

JUN 25 2024

FILED

CERTIFICATION

June 25, 2024

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

CENTURION CASUALTY COMPANY

AS OF

DECEMBER 31, 2022

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

CENTURION CASUALTY COMPANY

9800 HEALTH CARE LANE MN006-W500

MINNETONKA, MN 55343

dated as of December 31, 2022, verified under oath by the examiner-in-charge on
May 16, 2024, and received by the company on June 20, 2024, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 21st day of June 2024.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read 'L. Crawford', written in a cursive style.

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

CENTURION CASUALTY COMPANY

as of

December 31, 2022



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Omaha, Nebraska
May 2, 2024

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

CENTURION CASUALTY COMPANY

which has its Statutory Home Office located at

2717 North 118th Street, Suite 300, North Park Office Park
Omaha, NE 68164

with its Principal Executive Office located at

9800 Health Care Lane MN006-W500
Minnetonka, MN 55343

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Iowa last examined the Company as of December 31, 2017. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2022 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska and Alabama, California, Colorado, Florida, Indiana, Kentucky, Nevada, New Hampshire, New Mexico, New York, Ohio, Oklahoma,

Pennsylvania, Texas, and Wisconsin participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's affiliates, UnitedHealthCare of Alabama, Inc., All Savers Life Insurance Company of California, UnitedHealthCare of Colorado, Inc., Medica Health Plans of Florida, Inc., All Savers Insurance Company, Golden Rule Insurance Company, UnitedHealthCare of Kentucky, Ltd., UnitedHealthcare Freedom Insurance Company, UnitedHealthcare of New Mexico, Inc., Unimerica Life Insurance Company of New York, UnitedHealthCare of Ohio Inc., Chesapeake Life Insurance Company, UnitedHealthcare of Pennsylvania, Inc., Mid West National Life Insurance Company of Tennessee, UnitedHealthcare Community Plan of Texas, LLC., UnitedHealthcare of Texas, Inc., Harken Health Insurance Company, Unimerica Insurance Company, UnitedHealthcare of Wisconsin, Inc., Heath Plan of Nevada, Inc., Sierra Health and Life Insurance Company, Inc., and Nevada Pacific Dental, Inc.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement

presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Wisconsin Office of the Commissioner of Insurance as the coordinating state and the Alabama Department of Insurance, California Department of Insurance, Colorado Division of Insurance, Connecticut Insurance Department, Florida Office of Insurance Regulation, Indiana Department of Insurance, Kentucky Department of Insurance, Nevada Department of Business and Industry – Division of Insurance, New Hampshire Insurance Department, New Mexico Office of Superintendent of Insurance, New York State Department of Financial Services, Ohio Department of Insurance, Oklahoma Insurance Department, Pennsylvania Insurance Department, and the Texas Department of Insurance. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has

been set out in this report under the caption “Description of Company.” All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company’s property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected, and a survey was made of the Company’s general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption “Body of Report.”

Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company’s method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated on February 9, 1983 under the name of Consumers Casualty Company with authorized and paid in capital of \$1,000,000 and contributed surplus of \$1,000,000. The Company commenced business on March 21, 1983 under authority granted by the Insurance Commissioner of Iowa to write casualty insurance as then defined by Iowa statutes.

On May 5, 1983, by legal adoption of amendments to the Company's Articles of Incorporation, the corporate title was changed to Centurion Casualty Company.

On December 23, 2019, Specialty Benefits, LLC, a wholly owned subsidiary of UnitedHealth Group Incorporated (UHG), purchased 100% interest in the Company.

On June 19, 2022 the Company received approval from both the Nebraska Department of Insurance and the Iowa Insurance Division to move its state of domicile to Nebraska as of June 19, 2022.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the "Ultimate Controlling Person," as reported in the 2022 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

UnitedHealth Group, Inc.

AmeriChoice Corporation (DE)

Three Rivers Holdings, Inc. (DE)

UnitedHealthcare of Pennsylvania, Inc. (PA)

Shareholder

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(\$10.00) per share”. At the 2022 year end, Company records indicated that all of its issued and outstanding shares of capital stock, being 300,000 shares of common stock, were owned and held by Specialty Benefits, LLC.

Article II, Section 2.02 of the Company’s By-Laws states that, “unless Directors are elected by written consent in lieu of an annual meeting, the corporation shall hold annual meetings of Shareholders on such date and at such time as shall be designated from time to time by the Board of Directors. If an annual meeting is held, then at such meeting the Shareholders shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.” It was noted that the Company did not hold an annual meeting or obtain written consent in lieu of meeting for the 2021 annual meeting of Shareholders in accordance with their By-Laws.

During the period under review, the Company paid a cash dividend in 2019 of \$40,685,265.

Board of Directors

Article III, Section 3.01 of the Company’s By-Laws states that, “the business and affairs of the corporation shall be managed by or under the direction of the Board of Directors, subject to any limitation set forth in the Articles of Incorporation or as otherwise maybe provided in the Nebraska Model Business Corporation Act.” Article III, Section 3.02 of the Company’s By-Laws further states that, “The number of Directors of the corporation shall be determined from time to time by the Board of Directors but in no case shall the number of Directors be less than five, and one of them shall be a resident of the State of Nebraska.” It was noted that the Company did not elect Directors in 2020 or 2021 in compliance with Article III Section 3.02. It is also noted that the Company’s Board of Directors only had four members as of December 31,

2022 due to the removal of James F. Bedard from the Board of Directors on August 15, 2022.

His seat was filled by Carolynn J. Morizzo on February 22, 2023, thus no recommendation was created.

The following persons were serving as Directors at December 31, 2022 :

<u>Name and Residence</u>	<u>Principal Occupation</u>
James M. Gabriel De Pere, Wisconsin	Vice President, Actuarial Services, United HealthCare Services, Inc.
Matthew W. Milam Omaha, Nebraska	Vice President, Sales Account Management, E&I, United HealthCare Services, Inc.
Troy A. McQuagge Colleyville, Texas	President & Chief Executive Officer, Centurion Casualty Company
Thomas P. Wiffler Bolingbrook, Illinois	Business Unit CEO, E&I, United HealthCare Services Inc.

Officers

Article IV, Section 4.01 of the Company's By-Laws states that "the corporation shall have such officers as the Board of Directors, the Chief Executive Officer, if any, or the President, if any, from time to time may elect; provided, however, that the Chief Executive Officer and the President shall be elected by the Board of Directors. Any number of offices or functions of those offices may be held or exercised by the same person. The Board of Directors, the Chief Executive Officer or the President may elect officers at any time."

The following is a listing of Officers elected and serving the Company at December 31, 2022:

<u>Name</u>	<u>Office</u>
Troy A. McQuagge	Chief Executive Officer and President
Peter M. Gill	Treasurer
Daniel L. Rogoff	Secretary
Jeremey M. Schoettle	Chief Financial Officer

<u>Name</u>	<u>Office</u>
Nyle B. Cottingham	Vice President
John W. Kelly	Vice President, Tax Services
Michael C. Brody	Assistant Secretary
Heather A. Lang	Assistant Secretary
Courtney O. Mattson	Assistant Treasurer
Paul T. Runice	Assistant Treasurer

TRANSACTIONS WITH AFFILIATES

Management Services Agreement

The Company entered into a Management Services Agreement between the Company and United HealthCare Services, Inc. (UHS), effective December 23, 2019. UHS shall provide the following management and general administration services to the Company: banking, including without limitations, collections, payments and related activities, financial analysis and reporting, human resources, information technology systems and related activities, audit, legal, compliance, and regulatory affairs, facilities, including, without limitations, real estate, office equipment, and supplies, general administration, including, without limitation, tax, insurance and support, and treasury and investments. UHS shall also provide the following operational services to the Company: actuarial and underwriting, benefit design and administration, call centers, claims adjudication, cost containment, data clearinghouse and warehouse systems, data management, financial administration systems, marketing, advertising, sales, public relations, payment services, quality oversight, and third-party administration. The Company agrees to reimburse UHS's expenses for services or use of assets provided solely to the Company and the Company's portion of UHS's Expenses where the services or use of assets are shared among the Company and other Insurance Plans no later than the 15th calendar day of the month following the month that the services were provided in. This agreement may be terminated by mutual agreement of the parties, by either party upon at least 60 days prior written notice to the other

party, by either party upon at least 30 days prior written notice to the other party in the event of a material breach of this agreement by the other party unless the material breach has been cured before the end of the notice period, or upon the written order of any applicable insurance regulatory authority.

Tax Sharing Agreement

The Company entered into a Tax Sharing Agreement between the Company and UnitedHealth Group Incorporated (UHG), effective December 23, 2019. According to the agreement UHG will file a consolidated tax return that includes the Company. The Company is responsible for paying quarterly tax estimates to UHG prior to the respective due dates. Upon the filing of the consolidated tax return with the IRS for each year, UHG shall compute the underpayment or overpayment of taxes. Within sixty days of filing the return, UHG refunds any overpayment. Any underpayment of tax is due and payable by the Company to UHG within sixty days of receiving notice from UHG as to the amount due.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states, with the exception of New York, and the District of Columbia, Guam, and the Northern Mariana Islands. The Company sells individual travel insurance that offers trip cancelation coverage and travel medical insurance. The Company markets this product to consumers through its direct to consumer e-commerce site.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$4,888,108	\$7,049,881	\$3,625,380	\$3,654,246
Admitted assets	5,508,292	8,030,846	9,837,517	9,905,588
Total liabilities	12,048	423,275	24,380	277,051
Capital and surplus	5,496,244	7,607,571	9,813,137	9,628,537
Premium earned				165,664
Net investment income	211,070	63,188	24,503	33,337
Losses incurred	(6,000)			89,909
Net income	126,021	(387,644)	(195,263)	(184,800)

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2022

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$3,654,246		\$3,654,246
Cash, cash equivalents, and short-term investments	<u>6,077,859</u>		<u>6,077,859</u>
Subtotal, cash and invested assets	\$9,732,105		\$9,732,105
Investment income due and accrued	27,085		27,085
Uncollected premiums and agents' balances in the course of collection	21,248		21,248
State/premium tax receivable	150		150
Pre-funded claims receivable from administrator	<u>125,000</u>		<u>125,000</u>
Totals	<u>\$9,905,588</u>		<u>\$9,905,588</u>

Liabilities, Surplus, and Other Funds

Losses	\$ 89,909
Other expenses (excluding taxes, licenses and fees)	37,500
Current federal and foreign income taxes	7,455
Unearned premium	109,990
Remittances and items not allocated	5,711
Payable to parents, subsidiaries and affiliates	26,423
Payable for securities	<u>63</u>
Total liabilities	<u>\$ 277,051</u>
Common capital stock	\$3,000,000
Gross paid in and contributed surplus	5,500,000
Unassigned funds (surplus)	<u>1,128,537</u>
Total capital and surplus	<u>\$9,628,537</u>
Totals	<u>\$9,905,588</u>

STATEMENT OF INCOME – 2022

Underwriting Income

Premiums earned	\$ 165,664
Losses incurred	89,909
Other underwriting expenses incurred	<u>448,367</u>
Total underwriting deductions	<u>\$ 538,276</u>
Net underwriting gain	<u>\$ (372,612)</u>

Investment Income

Net investment income earned	<u>\$ 33,337</u>
Net investment gain	<u>\$ 33,337</u>

Other Income

Fines and penalties	<u>\$ (71)</u>
Total other income	<u>\$ (71)</u>
Net income before federal income taxes	\$(339,346)
Federal income taxes incurred	<u>(154,546)</u>
Net income	<u>\$(184,800)</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus, beginning	<u>\$ 46,055,488</u>	<u>\$5,496,244</u>	<u>\$7,607,571</u>	<u>\$9,813,137</u>
Net income	\$ 126,021	\$ (387,644)	\$ (195,263)	\$ (184,800)
Change in nonadmitted assets		(1,029)	829	200
Capital changes paid in			400,000	
Surplus adjustments paid in		2,500,000	2,000,000	
Dividends to stockholders	(40,685,265)			
Net change for the year	<u>\$(40,559,244)</u>	<u>\$2,111,327</u>	<u>\$2,205,566</u>	<u>\$ (184,600)</u>
Capital and surplus, ending	<u>\$ 5,496,244</u>	<u>\$7,607,571</u>	<u>\$9,813,137</u>	<u>\$9,628,537</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$1,128,537, as reported in the Company's 2022 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

No recommendations were made as a result of the previous examination.

SUBSEQUENT EVENTS

CHANGE HEALTHCARE CYBER EVENT

On February 21, 2024, UnitedHealth Group (UHG) identified a cyber security threat actor had gained access to the Change Healthcare (Change) information technology systems. Change is a clearinghouse used by providers and health insurers to facilitate claim submissions and payment processes. Change is owned by UHG. UHG has reported that it has isolated the impacted systems from other connecting systems in the interest of protecting its partners and patients, to contain, assess and remediate the incident. UHG has indicated that the event has not

resulted in unauthorized access, disruption or misuse of any information system supporting its regulated insurance entities.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:


Non-Compliance With By-Laws – It is recommended that the Company complies with its By-Laws.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, John Waitr, CFE and Caden Boesiger, Financial Examiners; and Nguyen Thai, Actuarial Examiner; all with the Nebraska Department of Insurance and Financial Examiners, and Actuarial Examiners with or contracted by the Alabama Department of Insurance, California Department of Insurance, Colorado Division of Insurance, Connecticut Insurance Department, Florida Office of Insurance Regulation, Indiana Department of Insurance, Kentucky Department of Insurance, Nevada Department of Business and Industry – Division of Insurance, New Hampshire Insurance Department, New Mexico Office of Superintendent of Insurance, New York State Department of Financial Services, Ohio Department of Insurance, Oklahoma Insurance Department, Pennsylvania Insurance Department, Texas Department of Insurance and the Wisconsin Department of Insurance; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Tadd K. Wegner, CFE
Assistant Chief Examiner
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

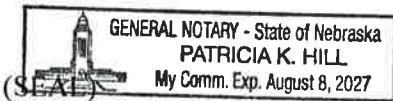
Tadd K. Wegner, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of Centurion Casualty Company.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Centurion Casualty Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Tadd K. Wegner
Examiner-in-Charge's Signature

Subscribed and sworn before me by Tadd K. Wegner on this 16 day of May, 2024.



Patricia K. Hill
Notary Public

My commission expires 8-8-27 [date].