

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



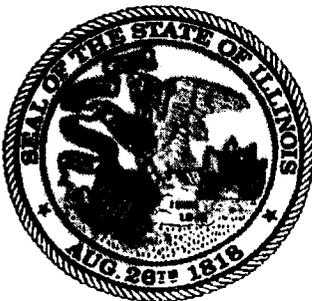
IN THE MATTER OF THE EXAMINATION OF

CELTIC INSURANCE COMPANY
SEARS TOWER SUITE 700
233 S. WACKER DR
CHICAGO, IL. 60606-6393

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, David Bradbury and associates as the proper persons to examine the insurance business and affairs of Celtic Insurance Company, NAIC # 80799, and to make a full and true report to me of the examination made by them of Celtic Insurance Company, with a full statement of the condition and operation of the business and affairs of Celtic Insurance 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 Celtic Insurance Company.



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

Done at the City of Springfield, this 22nd day of September, 2011.

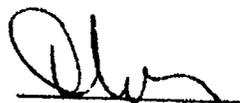
A handwritten signature in cursive script, appearing to read "Jack Messmore".

Jack Messmore

Acting Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Elizabeth Keen, at the hour of 11 AM.
on Dec 29, A.D., 2011.



Examiner
David Brubury

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.

Helen C. Gibbons
Staff Attorney

Celtic Insurance Company

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: 4-9-12 through 9-14-12

EXAMINATION OF: Celtic Insurance Company
NAIC # 80799

LOCATION: 233 S. Wacker Drive
Chicago, Illinois 60606

**PERIOD COVERED
BY EXAMINATION:** 12-01-10 through 11-30-11 – Claims
12-01-09 through 4-09-11 – Complaints

EXAMINER: David Bradbury, Examiner-in-Charge

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SUMMARY

- 1. The Company was criticized under 215 ILCS 5/368a(c) for failure to ensure all claims are paid within 30 days of receipt of due proof of loss.**
- 2. The Company was criticized under 215 ILCS 5/368a(c) for failure to make payments of interest due to delayed claim payment on health claims.**
- 3. The Company was criticized under 215 ILCS 5/154.6(i) for failure to ensure claims are denied within a reasonable time (which per 215 ILCS 5/368a(c) is 30 days after receipt of due written proof of such loss as would otherwise be the timeframe for payment).**
- 4. The Company was criticized under 215 ILCS 5/154.6(d) for underpayment of claims.**
- 5. The Company was criticized under 215 ILCS 5/154.6(f) for engaging in activity which results in a disproportionate number of meritorious complaints received by the Department of Insurance.**

II. BACKGROUND

Celtic Insurance Company (hereinafter "Celtic") was incorporated under an Act of the General Assembly of the State of Rhode Island, and the Governor of Rhode Island approved it on December 21, 1949. Celtic's original name was the Resolute Credit Life Insurance Company. An amendment to the Charter in April 1973 deleted the word "Credit" from the corporate name. The name was changed again in 1975, to American Reserve Life Insurance Company.

In 1980, Celtic Investment Group, an Illinois general partnership, (owned by Celtic Associates: 50% and Celtic Capital: 50%) acquired 80% of Resolute Investment Corporations' (Parent of the same subject company) outstanding shares and renamed the company Celtic Life Insurance. At the end of 1983, Resolute Investment Corporation redeemed 20% of the outstanding shares that had not been acquired by Celtic Investment Group. In early 1984, Resolute Investment Corporation merged into Celtic Group, Inc., an Illinois based holding company. Consequently, Celtic became a wholly owned subsidiary of Celtic Group, Inc.

On January 1, 1991, Celtic re-domiciled in Illinois and the Illinois Director of Insurance approved the Articles of Reorganization. In late 1999, Celtic changed its name to the current title.

In September of 2004, approximately 60% of outstanding Class "A" common shares of Celtic Group, Inc. was redeemed including all holdings of Celtic Associates. The redemption dissolved Celtic Investment Group and made Celtic Capital own 100% of Celtic Group, Inc.

On July 1, 2008, the Centene Corporation, a publicly traded healthcare corporation, acquired 100% of the common stock of Celtic Group, Inc.

	Life Insurance Premiums Direct	Accident and Health Ins. Premiums Direct
2010	16,553	9,783,669
2011	16,741	12,616,836

Celtic's 2009 and 2010 NAIC Annual Statements (p. 24, part 2, line 23) indicate that its in force Illinois life insurance was \$16,553 as of 12/31/10 and \$16,741 as of December 31, 2011. There were no new claims or new policies during the period under review.

III. METHODOLOGY

The Market Conduct Examination places emphasis on evaluating an insurer's system and procedures used in dealing with insureds and claimants. The Market Conduct Examination did not examine all systems 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. Consumer and Insurance Department Complaints

The review of these categories is accomplished through examination of producer files, cash surrendered policy files, extended term and reduced paid-up policy files, claim files, Insurance Department complaint files, policy forms and advertising material. The examination focuses on compliance with selected 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 survey:

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 Celtic records by selecting newly solicited insurance applications, which reflected Illinois addresses for the applicants.

Policy Forms and Advertising Material Analysis

Celtic provided specimen copies of all policy forms and samples of all advertising material in use during the survey period.

Claims

Claim survey selection used 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 Title 50 of the Illinois Administrative Code.

All median payment periods measured from the receiving date of necessary proofs of loss to the date of payment or denial to the insured or the beneficiary.

The examination period for the claims review was December 1, 2010 through November 30, 2011.

Consumer and Insurance Department Complaints

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

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

The examination period for complaints was December 1, 2010 through April 9, 2012.

IV. FINDINGS

A. Claims Analysis

1. Paid Individual Accident and Health

A review of 53 paid individual accident and health policies produced one (1) general and two (2) individual criticisms. A general criticism was written under 215 ILCS 5/368a(c) for failure to ensure all claims were paid within 30 days after receipt of due written proof of such loss. Seventeen percent of the files were in violation. Two (2) individual criticisms were written under 215 ILCS 5/368a(c) for underpayment of interest, resulting from the failure to pay the claim within 30 days, totaling \$41.86. The payment was made prior to completion of the examination.

Claim #	Interest Due to Late Payment
4414550113	\$4.28
11021R32397	\$37.58
Total	\$41.86

The median for payment was 11 days.

2. Denied Individual Accident and Health

A review of 51 denied individual accident and health claim files produced one (1) general criticism written under 215 ILCS 5/154.6(i) for failure to ensure that claims were denied within a reasonable time which is enforced as 30 days after receipt of due written proof of such loss as that would otherwise be the timeframe for payment, per 215 ILCS 5/368a(c). Eight (8) percent of the files were in violation.

The median for denial was 11 days.

3. Paid PPO

A review of 119 paid PPO claim files produced one (1) general and two (2) individual criticisms. A general criticism was written under 215 ILCS 5/368a(c) for failure to ensure that all claims are paid within 30 days after receipt of due written proof of such loss. Seventeen percent of the files were in violation. Two (2) individual criticisms were written under 215 ILCS 5/154.6(d) for underpayment of claims in the total amount of \$33.50. The payments were made prior to completion of the examination.

Claim #	Underpayment
110627212667	\$9.90
11074138767	\$23.60
Total	\$33.50

The median for payment was nine (9) days.

4. Denied PPO

A review of 120 denied PPO claim files produced one (1) general and two (2) individual criticisms. A general criticism was written under 215 ILCS 5/154.6(i) for failure to ensure claims were denied within a reasonable time which is enforced as 30 days after receipt of due written proof of such loss as that would otherwise be the timeframe for payment per 215 ILCS 5/368a(c). Thirty percent of the files were in violation. One (1) individual criticism was written under 215 ILCS 5/154.6(d) for underpayment of claims in the total amount of \$2,261.79. This includes \$202.59 in interest due. The payment was made prior to completion of the examination.

Claim #	Underpayment	Interest
110831R221710	\$2059.20	\$202.59
Total	\$2059.20	\$202.59

One (1) individual criticism was written under 215 ILCS 5/368a(c) for underpayment of interest resulting from the failure to pay the claim within 30 days in the total amount of \$528.60. The payment was completed prior to completion of the examination.

Claim #	Underpayment
110613U20040	\$528.60
Total	\$528.60

The median for denial was 12 days.

5. Paid Individual Medicare Supplement

A review of 55 paid Medicare Supplement claim files produced no criticisms.

The median for payment was one (1) day.

6. Denied Individual Medicare Supplement

A review of 25 denied Medicare Supplement claim files produced no criticisms.

The median for denial was one (1) days.

B. COMPLAINTS

1. Department of Insurance Complaints

A review of all 56 Department of Insurance complaints produced one (1) general and one (1) individual criticism. A general criticism was written under 215 ILCS 5/154.6(f) for engaging in activity that resulted in a disproportionate number of meritorious complaints against the insurer, which were received by the Department of Insurance. Fourteen percent of the files were in violation. One (1) individual criticism relating to a Department of Insurance complaint was written under 215 ILCS 5/368a(c) for underpayment of interest resulting from the failure to pay the claim within 30 days in the total amount of \$1542.75. The payment was made prior to completion of the examination.

Crit #	Underpayment
DB 22	\$1,542.75

The median for response to the Department was 17 days.

2. Consumer Complaints

A review of all 437 consumer complaints produced 36 criticisms. Three (3) individual criticisms were written under 215 ILCS 5/154.6(d) for underpayment of claims in the total amount of \$6,207.70. This includes \$432.50 in interest due. The payments were made prior to completion of the examination.

Crit #	Underpayment	Interest
DB 60	\$5,525.22	\$417.75
DB 61	\$330.38	\$14.75
DB 62	\$352.10	-
Total	\$6207.70	\$432.50

Thirty-three individual criticisms were written under 215 ILCS 5/368a(c) for underpayment of interest resulting from the failure to pay the claim within 30 days

in the total amount of \$3,876.54. The payments were made prior to completion of the examination.

Crit #	Underpayment
DB 26	\$13.82
DB 28	\$20.83
DB 30	\$9.18
DB 31	\$22.75
DB 32	\$41.14
DB 33	\$142.60
DB 34	\$6.66
DB 35	\$242.16
DB 36	\$25.11
DB 38	\$1,196.70
DB 39	\$137.98
DB 40	\$117.23
DB 41	\$5.14
DB 42	\$77.17
DB 43	\$12.98
DB 44	\$81.05
DB 45	\$182.49
DB 46	\$5.65
DB 47	\$8.49
DB 48	\$8.16
DB 49	\$4.96
DB 50	\$23.41
DB 51	\$62.79
DB 52	\$1.58
DB 53	\$6.26
DB 54	\$1.85
DB 55	\$5.04
DB 56	\$14.10
DB 57	\$2.40
DB 58	\$553.05
DB 59	\$114.99
DB 63	\$4.27
DB 64	\$4.55
TOTAL	\$3,876.54

The median for response to the consumer was eleven (11) days.

3. External Independent Reviews

One external independent review was reviewed. No exceptions were noted.

C. POLICY FORMS AND ADVERTISING

1. Advertising and Marketing

A review of all of the advertising and marketing materials provided produced no criticisms.

2. Policy Forms

A review of all seven (7) policy forms in use produced no criticisms.

D. PRODUCER ANALYSIS

1. Producer Licensing

A review of the 731 producer licensing files and 4,134 first year commission records produced no criticisms.

E. INTERRELATED FINDINGS

1. Ambulance Underpayment

A review of all Ambulance Claims produced one criticism. An individual criticism was written under 215 ILCS 5/154.6(d) for underpayment of claims in the total amount of \$1,275.15. This includes \$169.09 in interest due. The payment was made prior to completion of the examination.

V. APPENDICES

None.

SEAL OF THE STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Celtic Insurance Company
233 S. Wacker Drive
Chicago, Illinois 60606

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 ("State"), having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Celtic Insurance Company ("Celtic") is authorized under the insurance laws of this State and by the Director as a domestic stock company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of Celtic was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

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

WHEREAS, the Report cited various areas in where Celtic was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and/or Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by Celtic 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 Celtic; and

WHEREAS, Celtic is aware of and understands 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, Celtic understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, Celtic 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 Celtic and the Director as follows:

- 1. That the Market Conduct Examination indicated various areas where Celtic was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and**
- 2. That the Director and Celtic consent to this Order requiring Celtic 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 Celtic shall:

- 1. Institute and maintain procedures whereby Celtic pays all claims within 30 days of receipt of due proof of loss as required by 215 ILCS 5/368a(c).**
- 2. Institute and maintain procedures whereby Celtic makes payments of interest due on delayed claim payment on health claims as required by 215 ILCS 5/368a(c).**
- 3. Institute and maintain procedures whereby Celtic denies coverage on claims within 30 days as required by 215 ILCS 5/154.6(i) for failure to ensure claims are denied within a reasonable time (which per 215 ILCS 5/368a(c) is 30 days after receipt of due written proof of such loss as would otherwise be the timeframe for payment).**
- 4. Institute and maintain procedures whereby Celtic pays the proper amount on claims as required by 215 ILCS 5/154.6(d).**
- 5. Institute and maintain procedures whereby Celtic ceases engaging in activity that results in a disproportionate number of meritorious complaints received by the Department of Insurance as required by 215 ILCS 5/154.6(f).**
- 6. Submit to the Director, proof of compliance with the above five (5) Orders within thirty (30) days of the execution of these Orders.**
- 7. Pay to the Director a civil forfeiture in the amount of fourteen thousand and no/100 dollars (\$14,000.00) to be paid within thirty (30) days of execution of this Stipulation and Consent Order.**

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 Celtic 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 Celtic Insurance Company:


Signature

Anand A. Shukla
Name

Sr. Vice President, Individual Health
Title

Subscribed and sworn to before me this
10th day of April A.D. 2013.


Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

DATE April 16, 2013


Andrew Boron
Director

STATE OF)
COUNTY OF Escambia) ss

David Bradbury, 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 Celtic Insurance Company, NAIC #80799;

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;

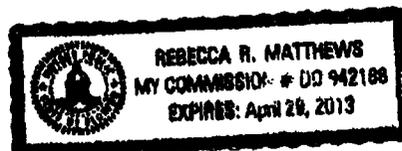
That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

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.


David Bradbury
Examiner-In-Charge

Subscribed and sworn to before me
this 1st day of March, 2013.


Notary Public





Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

August 8, 2013

Sent via USPS certified mail
*return receipt requested

Aurora Loaiza
Sr. Contract Analyst
Celtic Insurance Company
233 S. Wacker Drive, Suite 700
Chicago, Illinois 60606

Re: Celtic Insurance Company NAIC # 80799
Market Conduct Examination Report

Dear Ms. Loaiza:

Please be advised that the Department has reviewed the additional proof of compliance contained in your August 2, 2013 correspondence. The proof of compliance submitted on behalf of Celtic Insurance Company is sufficient.

Accordingly, the Department is closing its files on this exam. As mentioned in previous correspondence, this exam will be made public by posting on the Department's website as authorized by 215 ILCS 5/132.

Please contact me if you have any questions. I may be reached at (312) 814-0919.

Sincerely,

Barbara Delano

Barbara Delano
Assistant General Counsel
Illinois Department of Insurance
Barbara.Delano@illinois.gov