

In re:)
)
 PFL LIFE INSURANCE COMPANY, ROBERT)
 E. BROWN, ELIAS BOLES, LOUIS BURRILL,)
 MARK A. MCCAFFERTY, AND SANTANA)
 BASU)
)
 Docket No. MCINS 97-19)

CONSENT ORDER

This Consent Order is issued in the above-captioned proceeding by Daniel L. Swift, Esq., Staff Attorney in the Bureau of Insurance (hereinafter "the Bureau"). All legal authority for rendering a decision in this matter was delegated by Superintendent Alessandro A. Iuppa (hereinafter "the Superintendent") to Daniel L. Swift, Esq. pursuant to the Superintendent's Delegation of Authority dated December 27, 1999.

On November 22, 1999, a Petition was filed before the Superintendent by Bureau of Insurance staff alleging violations by PFL Life Insurance Company, Robert E. Brown, Elias Boles, Louis Burrill, Mark A. McCafferty, and Santana Basu (hereinafter "the Respondents") of the trade practices and fraud provisions of the Maine Insurance Code. Respondent PFL, the Bureau, and their counsel subsequently met in mediation, and reached a resolution of the violations committed by Respondent PFL of 24-A M.R.S.A. §§ 1445, 2153 and 2155. A Consent Agreement with exhibits, which reflects this resolution, has been submitted for Staff Attorney Swift's review and approval.

Staff Attorney Swift hereby accepts the Consent Agreement, which is attached hereto and incorporated into this Consent Order by reference as if fully stated. The Administrative action against Respondents Brown, Boles, Burrill, McCafferty, and Basu is hereby dismissed without prejudice.

This Consent Order is an enforceable order of the Superintendent, for which any violation shall subject Respondent PFL to the civil penalties and enforcement provisions of 24-A M.R.S.A. § 12-A.

THE EFFECTIVE DATE OF THIS ORDER IS:

Dated: _____, 2001

 DANIEL L. SWIFT
 Staff Attorney

In re:)
 PFL LIFE INSURANCE COMPANY, ROBERT)
 E. BROWN, ELIAS BOLES, LOUIS BURRILL,)
 MARK A. McCAFFERTY, AND SANTANA)

CONSENT AGREEMENT

BASU)
)
Docket# MCINS 97-19)
)

INTRODUCTION

WHEREAS, a Petition was filed on November 22, 1999 with the Superintendent of the State of Maine Bureau of Insurance (hereinafter "the Superintendent") alleging violations by PFL Insurance Company, Robert E. Brown, Elias Boles, Louis Burrill, Mark A. McCafferty, and Santana Basu (hereinafter "the Respondents") of the trade practices and fraud provisions of the Maine Insurance Code; and

WHEREAS, an Answer was filed with the Superintendent by Respondents dated December 22, 1999 denying the allegations contained in the Petition and asserting certain defenses; and

WHEREAS, the Respondents, after having been advised by legal counsel, without admitting any violations of any laws, but in an effort to compromise and cooperate without resort to an adjudicatory hearing, wish to resolve all alleged violations contained in the Petition; and

WHEREAS, pursuant to 5 M.R.S.A. §9053(2) and 10 M.R.S.A. § 8003(5)(B), the Respondents and the Superintendent hereby enter into this Consent Agreement for the purpose of resolving all of the aforementioned alleged violations;

NOW, THEREFORE, the parties agree as follows:

1. The Superintendent has alleged PFL has violated 24-A M.R.S.A. § 2153(1990), because, in connection with an insurance policy issued by PFL, some of its appointed producers misrepresented the terms of the policy and the benefits and advantages promised thereby. Pursuant to 24-A M.R.S.A. § 1445, PFL is responsible for the actions of its producers.
2. The Superintendent has alleged PFL has violated 24-A M.R.S.A. § 2155(1990), because, in connection with an insurance policy issued by PFL, some of its appointed producers misrepresented the terms and conditions contained in the policy for the purpose of inducing a policyholder to surrender, exchange, convert or otherwise dispose of an existing policy. Pursuant to 24-A M.R.S.A. § 1445, PFL is responsible for the actions of its producers.
3. The Superintendent has alleged PFL has violated 24-A M.R.S.A. § 1445 by failing to supervise its appointed producers in Maine.
4. The Superintendent of Insurance has regulatory authority over the activities described herein.
5. The Respondents neither admit nor deny the allegations of the Petition.

COVENANTS

1. Respondent, PFL, ceased marketing the hospital insurance coverage referred to in the Petition in Maine in 1997 and has no current intention to sell this product in the future. All agents appointed by PFL for the purpose of selling the hospital expense coverage were terminated. PFL will continue to service existing insureds covered by valid Certificates of Insurance.
2. In the event Respondent, PFL, determines to sell a hospital expense policy in the future, PFL will ensure that its appointed producers are appropriately trained in the marketing of the insurance product.
3. In recognition of PFL's willingness to accept responsibility for the alleged misrepresentations of its producers, the administrative action against respondent producers Brown, Boles, Burrill, McCafferty, and Basu will be dismissed without prejudice.
4. Upon execution of this Agreement, PFL will pay to the State of Maine Bureau of Insurance a penalty in the amount of \$40,000, payable to the Treasurer of the State of Maine.
5. PFL will resolve the following certificate holders' claims by providing restitution in the manner established in the table below either by (a) paying to the insured (identified as "Claimant") the amount stated, (b) negotiating directly with providers for the payment of claims for which medical bills remain due and owing for the amount stated, or (c) reimbursing Medicaid for the amount it has paid:

Certificate Number	Amount
1. 70052077320	Provider \$345.00 Reimbursement to Medicaid of the amount it has paid.
2. 07802203574	Claimant \$3,170.09
3. 07052168440	Claimant \$105.95
4. 07052126831	Claimant \$699.75
5. 0702160508	Claimant \$1,536.69
6. 078002099644	Claimant \$144.42
7. 07802172318	Claimant \$1,640.00 Provider \$6,183.84
8. 07052244399	Claimant \$13,699.37
9. 07052145400	Claimant \$6,604.00
10. 07052078895	Claimant \$2,867.26
11. 07052147828	Claimant \$3,232.62
12. 07052169919	Claimant \$6,801.36
13. 07052134468	Claimant \$5,788.10
14. 070509920933	Claimant \$5,897.79
15. 07052208541	Claimant \$1,431.96
16. 07052164219	Claimant \$10,002.10

17.	07802252460	Claimant \$548.88
18.	0705217000	Claimant \$463.00
19.	07802178791	Claimant \$1,987.00 Provider \$51,426.10
20.	07052108728	Claimant \$10,862.94
21.	07050964043	Claimant \$881.00
22.	07052159383	Claimant \$25,142.75 Reimbursement to Medicaid of the amount it has paid. Notwithstanding the Claimant amount identified, the amount will be limited to any out-of-pocket payments by Claimant, which may result in a payment to Claimant in an amount less than the identified \$25,142.75 amount.
23.	07802061383	Claimant \$3,355.86
24.	07052147757 & 07052147762	Claimant combined amount of \$14,416.88
25.	07052267575	Claimant \$3,666.82
26.	07802099681	Claimant \$3,222.74
27.	07050813959	Claimant \$5,715.36
28.	07802174416	Claimant \$2,149.27
29.	07052187909	Claimant \$476.90
30.	07052147707	Claimant \$631.11
31.	7052276801	Claimant \$11,014.00 Reimbursement to Provider of the amount it has paid.
32.	07052169992	Claimant \$1,722.00
33.	07052311279	Claimant \$932.50

(A)(i) Within 14 days of the execution of this agreement, PFL and the Bureau of Insurance will send a joint letter and release in the form jointly attached hereto as Exhibit A, to each of the above insureds explaining that the Bureau of Insurance has negotiated a payment of his or her claim; payment will be made by PFL in the amount described above; if the insured is willing to accept payment, the insured must sign the enclosed release and return it as directed in the Joint Letter Agreement before any payment can be made. The insured may be required to sign an appropriate medical release form in order that PFL negotiate such amounts. If there is no response within the time limited in any joint letter, then the Bureau of Insurance, through Arthur Hosford, Esq. or his designee, shall make a good faith effort to contact the Claimant within 30 days and finalize a settlement. If there is a failure of that effort within the time limited or Claimant's continues to be non-responsive, then the settlement offer shall be taken as rejected. PFL shall use its best efforts when negotiating settlement with any provider of services to require, as part of the settlement, that the provider correct any adverse credit report or notation which was accrued as a result of failure to pay by the Claimant/Insured.

(ii) Within 10 business days of receipt of the release, PFL shall issue a check to the insured.

(iii) If the insured is unwilling to accept the settlement, he or she will be asked to sign and return to the Bureau of Insurance a form refusing to accept the settlement. The form will indicate that by refusing to accept the settlement, the insured will be paid nothing as a result of this Agreement but may pursue any private legal remedy which may or may not be available to him or her. A copy of the form to be used is attached hereto as Exhibit B. The refusal to accept the settlement amount negotiated between PFL and the Bureau of Insurance will not impact the Bureau's agreement to release PFL for any claims of misrepresentation relative to that insured. The failure of the insured to return the refusal form within 30 days of its mailing shall be considered a refusal to accept the settlement amount negotiated.

6. All claims referenced in this Consent Agreement shall be promptly satisfied by PFL. In any event, all claims shall be resolved within six months of the date of this Consent Agreement. In the event that the parties agree that a good faith effort is being made to resolve the matters they may extend this time by motion appropriately filed and determined.

7. PFL agrees that there shall be no limitation placed upon the amount that may be required to pay to settle the claims. Additionally, PFL agrees that, for the purposes of this Consent Agreement, and the procedures established hereby, no statute of limitations shall be recognized. No waiver of the statute of limitations shall otherwise apply including that to any claimants who have rejected or failed to accept the settlement proposal.

8. PFL shall file with the Superintendent of Insurance a monthly summary of claims activity for the prior month within 5 days after the end of that month. Such summaries shall be filed until such time as all claims have been fully resolved. The summaries shall include the Certificate number, the amount of the claim, the amount owed providers, the amount owed the insured, the date settled, the amount of the settlement, the date of payments made including the amount of each payment and to whom the payments were made. The name of the person generating any such summary and the appropriate contact person for any questions shall be noted in the summary.

9. Any letters, notices or releases required by this Agreement shall be given in writing to the company at the following address:

Jon R. Doyle, Esq.
Doyle & Nelson
150 Capitol Street
Augusta, Maine 04330
Tel. (207) 622-6124
Fax (207) 623-1238

Mary Tresnak, Esq.
Associate General Counsel
PFL Life Insurance Company
4333 Edgewood Road, N.E.
Cedar Rapids, IA 52499

Tel. (319) 398-8590
Fax (319) 369-2206

Gilbert Vasquez
Insurance Center
9151 Grapevine Highway
N. Richland Hills, TX 76190
Tel. (817) 255-3112
Fax (817) 255-8379

Unless otherwise specified by the insured or the Bureau of Insurance, letters, notices or releases shall be delivered to the insured at the last known business or residence address. Notices, letters and releases may be given by first class mail, overnight delivery or hand delivery. Each notice, letter or release shall be deemed to have been received on the date on which it was delivered or, in the case of first class mail, three days after the date of mailing.

10. Compliance with this Agreement and cooperate efforts to settle all identified claims shall be through specific representatives of each party. The Bureau contact shall be Arthur J. Hosford, Esq. PFL's contact shall be Mary J. Tresnak, Esq. and Jon R. Doyle, Esq.

11. A formal hearing in this matter is hereby waived and no appeal shall be taken.

12. This Agreement shall not become effective unless and until accepted by the Superintendent of Insurance. Once effective, it shall be an enforceable order of the Superintendent pursuant to 24-A M.R.S.A. § 12-A.

13. In consideration of PFL's execution of and compliance with the terms of this Agreement, the Superintendent shall forego the pursuit of disciplinary measures or other civil sanctions against PFL for the specific allegations of misrepresentation set forth in the Petition.

14. In those instances where PFL has settled with the provider, it shall use its best efforts to provide an appropriate correction as part of the negotiated settlement with the provider of any credit record entered into the matter, so that the record reflects the failure to pay was not due to actions of the debtor.

MISCELLANEOUS

1. PFL understands and acknowledges that this Agreement shall constitute a public record within the meaning of 1 M.R.S.A. § 402 and shall be available for public inspection and copying as provided in Section 408 therein and will be reported to the NAIC "RIRS" database.

2. This Agreement shall not effect any private rights or private interests of any person who is not a party to this Agreement nor shall it be offered as evidence in any proceeding in any court or administrative proceeding.

3. This Agreement may be modified only upon the written consent of the parties hereto.

4. PFL acknowledges that it has had full and ample opportunity to consult with its counsel over the terms of this Agreement.

Dated:

PFL LIFE INSURANCE COMPANY
NAIC #86231

By: _____

Title _____

RESPONDENTS

Dated:

By: _____

Robert E. Brown

Dated:

By: _____

Elias Bowles

Dated:

By: _____

Louis Burrill

Dated:

By: _____

Mark A. McCafferty

Dated:

By: _____

Santana Basu

STATE OF _____

_____, ss

_____, 2001

Personally appeared the above-named _____ in his/her capacity as _____ of PFL Life Insurance Company and acknowledge the foregoing signature to be his/her free act and deed, individually and in said capacity.

Before me,

NOTARY PUBLIC

Printed Name

Dated: _____, 2001

ALESSANDRO A. IUPPA
Superintendent of Insurance

STATE OF MAINE
KENNEBEC, ss

_____, 2001

Personally appeared the above-named Alessandro A. Iuppa in his capacity as Superintendent of Insurance and acknowledge the foregoing signature to be his free act and deed, individually and in said capacity.

Before me,

NOTARY PUBLIC

Printed Name

Dated: _____, 2001

THOMAS C. STURTEVANT, JR.
Assistant Attorney General

STATE OF MAINE
KENNEBEC, ss

_____, 2001

Personally appeared the above-named Thomas C. Sturtevant, Jr. in his capacity as Assistant Attorney General and acknowledge the foregoing signature to be his free act and deed, individually and in said capacity.

Before me,

NOTARY PUBLIC

Printed Name

APPROVED RELEASE
STATE OF MAINE
BUREAU OF INSURANCE
_____, 2001
IN RE: PFL LIFE INSURANCE

RECEIPT AND GENERAL RELEASE

1. For and in consideration of the sum of DOLLARS (\$_____) _____ (hereinafter referred to as "RELEASOR"), does hereby release, discharge and acquit PFL LIFE INSURANCE COMPANY, and its representatives, including, without limitation, its predecessors, successors, subsidiaries, assigns, agents, employees, directors, officers, and attorneys (hereinafter collectively and individually referred to as "RELEASEES") of and from any and all claims, demands, sums of money, actions, rights, causes of action, obligations and liabilities of any kind or nature whatsoever which arise out of or are in any manner whatsoever, directly or indirectly, connected with or related to:

- a. Group Policy of Insurance No. _____ issued by _____ to the National Association For The Self-Employed, Certificate of Insurance No. _____ issued by _____ to and any insurance coverage evidenced thereby (hereinafter collectively "said Certificate");
- b. Any and all claims, or asserted claims, or failure or delay of RELEASEES to recognize or grant such claims, by or on behalf of RELEASOR for benefits under said Certificate; or
- c. Any act, omission, transaction, dealing or communication of any kind whatsoever between RELEASEES and RELEASOR, or between or among any person or persons acting or purporting to act on their respective behalfs.

2. RELEASOR further agrees and acknowledges that all future claims, if any, will be paid subject to all the terms, limitations and maximums set out in the Certificate and the Certificate Schedule Page.

3. RELEASOR warrants, represents and agrees that, in executing this Receipt and General Release and in accepting the amount of \$ _____ hereinabove referred to, _____ does so with full knowledge of any and all rights which RELEASOR may have under said Certificate as against RELEASEES or with regard to the facts involved in

connection with the controversies herein compromised. In this regard, RELEASOR understands, acknowledges and agrees that such payment is not an admission of liability on the part of RELEASOR but to the contrary represents a compromise of asserted claims. RELEASOR understands that in some cases an amount may have been paid directly to a provider of services on RELEASOR's behalf.

4. RELEASOR further states that _____ is not relying and has not relied on any representation or statement made by RELEASOR, their agents, their attorneys, or any of them, with respect to the facts involved in connection with said Certificate and said controversies or with regard to RELEASOR's rights or asserted rights. RELEASOR hereby assumes the risk of any mistake of fact with regard to said controversies or with regard to any of the facts which are now unknown to RELEASOR relating thereto.

5. RELEASOR represents and warrants that no action or proceeding of any kind or nature whatsoever arising out of, based on, or in any way connected with the claims and causes of action released here has been or will be filed by _____ or on _____ behalf and that any complaint made to the State of Maine Bureau of Insurance, whether orally or in writing, formal or informal, has been satisfied in full. RELEASOR agrees to sign any and all additional documents which may be necessary to fully discharge and acquit this matter.

6. RELEASOR represents and warrants that no other person, estate or entity has had or now has any interest in and to any claim, cause of action, suit or demand arising out of, based on in any way connected with the matters released herein; and that RELEASOR has the sole and complete right and authority to compromise, settle, release and discharge all such claims, causes of action, suits and demands.

7. RELEASOR hereby agrees that neither _____ nor _____ agents will at any time discuss with or report to anyone or any entity, other than the parties to this agreement or his or her immediate family the substance of any issues raised by any claims by Releasor, the substance of settlement of said claims, including the terms and conditions thereof and the facts and matters upon which settlement is based, except that this prohibition shall not extend to matters which do not go to the underlying basis of the agreement and which would be viewed as de minimus disclosures which bear on facts which are not a material part of consideration for this agreement.

8. In the event that the RELEASOR has not made full disclosure of all facts surrounding the underlying basis of the claim, including but not limited to possible other Claimants as a result of the facts involved, then RELEASOR agrees to indemnify, defend and hold harmless RELEASOR from and against all claim, damages, obligations, actions, causes of action, damages, costs, and expenses with respect to any claim RELEASOR or any other person, creditor, entity, hospital, clinic or health provider or anyone else may assert against RELEASOR in connection with the-said Certificate with respect to insurance coverage for RELEASOR or any matters released hereunder. In such instance, RELEASOR further agrees and acknowledges that any such claims or demands for payment or reimbursement from any creditor for any services or expenses whatsoever shall be RELEASOR's sole responsibility to pay. RELEASOR agrees to indemnify, defend and hold harmless RELEASOR from and against all

disputed claims under the terms of my PFL certificate of insurance. PFL and the Bureau of Insurance agreed to settle the disputed claims due to certain alleged misrepresentations made to me during the marketing and sale of the product.

I understand that by rejecting this settlement offer, I will receive nothing as a result of the consent agreement entered into between PFL and the Bureau of Insurance. I further understand that by rejecting the settlement offer I have not prejudiced any independent cause of action which I may or may not have against PFL or the producer of the insurance policy and that if I bring a cause of action there may be defenses available to PFL Insurance Company which they have not and do not waive. I understand that any settlement offer or agreement may not be used in any other civil action involving PFL or its producers as an admission of liability.

Dated: _____

STATE OF MAINE

_____, ss

Personally appeared this _____ day of _____, 2001, the above-named _____ and acknowledged the foregoing signature to be his/her free act and deed.

Before me,

NOTARY PUBLIC

DATE

ADDRESS

Re: Your Complaint Against PFL Life Insurance Company

Dear SURNAME

This letter is to inform you that the State of Maine Bureau of Insurance and PFL Life Insurance Company have reached an agreement as to the resolution of your complaint filed with the Bureau. The Bureau's understanding of the substance of your complaint is that you purchased a health insurance policy from a producer representing PFL but the policy terms were not as represented to you by the producer. As a result, claims that you believed would be covered by the policy were denied by PFL.

As part of the agreement entered into between PFL and the Bureau, you are to receive payment of your claims in the amount of \$_____. Additionally, PFL may negotiate directly with your providers for payment of outstanding medical bills. Any payments for outstanding medical bills will be made directly to providers and not sent to you.

If you are willing to accept the above-mentioned payment, you must sign the enclosed release and return it to Arthur Hosford, Esq., Staff Attorney for the Bureau of Insurance, in the enclosed envelope by _____. This offer of payment expires on that date. No payment will be made until PFL has received the signed release. By signing the release, you are agreeing that you will not pursue any further complaints against PFL with the Bureau of Insurance regarding the claims which are the subject of your original complaint.

If you are not willing to accept the above-mentioned payment, the Bureau of Insurance requests that sign the enclosed Rejection of Settlement form and return it to Mr. Hosford in the enclosed envelope. By rejecting the settlement, you will be paid nothing and the Bureau of Insurance will take no further action on your complaint. Rejection of the settlement will have no effect on any private cause of action you may or may not have.

It is important that you act on the agreed upon settlement payment immediately. If you have any questions you may contact Mr. Hosford at (207) 624-8429 or you may wish to contact your on attorney to review your options.

Jon Doyle, Esq.
Counsel for PFL

Thomas C. Sturtevant, Jr., AAG
Counsel for the Bureau of Insurance

Enclosures

1. Receipt and Release
2. Rejection of Settlement Offer