

STATE OF OHIO

DEPARTMENT OF INSURANCE

IN THE MATTER OF:)
)
CONSECO HEALTH INSURANCE) CONSENT ORDER
COMPANY)
TARGETED MARKET CONDUCT)
EXAMINATION)

The Superintendent of the Ohio Department of Insurance (hereinafter the "Superintendent") is responsible for administering Ohio insurance laws pursuant to Ohio Revised Code §3901.011. Conseco Health Insurance Company ("the Company"), an Arizona-domiciled life and health insurer, is authorized to engage in the business of insurance in the State of Ohio and, as such, is under the jurisdiction of the Superintendent. The Superintendent conducted a targeted market conduct examination of the Company covering the period August 1, 2005, through September 30, 2006 (Examination).

The focus of the Examination was to determine the Company's compliance with the Ohio Revised Code and Ohio Administrative Code, as they relate to Ohio issued individual specified/named disease insurance policies. The examination included the following areas: claims adjudication, complaint handling, policyholder service, and compliance.

The details of the Examination are contained in *The Ohio Department of Insurance, Market Conduct Examination of Conseco Health Insurance Company, NAIC #78174 as of September 30, 2006* ("Report"), which is incorporated by reference herein. After the Consent Order is executed by all parties, the Consent Order and Report and the Company response letter will become public records.

SECTION I

BASED UPON THE EXAMINATION, THE SUPERINTENDENT DETERMINED:

The Company's claims adjudication, complaint handling, and policyholder service in some instances failed to comply with certain Ohio laws during the period under examination, August 1, 2005-September 30, 2006. The examination report includes findings in these general areas, including, but not limited to the following:

A. Paid Claims

1. The Company failed to pay claims on a timely basis.
2. The Company failed to make payment for claims requiring additional information on a timely basis.
3. The Company failed to pay required interest on paid claims when required.

B. Denied Claims

1. The Company's claims files for denied claims were not adequately documented.
2. The Company failed to notify all external sources for supporting documentation in a timely manner.
3. The Company failed to notify the beneficiary and provider that a claim was denied on a timely basis.

C. Complaint Handling

1. The Company failed to acknowledge or respond to complaints in a timely manner.
2. The Company failed to provide policyholders its complaint procedures which are to be included with each benefit plan or certificate.
3. The Company failed to provide complaining policyholders a statement that the insured also has the right to file a complaint with the Ohio Department of Insurance.

The findings as described in Section I of this Consent Order and the findings detailed in the examination report relate to the Company's internal controls and management processes that require review and revision to ensure compliance with state regulations. Such controls and processes should ensure that the requirements of Ohio laws and rules are embedded into the Company's business processes and are self-tested to assure continuing compliance.

The Company has initiated and completed many compliance procedures and processes to correct certain of the findings listed above and will incorporate compliance as a standard risk management activity utilizing risk management principles described particularly in Section One – Risk-Focused Examinations, page 1-12 of the National Association of Insurance Commissioners (NAIC) Financial Condition Examination Handbook.

SECTION II

IT IS HEREBY AGREED AND CONSENTED TO BY THE PARTIES THAT:

- A. The Superintendent and the Company enter into this Consent Order to resolve the allegations as set forth in Section I of this Consent Order and further enumerated in the Examination Report.
- B. The Company has been advised that it has a right to a hearing before the Superintendent pursuant to R.C. Chapter 119; that at a hearing, it would be entitled to appear in person, to be represented by an attorney or other representative who is permitted to practice before the agency; and that, at a hearing, it would be entitled to present its position, arguments, or contentions in writing and to present evidence and examine witnesses appearing for and against it. The Company hereby waives all such rights.

- C. The Company consents to the jurisdiction of the Superintendent to determine the issues set forth herein. The Company waives any prerequisites to jurisdiction that may exist.
- D. The Company hereby waives all rights to challenge or to contest this Consent Order in any forum now available to it or in the future, including the right to any administrative appeal, or an action or appeal filed in state or federal court.
- E. The Company has reviewed this Consent Order with counsel and knowingly and voluntarily enters into this Consent Order without either admitting or denying the allegations contained herein.
- F. The Company agrees that the failure to adhere to one or more of the terms and conditions of this Consent Order shall constitute a violation of a lawful Order of the Superintendent, an actionable violation in and of itself without further proof, and may subject the Company to any and all remedies available to the Superintendent.
- G. By executing the Consent Order in this cause, the parties intend to and do resolve all issues arising out of alleged violations of the laws and regulations as detailed in the Report.
- H. The Company agrees that upon the signing of this Consent Order by its authorized representative, it shall be subject to the following additional terms and conditions:
 - 1. For a twelve month period beginning with the Superintendent's written acceptance of the Corrective Action Plan described elsewhere in this Order, the Chief Compliance Officer will, on a quarterly basis, update the Company's Board of Directors as well as Internal Audit Department on the following items:
 - a. Implementation and achievement of the terms and conditions further described in Paragraph (H) of this Order.
 - b. Company complaint analysis, including specifically any Ohio complaint trends and root causes.
 - c. Market conduct exam update, which includes the type of exam, focus, problems found if any, progress toward exam completion and penalty information if applicable.
 - d. Analysis of the Company's compliance risks and mitigation activities, including upgrading of procedures as needed, associates and/or other agent training and monitoring of these activities.
 - e. Update on any new laws that impact the Company's business.
 - f. Update on general compliance initiatives, risks and mitigation strategies (these include progress on exam readiness, compliance programs and items like disaster plan work-throughs, etc.)
 - 2. The Company will provide the Superintendent copies of the quarterly reports provided to its Board of Directors as set forth in paragraph H.1, above, as well as written confirmation that the items in this Paragraph H., were discussed with the Board. Confirmation can include

certified copies of the minutes of Board meetings or of Board resolutions. The reporting period contemplated by this Paragraph H. will end twelve months from the Superintendent's written acceptance of the Corrective Action Plan discussed below. The Company will set up and implement a procedure of its own design whereby it will continue thereafter to periodically report to its Board of Directors concerning compliance issues, potential compliance issues and the Company's actual or proposed response to those issues.

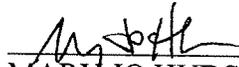
3. The Company shall develop and submit a Corrective Action Plan (Plan) to the Superintendent within sixty (60) days after the date this Consent Order is signed, for approval by the Superintendent within thirty (30) days of receipt. The Company will provide as part of this submission to the Superintendent written confirmation that its Board of Directors was presented with the Corrective Action Plan and has given its approval. The Plan will provide, at minimum, the following for each item in the Plan:
 - a. Identification of each corrective action to be taken in response to each alleged violation noted in Section I, including the section of law to which each action relates;
 - b. How each corrective action is to be addressed, including, without limitation, what will be done, by whom it will be done, and the date it will be (or was) completed;
 - c. The name of the Company's compliance officer, including his/her title, office location, and telephone number, responsible for assuring that all the corrective action necessary is documented in the Corrective Action Plan, and that each corrective action is undertaken and completed in a timely manner and in full compliance with the terms and conditions of this Consent Order and the Plan, as approved by the Superintendent;
4. The Company will prepare a notice to all existing Ohio policyholders who have filed a complaint about their claim regarding the process in which to file a complaint with the Company. This requirement is limited to those policyholders who have filed complaints on or after August 1, 2005, through the date the Superintendent approves the Corrective Action Plan filed by the Company pursuant to Paragraph (H)(2).
5. The Company will prepare a notice to all existing Ohio policyholders who have filed a complaint about their claim regarding the process under which they can file a complaint with the Ohio Department of Insurance. This requirement is limited to those policyholders who have filed complaints on or after August 1, 2005, through the date the Superintendent approves the Corrective Action Plan filed by the Company pursuant to Paragraph (H)(2).
6. The Company will address the Superintendent's concerns by preparing a quarterly progress report comparing its actual results to the Corrective Action Plan submitted by the Company. The first report is due ninety (90) days after the Superintendent's written acceptance of the Corrective Action Plan. The reporting period contemplated by this Paragraph (H)(5) will end twelve months from the Superintendent's written acceptance of the Corrective Action Plan

7. The Company shall pay a civil penalty of One Hundred Fifty Thousand Dollars (\$150,000) within thirty (30) days of the last date the Consent Order is signed, by check or money order made payable to: "Ohio Treasurer Richard Cordray." The Superintendent may initiate a reexamination of the Company twelve months from the date of the Superintendent's written acceptance of the Corrective Action Plan under this Consent Order. Such a reexamination would consider the findings described in Section I of this Consent Order, as well as a review of the Company's implementation of the action items contained in Paragraphs H.3. and 4. of Section II. If a reexamination is initiated and substantial non-compliance with this Consent Order is found, a new Corrective Action Plan will be required and the Company may, in the Superintendent's discretion, be required to pay an additional civil penalty. If the Superintendent has not initiated a reexamination within twelve months from the date of the Superintendent's written acceptance of the Corrective Action Plan, the Company shall then certify to the Superintendent, in a writing signed by an authorized officer of the Company, that the Company is in compliance with the requirements of this Consent Order and has corrected the violations set forth in Section I, herein, and has complied with Section II.

NOW, THEREFORE, the agreement by and between Conseco Health Insurance Company, and the Superintendent on behalf of the Department, consisting of the terms and conditions set forth above, is approved.

FURTHER, all terms and conditions are hereby ORDERED.

APPROVED AND ORDERED this 15th day of December 2008.



MARY JO HUDSON
Superintendent of Insurance

**CONSECO HEALTH INSURANCE COMPANY
ACKNOWLEDGEMENT AND ACCEPTANCE**

By execution hereof, Conseco Health Insurance Company, consents to entry of this Consent Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. The undersigned represents that he/she has the authority to bind Conseco Health Insurance Company to the terms and conditions of this Consent Order.

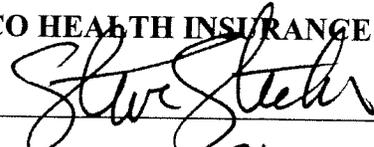
CONSECO HEALTH INSURANCE COMPANY

By: _____

Print or type name: _____

Title: _____

Date: _____



Steven Stecher
President
12/11/2008