

STATE OF TEXAS,
Plaintiff,

v.

AMERICAN HERITAGE LIFE
INSURANCE COMPANY,

Defendant.

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IN THE DISTRICT COURT
OF TRAVIS COUNTY, TEXAS
TRAVIS COUNTY, TEXAS

53rd JUDICIAL DISTRICT

Filed in The District Court
of Travis County, Texas
SEP - 7 2007
At
Amalia Rodriguez-Mendoza, Clerk

ASSURANCE OF VOLUNTARY COMPLIANCE

This Assurance of Voluntary Compliance ("AVC") is entered into this day by and between the State of Texas, acting through its Attorney General Greg Abbott, and American Heritage Life Insurance Company ("AHLIC"), as follows:

1.0

RECITALS

1.1 AHLIC writes and sells credit life and credit health insurance policies in Texas, pursuant to TEX. INS. CODE § 1153, through a network of motor vehicle dealers, pursuant to TEX. INS. CODE § 4055.104. For the most part, the policies sold by AHLIC to purchasers of motor vehicles are "single premium policies." When purchasing single premium policies, an insured pays the premium for the entire period of insurance coverage, which can be up to six years, in one payment and the cost of the premium is financed as part of the insured's retail installment loan.

1.2 The Consumer Protection and Public Health Division of the Office of the Attorney General ("CPD") is authorized to investigate and bring actions on behalf of the State of Texas for possible violations of the Deceptive Trade Practices - Consumer Protection Act, TEX. BUS. & COM. CODE ANN. § 17.41, *et seq.* (the "DPTA"), the TEX. INS. CODE ANN. § 541, *et seq.*

(formerly TEX. INS. CODE ANN. Art. 21.21, *et seq.*) and the rules and regulations promulgated thereunder (“TEX. INS. CODE Chapter 541”).

1.3 On October 21, 2004, CPD initiated an investigation of AHLIC regarding the company’s practices and procedures relating to the refund of unearned premium for single premium policies sold in the State of Texas. CPD issued Civil Investigative Demands (“CIDs”) to AHLIC, pursuant to § 17.61 of the DTPA, and sent related CIDs to companies providing financing to purchase motor vehicles, requesting information about retail installment loans—protected by credit life and credit health insurance policies—that were paid off by the borrowers before the scheduled maturity dates.

1.4 Comparing common points between the data provided by AHLIC with the data provided by the automobile finance companies, the Attorney General’s Office alleges that it tentatively identified 5,215 AHLIC insureds whose retail installment loans had terminated early at some point between the years 2002 and 2006 but who have not received refunds of unearned premiums.

1.5 This lawsuit was commenced by the State of Texas on March 13, 2007, with Plaintiff’s Original Petition complaining of AHLIC, and alleging violations of the DPTA and TEX. INS. CODE Chapter 541.

1.6 This AVC is a settlement of a disputed matter.

2.0

ATTORNEY GENERAL’S ALLEGATIONS

2.1 With regard to the typical single premium credit insurance policy, the insurance company fully earns the premium upon completion of the policy term, assuming no claim is made and accepted on the policy; however, if the policy is canceled by the insured or if the

underlying debt is paid off before the end of the policy term, a portion of the premium may be “unearned,” and a refund or credit of unearned premium may be due the insured.

2.2 In relevant part, regarding the refund of unearned premiums, AHLIC’s policy for single premium credit insurance states:

This insurance stops when: Beginning from the Effective Date in the Schedule, the number of months in the Term of Insurance has passed or, when your debt is paid off, renewed, refinanced, or otherwise stops, whichever happens first. If your insurance stops before the Term of Insurance has passed, you will be given a refund or credit of unearned premium on your debt without prejudice to a claim which originates before this insurance stops.

AHLIC 2307-TX (06/06).

2.3 In relevant part, regarding the refund of unearned premiums, AHLIC’s policy for Group Credit Insurance states:

In the event of termination of the insurance prior to its scheduled maturity date, any refund of an amount paid by the Debtor for insurance shall be paid promptly to the person entitled thereto or credited to the next payment or payments due on the indebtedness.

AHLIC Policy FPM2307TX(1131)(1153)(05/04).

2.4 Regarding the refund of unearned premiums, the Texas Insurance Code states that each individual or group policy issued in Texas “shall provide that if the underlying debt or the insurance terminates before the scheduled maturity date of the debt, including the termination of a debt by renewing or refinancing the debt, the refund of any amount paid by or charged to the debtor for insurance shall be paid or credited to the person entitled to the refund.” TEX. INS. CODE § 1153.202.

2.5 The Attorney General alleges that the Texas Insurance Code and Texas Administrative Code provisions relating to credit insurance require AHLIC to: (a) promptly refund any unearned credit insurance premiums due their insureds upon the early termination of their insureds’ underlying debts; (b) establish procedures to determine when their insureds have

terminated their motor vehicle contracts before their scheduled maturity date; and (c) distribute refund schedules to creditors who hold the retail installment contracts of AHLIC insureds. The Attorney General further alleges that the provisions of the Texas Insurance Code and Texas Administrative Code applying to credit life and credit health policies for retail installment loans that terminated between 2002 and 2006 did not require any affirmative act on the part of insureds, including providing notice to the credit insurance company of the early termination of their underlying retail installment loans, as a condition precedent to receiving a premium refund. Effective September 1, 2007, the Texas Insurance Code will require that a holder of an underlying retail installment loan submit a notice to an insurer when an underlying debt or the credit insurance terminates before originally scheduled.

2.6 The Attorney General alleges that AHLIC has not made refunds of unearned credit insurance premiums due to all eligible insureds, pursuant to the requirements of the Texas Insurance Code and the Texas Administrative Code, and has retained these premiums in violation of § 17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541.

2.7 The Attorney General alleges that AHLIC makes statements to insureds that imply certain actions must be taken before refunds of unearned credit insurance premiums will be made, when such actions are not required by their insurance policies or applicable law, in violation of § 17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541.

2.8 The Attorney General alleges that AHLIC has failed to establish procedures to make certain that it will be timely informed by creditors holding the motor vehicle retail installment loans of its insureds that the insureds' motor vehicle retail installment loans have been paid off early, in violation of § 17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541.

2.9 The Attorney General alleges that AHLIC has failed to adequately supervise the performance of their agents in making premium refunds, in violation of § 17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541.

3.0

AHLIC'S ALLEGATIONS AND DENIAL

3.1 AHLIC has denied and continues to deny the Attorney General's allegations, including those in section 2 of this Agreement, but in the interest of avoiding the time, expense, and uncertainty of litigation, and to maintain goodwill with its insureds, desires to settle and compromise its disputes and differences regarding the Attorney General's allegations. This is a compromise of a disputed claim and AHLIC enters into this AVC without admitting any liability, which liability is expressly denied, and without agreement by any party to any of the allegations or defenses made by another party. Nothing contained herein shall be deemed an admission of liability or wrongdoing of any kind.

4.0

PARTIES' AGREEMENT

4.1 In consideration of the mutual promises and covenants herein contained, the State of Texas and AHLIC agree as follows:

WAIVER OF CLASS ACTION RELEASE

4.2 AHLIC shall waive enforcement of any release contained in any class action settlement agreement related to AHLIC's unearned credit insurance premium refund practices approved by any state or federal court after the effective date of the AVC, but solely as to AHLIC insureds: (a) who purchased credit insurance in the State of Texas; and (b) whose retail installment loans terminated early between January 1, 2002 and December 31, 2006, but who did not receive refunds of unearned credit insurance premiums. Said waiver shall be solely and

exclusively for the limited, express purpose of carrying out the provisions of this AVC. AHLIC does not waive enforcement of the release set forth in any class action settlement regarding unearned credit insurance premiums to any other extent or for any other purpose.

PREMIUM REFUNDS TO KNOWN INDIVIDUALS

4.3 Contemporaneous with the execution of this AVC, the Attorney General shall provide AHLIC with a report (hereafter referred to as the "Report"), in electronic format, listing certain AHLIC insureds who purchased credit insurance in the State of Texas and whose retail installment loans appear to have terminated early between January 1, 2002 and December 31, 2006, but who did not receive refunds of unearned credit insurance premiums. The Attorney General's Legal Technical Support Division developed the Report using data provided by AHLIC and data provided by major motor vehicle creditors in response to CIDs and/or subpoenas. Upon the execution of this AVC and before receiving the Report, AHLIC shall present to the Attorney General signed protective orders or confidentiality agreements governing the use of information provided by creditors AmeriCredit Corporation, Ford Motor Credit Company, DaimlerChrysler Financing Services American, LLC, Mitsubishi Motors Credit of America, Inc., First Investors Financial Services, Inc., and Capital One Auto Finance, Inc. Apart from its specific obligations under said orders and confidentiality agreements, AHLIC shall maintain the information contained in the Report in confidence under proper safeguards and will use it solely for the purpose of complying with this AVC. Distribution of the information in the Report within AHLIC will be limited to those individuals necessary to carry out AHLIC's duties under this AVC. AHLIC shall inform those individuals that the information may not be disclosed other than to AHLIC employees or agents participating in carrying out of the terms of the AVC and with respect to information pertaining to a specific customer, to that customer.

4.4 Data in the Report will be grouped by creditor and year of payoff and shall include the following information: name and address of the insured, name of the auto dealer who sold the policy, the address of the auto dealer if known, the effective or contract date of the policy, the scheduled maturity date of the loan, the payoff date of the loan (as provided by the listed creditor), the AHLIC policy number, and the estimated refund amount, which represents the premium refund by AHLIC plus 7% simple interest on that amount, calculated on an annual basis, beginning sixty (60) days from the date the insured's retail installment loan was paid off and ending with the effective date of this AVC. All estimated premium refund amounts calculated by the Attorney General will be calculated taking the average of the Rule of 78 and the Pro-Rata methods.

4.5 AHLIC shall have ninety (90) days from the effective date of this AVC to review the Report to determine if the insureds listed in the report have already received premium refunds from AHLIC or its agents, or if the insureds are not due refunds pursuant to 28 TAC §§ 3.5901–3.5906 and § 3.5104. By ninety one (91) days after the AVC's effective date, AHLIC shall submit to the Attorney General proposed revisions to the Report, if any, including a list of insureds that AHLIC contends have already received premium refunds in an amount required by the terms of each insured's policy or do not qualify for a refund and proof supporting these contentions. Proof shall include, but not be limited to, some or more of the documents described below, each of which may be produced in electronic format, provided the Attorney General agrees to that format:

- (a) receipts evidencing cash payment of a refund;

- (b) documents, including spreadsheet compilations, that evidence the premium refund check number, date of the check, bank name, and insured to whom the premium refund check was mailed;
- (c) documents evidencing that an insured's premium refund was credited to the insured's indebtedness, provided that such credit was applied to the indebtedness to which the insurance charges were attributable;
- (d) documents evidencing that a credit life benefit was paid on the insured's policy;
- (e) documents evidencing that credit health benefits were used to pay off the indebtedness of an insured in a single payment;
- (f) documents evidencing that an insured's loan terminated because the insured's motor vehicle was repossessed, and that a premium refund check or credit was sent to the insured or the insured's creditor;
- (g) AHLIC electronic records evidencing cancellation of a policy and payment of life or health premium refund to the insured or the insured's creditor; *or*
- (h) records that show the premium refund is \$3 or less.

All proof submitted evidencing that an insured or the insured's creditor has already received a refund or that an insured was not qualified to receive a refund should reference the specific policy number and type of insurance (*e.g.*, credit life or credit health) to which it applies and be accompanied by a brief narrative explanation.

4.6 If AHLIC and the Attorney General agree that an insured is not entitled to a premium refund, that insured shall be removed from the Attorney General's Report. If AHLIC and the Attorney General cannot agree on whether an insured is entitled to a premium refund, each party may submit proof, as defined by this section, in support of its position to a Claims

Arbiter; to be jointly chosen by the Attorney General and AHLIC and paid by AHLIC. If AHLIC and the Attorney General are unable to agree on a Claims Arbiter, the 53rd Judicial Court of Travis County, Texas, shall select the Claims Arbiter. The Claims Arbiter shall exercise independent judgment in good faith to determine whether a preponderance of the evidence indicates that an insured is entitled to a refund. The parties may submit disputes about an insured's eligibility for a refund to the Claims Arbiter for up to one hundred five (105) days from the AVC's effective date. The Claims Arbiter's decision as to an insured's eligibility shall be binding upon the Attorney General and AHLIC. The Claims Arbiter's decisions shall not be binding upon individual insureds and any right or cause of action that they may assert in any other proceeding. The Claims Arbiter must provide its determination of all disputed claims within one hundred ten (110) days of the effective date of the AVC. Any claim referred to the Claims Arbiter for whom the Claims Arbiter fails to submit a decision within one hundred ten (110) days of the effective date of the AVC will be included in the Attorney General's first revised report referenced below and payment will be made to the insured according to the procedure set out in section 4.8 *infra*. Should AHLIC require additional information on an insured listed in the Report to determine if the insured is eligible for a refund, AHLIC may seek that information in good faith, on a case by case basis, as needed.

4.7 Within one hundred thirty (130) days from the effective date of the AVC, the Attorney General shall present a revised report ("the Revised Report") in electronic format to AHLIC with the names of those insureds who shall receive premium refunds—omitting the names of insureds who the Attorney General and AHLIC agree are not entitled to premium refunds and omitting the names of insureds who the Claims Arbiter determines are not entitled to premium refunds.

4.8 Within thirty (30) days of the receipt of the Revised Report, AHLIC shall issue a refund check or draft to each individual listed on the Revised Report. The amount of this refund will be in an amount required by the terms of each insured's policy, plus 7% simple interest calculated on an annual basis beginning sixty (60) days from the date the policy was canceled and ending on the effective date of the AVC.

4.9 Each check or draft sent to insureds listed in the Revised Report shall be mailed by first-class mail (with address correction requested) to the address listed for the insured in the Revised Report. All checks or drafts returned to AHLIC with a corrected address shall be forwarded by AHLIC to such corrected address. Any checks or drafts that are undeliverable shall be maintained by AHLIC for a period of three (3) years from the issue date of the check or draft and subject to TEX. PROP. CODE ANN. §§ 72.001–74.710. AHLIC shall maintain a log of all checks or drafts that are undeliverable as well as all checks or drafts that are not cashed. AHLIC shall pay all of its costs in connection with issuing refunds under this AVC.

4.10 Each refund check or draft issued to insureds listed in the Revised Report shall be accompanied by a letter in the form attached hereto as **Exhibit A**. The letter and check and/or draft shall be mailed in a standard AHLIC business envelope, displaying the name and logo for AHLIC, which shall also state prominently on the outside, "IMPORTANT INFORMATION REGARDING YOUR PREMIUM REFUND."

**NOTICE AND CLAIM PROCEDURES FOR INSUREDS
ENTITLED TO PREMIUM REFUND BUT NOT YET IDENTIFIED**

4.11 AHLIC shall create and maintain a claims website (the "Claims Website") beginning sixty (60) days from the effective date of the AVC and continuing until two hundred ninety five (295) days after the effective date of the AVC. The claims website, which can be specifically devoted to potential claims under the AVC, will inform potential claimants of their

right to file a claim for unearned premium refunds pursuant to this AVC and allow them to request the claims package attached hereto as **Exhibits B, C, and D**.

4.12 The Claims Website shall include the content of the attached **Exhibit E**, a link to a form for ordering a claims package and a section for "Frequently Asked Questions." Visitors to the Claims Website will be able to request a claims package by entering their names and addresses in a website form. AHLIC shall mail the claims package no later than three (3) business days after receiving such online request.

4.13 AHLIC shall also send the claims package to any individual requesting a claims package by telephone. AHLIC shall mail the claims package no later than three (3) business days after receiving such request. AHLIC shall continue mailing claims packages for two hundred ninety five (295) days from the effective date of the AVC. Individuals need provide only their name and address either verbally or in writing to receive a claims package.

4.14 AHLIC shall maintain a log of all requests for claim packages whether made online, by telephone, or by mail. All claims packages sent pursuant to this AVC shall be sent in a standard AHLIC business envelope, displaying the name and logo for AHLIC, which on the outside shall state prominently, "IMPORTANT INFORMATION REGARDING PREMIUM REFUND CLAIMS." Each claims package shall be mailed by first-class mail with address correction requested. All claims packages returned by the U. S. Postal Service because of incorrect addresses will be mailed once to the corrected address, if supplied by the Postal Service. Every sixty (60) days from the effective date of the AVC up to three hundred sixty (360) days after the effective date of the AVC, AHLIC shall present the Attorney General, in electronic and paper format, a list of individuals requesting a claims package, a list of individuals (including their addresses) to whom claims packages were sent and the date of the mailing, a list

of individuals to whom claims packages were sent to corrected addresses, and a list of individuals to whom claims packages were sent but were undeliverable.

4.15 AHLIC shall accept claims submitted on the form attached as **Exhibit C** ("Claim Form") for a period of up to thirty (30) days from the date that AHLIC mailed the claims package. The Claim Form provides two options for individuals making a claim. For any Claim Form on which the insured has selected "Option One," AHLIC shall have sixty (60) days from receipt of the Claim Form to make a good faith determination if a refund should be made to the claimant in accordance with the requirements of the policy, 28 TAC §§ 3.5901–3.5906, and § 3.5104. If AHLIC has failed to make a determination within this time period, then the presumption shall be that the insured is entitled to a refund and payment shall be made to the insured according to the procedures set out in section 4.18 *infra*. For each "Option One" Claim Form submitted, AHLIC shall accept the following documents as prima facie proof of a loan payoff: (a) a copy of a notice from a motor vehicle creditor evidencing payoff; (b) a copy of a motor vehicle title showing a lien release date; (c) a copy of a cover letter showing the transmittal to the insured of a clear motor vehicle title; and (d) any other document from a motor vehicle creditor stating that a customer's motor vehicle retail installment loan was paid off. Failure of any insured to submit a Claim Form within thirty (30) days after AHLIC mailed the claims package shall in no way limit individual insureds from asserting any private right or cause of action in any other proceeding.

4.16 If AHLIC determines that the documents providing proof of payoff are insufficient because they fail to provide an insured's name, address, loan payoff date, or other necessary information, AHLIC shall treat the claim as being made under Option Two of **Exhibit C**, and proceed according to the procedures for Option Two claims set out below.

4.17 For each of the Claim Forms received by AHLIC where the insured selected Option Two, as described in **Exhibit C**, AHLIC shall make a good faith effort through a search of its records, and those of its agents, to determine if the claimants' retail installment loans terminated before their scheduled termination date and whether the claimants are owed a refund of unearned premium, completing that research no later than ninety (90) days after receiving the claim. This research shall involve contacting the insured's original motor vehicle dealer and the holder of the insured's motor vehicle retail installment loan, if known, by telephone or in writing, to determine when the insured's retail installment loan was terminated, using **Exhibit D**, if required.

4.18 After completing its review of Option One and Option Two claims, AHLIC shall issue refund checks for the full amount of unearned credit insurance premiums to each and every insured it has determined to have paid off his or her motor vehicle retail installment loan before its maturity date and is owed a refund of unearned credit insurance premium in accordance with the requirements of the policy, 28 TAC §§ 3.5901–3.35906, and § 3.6101(b). These refunds shall be processed no later than (a) sixty five (65) days after receipt of a claim for refund under Option One; or (b) ninety five (95) days after receiving an Option Two claim or an Option One claim that is being treated as an Option Two claim pursuant to section 4.16 of this AVC. The amount of the refund shall include simple interest in the amount of seven percent (7%) calculated annually, beginning sixty (60) days from the date the insured's retail installment loan was paid off and ending with the effective date of the AVC. Such refunds will be accompanied by a letter in the form attached as **Exhibit F** and mailed in the type of envelope and subject to all of the procedures set out in sections 4.9 and 4.10. Any checks or drafts returned to AHLIC that are undeliverable shall be maintained by AHLIC for a period of three (3) years from the issue date of

the check or draft and subject to TEX. PROP. CODE ANN. §§ 72.001–74.710. AHLIC shall maintain a log of all checks or drafts returned as undeliverable as well as all checks or drafts that are not cashed. AHLIC shall pay all of its costs in connection with the issuing of refunds under this AVC.

4.19 If AHLIC determines in good faith that a claimant selecting either Option One or Two does not qualify for a premium refund or has already received a premium refund, AHLIC shall send the claimant the letter attached as **Exhibit G**, identifying the reason for the denial. AHLIC shall mail such a letter not later than (a) sixty five (65) days from the receipt of an Option One claim; or (b) ninety five (95) days from receipt of an Option Two claim or an Option One claim that is being treated as an Option Two claim. Such a letter will also be mailed in the type of envelope described in section 4.10. AHLIC's determination that a claimant is not owed a refund is not binding as to any individual right or cause of action that may be asserted in any other proceeding or cause of action.

4.20 Twelve (12) months after the effective date of this AVC, AHLIC shall file a verified report with the Attorney General that shall state:

- (a) the total dollar amount of premium refunds, including interest, mailed to insureds pursuant to this AVC;
- (b) the total number of claims for refunds submitted, the number of claims where refunds were owed, and the number of claims where no refunds were owed;
- (c) the total number of insureds to whom checks or drafts were mailed;
- (d) the total number and dollar amount of negotiated (cash) checks or drafts;
- (e) the total number and dollar amount of returned checks or drafts;

- (f) a list of insureds to whom checks or drafts were sent, including the addresses of the individual insureds and the amount of interest paid to each individual insured as part of their refund;
- (g) a list of claimants who were determined not to be owed premium refunds, including their names and addresses and a short explanation of why they were not entitled to a refund;
- (h) a list of insureds to whom checks or drafts were mailed and the checks or drafts were returned;
- (i) a list of insureds to whom checks or drafts were mailed but the checks or drafts were not cashed;
- (j) a list of individuals to whom claims packages were mailed but the claims packages were returned;
- (k) the total number and dollar amount of checks or drafts unclaimed and that will be turned over to the abandoned property fund pursuant to TEX. PROP. CODE ANN. §§ 72.001–74.710 if they remain unclaimed.

RELEASE

4.21 Each check or draft issued pursuant to the terms of this AVC may also include on the back of the check or draft a release as follows: “I release American Heritage Life Insurance Company and its agents, officers, and employees from any and all liability related to or arising out of this premium refund.” No other release shall be required of individuals receiving refunds under this AVC.

CHANGES TO PREMIUM REFUND PROCEDURES

4.22 From the effective date of this AVC forward, AHLIC shall use best efforts to conform its current procedures to comply with TEX. INS. CODE Chapter 1153 (and any

subsequent re-codification or re-numbering of this Chapter) and all rules and regulations promulgated under Chapter 1153 by the Texas Department of Insurance, including any amendments or modifications to those regulations made after the effective date of this AVC and any rules not yet promulgated by the Texas Department of Insurance as of the effective date of this AVC.

4.23 Before January 1, 2008, AHLIC shall send to each of its insureds who, between February 1, 2007 and August 31, 2007, purchased from a Texas motor vehicle dealer credit insurance covering a motor vehicle retail installment loan—with the exception of those insureds who already received refunds of unearned credit insurance premiums or whose policies are no longer active—a letter in the form attached hereto as **Exhibit H**.

CONTACT INFORMATION

4.24 To the extent that the terms or context of this AVC, or the exhibits attached hereto, require that AHLIC provide a toll-free number or an address to receive inquiries or requests for information, AHLIC shall take all necessary steps to establish and maintain the number or address in order to effectuate this AVC, including providing sufficient staff and resources to efficiently receive and process information and respond to inquiries and requests.

ATTORNEYS' FEES AND COSTS OF INVESTIGATION

4.25 On or before September 14, 2007, AHLIC shall pay \$100,000 to the Office of the Attorney General for attorneys' fees, expenses, and investigative costs. Failure to pay within the designated time period shall be a material breach of this agreement.

5.0

COURT APPROVAL

5.1 The parties agree that they will submit this AVC to a court of competent jurisdiction in Travis County, Texas, and request that the court approve and enter this AVC pursuant to the terms set forth in this AVC and TEX. BUS. & COM. CODE § 17.58.

5.2 The “effective date” of the AVC shall be the day it is approved by the court. If the court does not approve this AVC, this AVC shall become null and void.

5.3 If any federal or Texas law, rule or regulation creates a new statutory or regulatory provision that materially conflicts with the terms of this AVC, then this AVC shall be automatically modified to reflect and incorporate that law, rule, or regulation prospectively from the date the new provision becomes effective. For the purposes of this AVC, a material conflict exists if conduct prohibited by the AVC is required or permitted by such Texas or federal law or if conduct required by the AVC is prohibited or abrogated by such Texas or federal law. This agreement does not preclude AHLIC from submitting requests to the Texas Department of Insurance to allow AHLIC to modify any of its forms to conform with Texas law.

5.4 The parties hereto agree that this is a compromise of a disputed claim and that this AVC is entered into without admitting any liability, which liability is expressly denied, and without agreement by any party to any of the allegations or defenses made by another party. Nothing contained herein shall be deemed an admission of liability or wrongdoing of any kind.

5.5 The State of Texas releases and discharges AHLIC and each of its past, present, and former employees, officers, directors, partners, shareholders, agents, general agents, branch managers, producers, brokers, solicitors, predecessors, successors, assigns, parent corporations, subsidiary corporations, affiliates, affiliated companies, insurers, reinsurers, attorneys, and the agents and employees of them, from any and all claims for damages or other relief arising out of

AHLIC's failure to refund unearned premiums due to its insureds that may have accrued on or before December 31, 2006, whether or not asserted by the State of Texas in its pleadings in this case or otherwise.

5.6 The parties represent and warrant, each to the other, that each has the authority to enter into and make this AVC, and to bind themselves to this AVC. AHLIC and the Attorney General agree that nothing in this AVC shall create any private rights, causes of action, or remedies of any other individual or entity against AHLIC.

5.7 This AVC shall be governed by TEX. BUS. & COM. CODE § 17.58.

5.8 Any and all taxable costs of court are taxed against AHLIC.

6.0

MISCELLANEOUS PROVISIONS

6.1 To seek a modification or termination of this AVC for any reason, AHLIC shall send a written request to the Attorney General. The Attorney General shall make a good faith evaluation of the then-existing circumstances, and after collecting information the Attorney General deems necessary, make a prompt decision as to whether to agree to the modification or termination of this AVC. If the Attorney General timely denies the modification or termination, AHLIC reserves all rights to pursue any legal or equitable remedies available to it. No waiver, termination, modification, or amendment of the terms of this AVC shall be binding unless made by order of the Court; provided, however, the parties may agree to an extension of any time period in this AVC without a court order.

6.2 This AVC may be executed in any number of counterparts and each of which when so executed shall be deemed an original and all of which taken together shall constitute one and the same AVC.

6.3 AHLIC's execution of this Agreement shall not be construed to release, and AHLIC expressly does not intend to release, any claim or cause of action AHLIC may make against any insurer, reinsurer, producer, dealer, and/or agent for any cost or expense incurred in connection with this AVC, including, without limitation, commissions, attorneys' fees, and costs.

EXECUTED this 7th day of September, 2007.

GREG ABBOTT
Attorney General of Texas

KENT C. SULLIVAN
First Assistant Attorney General

JEFF L. ROSE
Deputy First Assistant Attorney General

PAUL CARMONA
Chief, Consumer Protection Division

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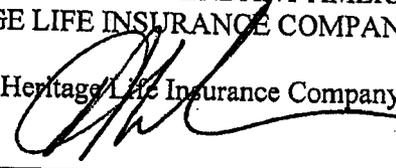
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HERITAGE LIFE INSURANCE COMPANY

American Heritage Life Insurance Company

By: 

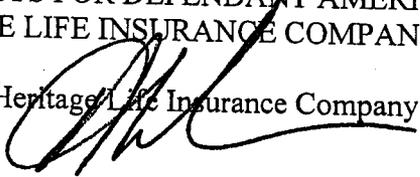
ANTON WANDERON

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ATTORNEYS FOR DEFENDANT AMERICAN
HERITAGE LIFE INSURANCE COMPANY

American Heritage Life Insurance Company

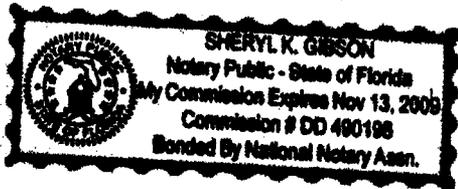
By: 

Title: Senior Vice President

THE STATE OF FLORIDA §
COUNTY OF Duval §

On this 29th day of August 2007, before me, the undersigned authority, personally appeared Anton Wandering, who is personally known to me and acknowledged himself/herself to be an agent for American Heritage Life Insurance Company, and he/she, as such an agent, being authorized to do so, executed the foregoing instrument for the purpose and consideration therein contained by signing for the American Heritage Life Insurance Company by himself/herself as an agent for such.

In witness whereof, I hereunto set my hand and official seal.



S/ Sheryl K. Gibson
Notary Public, State of Florida

My Commission Expires: 11/13/09

EXHIBIT A

[CUSTOMER NAME]

[AHLIC Policy #]

[Effective Date of the Policy]

NOTICE OF SETTLEMENT

American Heritage Life Insurance Company ("AHLIC") and Texas Attorney General Greg Abbott have recently reached an agreement regarding AHLIC's procedures for refunding unearned credit insurance premiums. As such, AHLIC and the Texas Attorney General have agreed on a new procedure for AHLIC to refund unearned premiums to eligible policyholders who paid off their motor vehicle loans early. AHLIC has additionally agreed to pay interest on the refund in the amount of seven percent (7%) simple interest per annum, starting sixty (60) days from the date the motor vehicle loan ended and ending on the effective date of the agreement between the Attorney General and AHLIC.

With the assistance of the Attorney General's Office, it has been determined that your motor vehicle loan ended early and that you are entitled to a refund of unearned credit insurance premium from AHLIC. Enclosed please find a check or draft for your refund. This check or draft reflects the amount of unearned credit insurance premium refund that is due plus interest at 7% per annum.

If you have any questions about the enclosed check, please call AHLIC at [insert phone number].

Enclosure: Check#

EXHIBIT B

CUSTOMER NAME]

[AHLIC Policy #]

[Effective Date of the Policy]

**NOTICE OF SETTLEMENT AND CLAIM PROCEDURES
FOR AHLIC INSURANCE POLICY HOLDERS**

American Heritage Life Insurance Company ("AHLIC") and Texas Attorney General Greg Abbott have recently reached an agreement regarding AHLIC's procedures for handling refunds of unearned credit insurance premiums. AHLIC has agreed to refund to eligible policyholders the unearned premiums due to them because their motor vehicle loans **were paid off early between January 1, 2002 and December 31, 2006.** AHLIC has additionally agreed to pay interest on the refunds in the amount of seven percent (7%) per annum, starting sixty (60) days from the date the auto loan was paid off and ending on the effective date of the agreement between the Attorney General and AHLIC. **You may be an eligible policyholder if your motor vehicle loan insured by AHLIC was paid off early between January 1, 2002 and December 31, 2006 and you purchased a credit insurance policy from AHLIC in Texas.**

If you believe that you are eligible for a refund of your credit insurance premium, please fill out and mail the attached claim form to AHLIC. If possible, attach to your claim form documents showing proof that your loan was paid off early. **Claimants attaching such proof may receive their refunds more quickly.** The following documents are acceptable: (1) a copy of a payoff notice from a motor vehicle creditor; (2) a copy of a motor vehicle title showing a lien release date; (3) a copy of a cover letter showing the transmittal to the policyholder of a clear motor vehicle title; and (4) any document or letter from a motor vehicle creditor that provides information on the date that a customer's motor vehicle loan was paid off. This form also includes an authorization that will allow your creditor to share proof of your motor vehicle loan contract with AHLIC for the purpose of determining your eligibility for a refund.

**YOU MUST FILL OUT AND MAIL THE ATTACHED CLAIM FORM WITHIN
THIRTY (30) DAYS OF THE POSTMARKED DATE ON THE CLAIM ENVELOPE.**

If you have any questions concerning the settlement between the Attorney General and AHLIC and the claim procedure describe above, please call [INSERT TOLL FREE NUMBER].

EXHIBIT C

CLAIM FORM FOR AMERICAN HERITAGE LIFE INSURANCE COMPANY
CREDIT INSURANCE PREMIUM REFUND

Read the following options, and check the one that applies to your circumstances.

OPTION ONE

_____ I believe that my motor vehicle loan that was insured by an American Heritage Life Insurance Company ("AHLIC") credit insurance policy was paid off early between January 1, 2002 and December 31, 2006 and that I have not received a refund of any unearned premium. I am attaching one of the following as proof of the loan payoff: a copy of a document sent by my creditor informing me of the payoff and listing the payoff date; a copy of a motor vehicle title showing a lien release date; or any other type of document that proves the date the loan was paid off. I am requesting that AHLIC evaluate the enclosed documentation and its files to determine whether I am entitled to a refund of unearned premium and, if so, to issue a premium refund check. I agree that if AHLIC determines that the documentation I have provided is insufficient, I request that AHLIC perform the research described in Option Two and have included a signed Insured's Authorization permitting AHLIC to do so.

OPTION TWO

_____ I believe that my auto loan insured by an American Heritage Life Insurance Company ("AHLIC") credit insurance policy was paid off early between January 1, 2002 and December 31, 2006 and that I have not already received a refund of any unearned premium but I do not have any documents in my possession that show this payoff. I am requesting that AHLIC perform research to determine if my loan was paid off early, and I will sign the attached Insured's Authorization authorizing the holder of my motor vehicle retail installment contract to provide information as to the payoff date of the loan to AHLIC or its authorized agent, and authorizing AHLIC to request a copy of my credit report, if necessary.

You must the sign Insured's Authorization to qualify for a refund under Option Two.

PLEASE PRINT LEGIBLY

Insured's Name:

Policy Number (if available):

Insured's Current Address:

Date Auto Loan Commenced (if available):

Insured's Address at Time Policy Was Purchased
(if different from address above):

Date Auto Loan Terminated (if available):

Insured's Telephone Number:

Place Where Policy was Purchased (e.g. Name
and Location of Car Dealership, if available):

Insured's Date of Birth:

Insured's Signature:

Signed this DATE:

[For Option One claims, please attach copies of documents showing early loan payoff to the back of this form. If you need more space, please attach a separate sheet of paper.]

EXHIBIT D

INSURED'S AUTHORIZATION

I hereby authorize any company or entity that held and serviced my retail installment motor vehicle loan to disclose non-public information to AMERICAN HERITAGE LIFE INSURANCE COMPANY ("AHLIC") or its authorized agents regarding the date the loan or retail installment loan was paid off, for the sole purpose of determining my eligibility for a premium refund. This authorization is intended to serve as a consent to disclose non-public information pursuant to the Graham-Leach-Bliley Act, 15 U.S.C. § 6802 (e)(2).

This request for information by AHLIC is made pursuant to its Assurance of Voluntary Compliance Agreement with the Texas Attorney General's Office, which settled the lawsuit captioned *State of Texas v. AHLIC Insurance Company*, Cause No. D-1GV-07-407, in the 53rd Judicial District Court, Travis County, a lawsuit regarding AHLIC's credit insurance premium refund practices.

I further authorize AHLIC to obtain my credit report, solely for the purpose of verifying my eligibility for a refund.

In making these authorizations, I understand that I waive all federal, state, and local privacy laws, statutes, and regulations as to any and all authorized actions taken by AHLIC in confirming my eligibility for a refund.

Signed this _____, day of _____, 2007.

Name

Phone Number

Current Address

EXHIBIT E

**NOTICE OF SETTLEMENT AND CLAIM PROCEDURES
FOR AMERICAN HERITAGE LIFE INSURANCE COMPANY
POLICYHOLDERS**

American Heritage Life Insurance Company, ("AHLIC") and Texas Attorney General Greg Abbott have recently reached an agreement regarding AHLIC's handling of unearned credit insurance premiums. AHLIC has agreed to refund to eligible policyholders the unearned premiums due to them because their motor vehicle loans **were paid off early between January 1, 2002 and December 31, 2006.** AHLIC has additionally agreed to pay interest on the refunds in the amount of seven percent (7%) per annum, starting sixty (60) days from the date the auto loan was paid off and ending on the effective date of the agreement between AHLIC and the Attorney General. **You may be an eligible policyholder under the terms of this agreement if your motor vehicle loan insured by AHLIC was paid off early between January 1, 2002 and December 31, 2006, and you purchased your credit insurance policy in Texas.**

If you believe that you are eligible for a refund of your credit insurance premium, you may order a claim form by clicking on the "claim form link" and entering your name and address, and, at your option, your phone number. AHLIC will mail a claim form within three (3) business days after receipt of your request. You must fill out and sign the claim form within thirty (30) days of the postmarked date on the claims envelope.

If you prefer to request the claim form by mail, please send a letter to [Insert AHLIC Address] stating, "Please send me a claim form for State of Texas v. American Heritage Life Insurance Company, providing your name and address. You may also request a claim form by calling [INSERT TOLL FREE NUMBER] and providing your name and address over the phone.

If you have any questions concerning the settlement between the Attorney General and AHLIC or the claim procedure described above, you may view the Frequently Asked Questions about Claim Procedure Link , or contact _____, at [INSERT TOLL FREE NUMBER].

EXHIBIT F

[CUSTOMER NAME]

[AHLIC Policy #]

[Effective Date of the Policy]

NOTICE OF PREMIUM REFUND

You recently filed a claim for a premium refund in connection with the agreement between American Heritage Life Insurance Company ("AHLIC") and Texas Attorney General Greg Abbott regarding AHLIC's premium refund practices. Enclosed please find a check from AHLIC for a refund of unearned credit insurance premiums on the policy listed above. The amount of the check reflects the original amount of the premium refund owed, plus 7% simple interest calculated beginning sixty days after your loan was terminated through the effective date of the agreement between AHLIC and the Texas Attorney General.

If you have any questions about this settlement check, please contact AHLIC at [INSERT TOLL FREE NUMBER].

EXHIBIT G

Date

[Customer Name and Address]

Re: Claim for Premium Refund

Dear Claimant:

You filed a claim for a premium refund pursuant to the agreement between American Heritage Life Insurance Company ("AHLIC") and Texas Attorney General Greg Abbott regarding AHLIC's premium refund practices. After researching your claim, AHLIC regrets to inform you that you are not owed a premium refund because of one of the reasons listed below:

- _____ 1. AHLIC records show that you, or your creditor, were already issued a premium refund check(s).
- _____ 2. You were not entitled to a premium refund because the refund amount was less than three (3) dollars.
- _____ 3. Your motor vehicle contract was not terminated early.
- _____ 4. Creditor records indicate that your refund was applied to the payoff amount of your loan.
- _____ 5. Other: _____

If you have any questions about the claim, please call [INSERT TOLL FREE NUMBER].

EXHIBIT H

[Current Date]

Dear Mr/Ms [Insert Name]:

Re: Policy # [Insert Policy Number] Dated [Insert Date]
Automobile Dealer Name
Expiring [Insert Date]

Thank you for being a valued policyholder! We trust that we have served your needs to the fullest.

If you paid off or refinanced your loan before its original maturity date of [insert maturity date], you may be due a refund of unearned premium. You may, at your option, contact our office at [INSERT TOLL FREE NUMBER] if your loan was paid off early and you have not received a refund of unearned premium. Proof of an early loan payoff may be provided by the payoff notice or any document showing that your loan was paid off early.

If you do not know if your loan was paid off early, you may sign on the back of this letter the Authorization to Disclose Non-Public Information, giving us permission to contact your lender to determine if the loan was paid off early.

Sincerely,

American Heritage Life Insurance Company
Credit Insurance Division

[To be included on reverse side of Exhibit H]

AUTHORIZATION TO DISCLOSE NON-PUBLIC INFORMATION

I hereby authorize any company or entity that held and serviced my retail installment loan to disclose non-public information to American Heritage Life Insurance Company or its authorized agents regarding the date the loan or retail installment loan was terminated, for the sole purpose of determining my eligibility for a premium refund. This authorization is intended to serve as a consent to disclose non-public information pursuant to the Graham-Leach-Bliley Act, 15 U.S.C. § 6802 (e)(2).

Signed this _____, day of _____, 2007.

Name

Phone Number

Current Address

The Following Information is Optional:

Name, Address and Phone Number of Lender (If Known)