental Casualty Company NAIC #20443
333 South Wabash Avenue, 24 S
Chicago, Illinois 60604

Re: Market Conduct Examination
 Stipulation and Consent Order

Dear Mr. Herman,

This is in response to John Runfeng Hu's email, dated October 3, 2013, on this subject.

The proofs of compliance that have been submitted have been reviewed and are satisfactory.

Accordingly, this Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Cordially,

Joseph T. Clennon
Staff Attorney

cc John Runfeng Hu