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INSURANCE DEPARTMENT

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BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

PUBLIC HEARINGS OFFICE

IN RE:	:	VIOLATIONS:
	:	
CONTINENTAL CASUALTY	:	Title 31, Pennsylvania Code,
COMPANY	:	Chapter 89a, Long Term Care
CNA Plaza	:	Insurance Model Regulation,
333 South Wabash Avenue	:	Section 89a.108(e)
Chicago, IL 60685	:	
	:	
Respondent.	:	Docket No. CO04-03-016

CONSENT ORDER

AND NOW, this *26th* day of *May*, 2004, this Order is hereby issued by the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondent hereby admits and acknowledges that it has received proper notice of its rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S. § 101, et seq., or other applicable law.

2. Respondent hereby waives all rights to a formal administrative hearing in this matter, and agrees that this Consent Order, and the Findings of Fact and Conclusions of Law contained herein, shall have the full force and effect of an Order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Deputy Insurance Commissioner finds true and correct each of the following Findings of Fact:

- (a) Respondent is Continental Casualty Company, and maintains its address at CNA Plaza, 333 South Wabash Avenue, Chicago, Illinois 60685.
- (b) Respondent, at all times relevant to this Consent Order, has possessed a certificate of authority to transact the business of insurance in this Commonwealth.
- (c) Respondent was granted a rate filing increase for long-term care insurance on June 28, 2002.
- (d) Respondent asserts that due to a programming error, 735 policyholders had premature premium increases prior to their policy anniversary dates.

- (e) Respondent identified 494 policyholders that had premiums increased in calendar year 2002 and the increases were placed into effect prior to the policy anniversary date.
- (f) Respondent identified 241 policyholders that had premiums increased in calendar year 2003 and the increases were placed into effect prior to the policy anniversary date.
- (g) Respondent, after being contacted by the Pennsylvania Insurance Department concerning the improper increases, elected to refund the excess premiums paid prior to the anniversary dates.
- (h) Respondent refunded \$65,024.63 to the 735 affected policyholders.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Deputy Insurance Commissioner concludes and finds the following Conclusions of Law:

- (a) Respondent is subject to the jurisdiction of the Pennsylvania Insurance Department.

- (b) Title 31, Pennsylvania Code, Section 89a.108(e) requires an insurer to provide notice of an upcoming premium rate schedule increase to all policyholders or certificateholders at least 45 days prior to the implementation of the premium rate schedule increase by the insurer for the policyholder or certificateholder. The notice shall include all statements and explanations required under this section when the rate increase is implemented.
- (c) Respondent's activities described above in paragraphs 3(d) through 3(f) constitute failure to inform policyholders of premium rate increases, in violation of Title 31, Pennsylvania Code, Section 89a.108(e).
- (d) Respondent's violations of Title 31, Pennsylvania Code, Section 89a.108(e) are punishable under Title 31, Pennsylvania Code, Section 89a.128, which subjects insurers to penalties under 40 P.S. Section 991.1114:

In addition to any other penalties provided by the laws of this Commonwealth, an insurer or agent found to have violated requirements relating to the regulations of long-term care insurance or the marketing of such insurance shall be subject to a civil penalty of up to three times the amount of any commissions paid for each policy involved in the violation, or ten thousand dollars (\$10,000), whichever is greater.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner orders and Respondent consents to the following:

- (a) Respondent shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.

- (b) Respondent shall pay a civil penalty of Seven Thousand, Five Hundred Dollars (\$7,500.00) to the Commonwealth of Pennsylvania. This penalty shall be made payable to the Commonwealth of Pennsylvania, and directed to Sharon L. Harbert, Administrative Assistant, Bureau of Enforcement, 1311 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment may be enclosed with the Consent Order, but must be paid in any event no later than thirty (30) days after the date of the Consent Order.

6. In the event the Deputy Insurance Commissioner finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein, the Department may pursue any and all legal remedies available, including but not limited to the following: The Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law; or, if

applicable, the Department may enforce the provisions of this Order in any other court of law or equity having jurisdiction.

7. Alternatively, in the event the Deputy Commissioner finds that there has been a breach of any of the provisions of this Order, the Deputy Commissioner may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondent may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

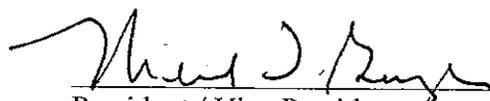
9. Respondent hereby expressly waives any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.

11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or the duly authorized Deputy

Insurance Commissioner is authorized to bind the Insurance Department with respect to the settlement of the alleged violation of law contained herein, and this Consent Order is not effective until executed by the Insurance Commissioner or the duly authorized Deputy Insurance Commissioner.

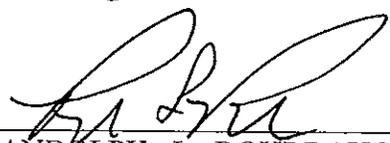
BY: CONTINENTAL CASUALTY COMPANY,
Respondent



President / Vice President



Asst. Secretary / Treasurer



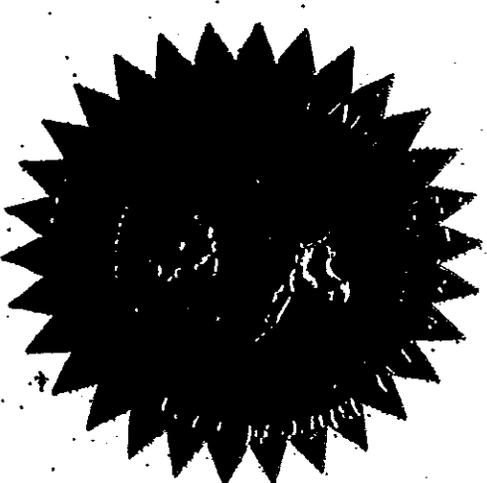
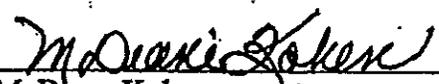
RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: The Act of April 9, 1929, P.L. 177, No. 175, known as The
Administrative Code of 1929

AND NOW, this 29 day of April, 2002, Randolph L.

Rohrbaugh, Deputy Insurance Commissioner, is hereby designated as the
Commissioner's duly authorized representative for purposes of entering in and executing
Consent Orders. This delegation of authority shall continue in effect until otherwise
terminated by a later Order of the Insurance Commissioner.



M. Diane Koken
Insurance Commissioner