

CAUSE NO. D-1-GV-07-000408

STATE OF TEXAS,
Plaintiff,

v.

RESOURCE LIFE
INSURANCE COMPANY,
Defendant.

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IN THE DISTRICT COURT

TRAVIS COUNTY, TEXAS

98th JUDICIAL DISTRICT

Filed in The District Court
of Travis County, Texas

JL MAR 02 2010
At 8:41 AM
Amalia Rodriguez-Mendoza, Clerk

AGREED ORDER APPROVING ASSURANCE OF VOLUNTARY COMPLIANCE

On this date came to be considered the Assurance of Voluntary Compliance filed in the above-referenced cause which is agreed to by the State of Texas and Resource Life Insurance Company, a copy of which is attached hereto as Exhibit "A" and incorporated herein for all purposes. Said Assurance of Voluntary Compliance is in full resolution of the issues raised by the State of Texas with Resource Life Insurance Company in this lawsuit and is hereby APPROVED by the COURT.

IT IS FURTHER ORDERED that this cause is hereby dismissed with prejudice subject to the provisions of TEX. BUS. COM. CODE Sec. 17.58(d) and any proceedings necessary to effectuate the terms of this Assurance of Voluntary Compliance.

Signed this 2nd day of March, 2010.


Presiding Judge

APPROVED AS TO FORM AND SUBSTANCE:



RAYMOND G. OLAH
Assistant Attorney General
State Bar No. 00794391
Office of the Attorney General
Consumer Protection and Public Health Division
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ATTORNEYS FOR PLAINTIFF



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ATTORNEYS FOR RESOURCE LIFE INSURANCE COMPANY

CAUSE NO. D-1-GV-07-000408

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IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

98th JUDICIAL DISTRICT

ASSURANCE OF VOLUNTARY COMPLIANCE

This Assurance of Voluntary Compliance ("AVC") is made and entered into by and between the State of Texas, acting through Attorney General Greg Abbott, and Resource Life Insurance Company, pursuant to TEX. BUS. & COM. CODE § 17.58, solely for the purpose of resolving this lawsuit and none other, as follows:

1.0

RECITALS

1.1 Resource Life Insurance Company (hereafter referred to as "Resource Life") wrote credit life and credit accident and health insurance policies in Texas through a network of motor vehicle dealers that it appointed as limited agents. All policies sold by Resource Life to motor vehicle buyers were "single premium policies" where the entire period of insurance coverage is paid for up front in one payment. The policies relevant to this lawsuit were issued in Texas prior to January 1, 2008. For part of this time period, Aon Corporation ("Aon") owned Resource Life.

1.2 The Consumer Protection and Public Health Division of the Office of the Attorney General ("CPD") is authorized to bring actions in the name of the State of Texas for violations of Tex Ins. Code § 541.001, *et seq.* (formerly Tex Ins. Code Art. 21.21) and the rules and regulations promulgated thereunder, and for violations of the Texas Deceptive Trade Practices - Consumer Protection Act ("DTPA"), Tex. Bus. & Com. Code § 17.41, *et seq.*



ATTORNEY GENERAL'S ALLEGATIONS

2.1 In relevant part regarding the refund of unearned premiums, Resource Life's certificates for single premium credit insurance state:

Refunds: If the insurance stops before the end of the Term of Insurance, We will on written notice refund any unearned premium. We will pay it to the Creditor to reduce or pay off the Debt. Any remainder will be paid to You. Refunds of less than \$1.00 will not be made. Refunds will be computed as of the date the insurance stops by the Rule of Anticipation for Decreasing, Total Disability, and Level Life Insurance. No refund will be made for life premium if insurance stops due to payment of a death claim. For the purposes of determining months expired, 16 days or more shall be considered a full month.

2.2 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 originally scheduled termination date of the insurance, including the termination of a debt by renewing or refinancing the debt, the debtor shall be entitled to a refund of unearned premium." TEX. INS. CODE §1153.202. In addition, the Texas Administrative Code provides that "[u]pon termination of insurance prior to maturity . . . , each insured debtor shall receive from the insurer any refund of unearned identifiable insurance charge...". TEX. ADMIN. CODE § 3.5902.

2.3 The Attorney General alleges that Texas Insurance Code and Texas Administrative Code provisions relating to credit insurance require Resource Life to promptly refund any unearned credit insurance premiums due to their insureds upon the early termination of their insureds' underlying debts, but the Texas Insurance Code and Texas Administrative Code do not require any affirmative act on the part of insureds, including providing notice to Resource Life, of the early termination of their retail installment loans, as a condition precedent to an unearned premium refund.

2.4 Comparing common points between data provided by Resource Life with data that the Attorney General's Office obtained from major automobile finance companies and lenders, the Attorney General's Office sent Resource Life a list regarding thousands of insureds whose retail installment loans appeared to the Attorney General's Office to have terminated early, but where Resource Life's records showed no documentation of any contention that unearned premium refund was paid.

2.5 The Attorney General alleges that Resource Life has not made refunds of unearned credit insurance premiums due to all eligible insureds, and has acquired and retained these unearned premiums in violation of TEX. INS. CODE Chapter 541, DTPA §17.46 (a) and (b), and 28 TEX. ADMIN. CODE §§ 21.3(a) and (b).

2.6 The Attorney General also alleges that Resource Life violated TEX. INS. CODE Chapter 541, §17.46 (a) and (b) of the DTPA, and 28 TEX. ADMIN. CODE §§ 21.3(a) and (b) by making statements to its insureds that suggest 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; by failing to establish procedures to ensure that it and its agents would 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; and that Resource Life failed to adequately supervise the performance of its agents in making premium refunds.

3.0

RESOURCE LIFE'S DENIAL

3.1 Resource Life has denied and continues to deny the Attorney General's allegations. In particular, Resource Life denies that it violated the Texas Insurance Code, denies that it violated the Texas Deceptive Trade Practices Act, and denies that it violated any provision

of the Texas Administrative Code. Resource Life further denies that it has failed to pay unearned premium refunds to any certificate holder to whom such refunds are owed, and Resource Life denies that it has received "written notice" in compliance with its insurance policies and certificates on behalf of any Texas customer to whom the Attorney General believes that compensation should be paid. Nevertheless, in the interest of avoiding the time, expense, and uncertainty of litigation, Resource Life is willing to compromise its due process rights to oppose the Attorney General's claims and willing to settle and compromise its disputes and differences regarding the Attorney General's allegations. This is a compromise of a disputed claim and Resource Life enters into this AVC without admitting any liability -- in fact, continuing to deny liability -- and without agreement by any party to any of the allegations or defenses made by another party.

4.0

PARTIES' AGREEMENT

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

4.2 On or before March 15, 2010, Resource Life shall pay to the Texas Attorney General's Office \$2,500,000.00. Failure to pay this sum on or before March 15, 2010, shall be a material breach of this agreement. Of this total amount, (a) \$2,000,000.00 shall be set aside by the Office of the Attorney General as a fund to compensate identified persons as set forth more specifically below; and (b) \$500,000.00 shall be for the Office of Attorney General's attorney's fees.

4.3 Resource Life shall produce to the Texas Attorney General's Office on or before March 15, 2010: (1) in the data format agreed by the parties, the electronic version of all rate tables Resource Life used for each of the years covered by the September 28, 2009 spreadsheet

(hereafter referred to as the "spreadsheet") previously produced to Resource Life in this case, and (2) for each person listed on the spreadsheet, the monthly benefit value of their respective coverages in the data format previously agreed to by the parties. If further information or data as to the spreadsheet is determined by the Office of the Attorney General to be necessary after March 15, 2010, or there is disagreement between the parties that such information or data has been adequately provided, Resource Life shall in good faith cooperate as necessary to provide to the Attorney General's Office all other data or information necessary for calculations under the Rule of Anticipation set forth in the certificates.

4.4 The Office of the Attorney General will identify persons it believes are eligible for compensation from the \$2,000,000.00 settlement fund, determine the amount of payment for such persons, and provide a list of such persons, with appropriate address and coverage identification information, to the disbursement agent selected by the Office of Attorney General

4.5 The Office of the Attorney General has selected, with no objections from Resource Life, Randolph N. Osherow, Attorney at Law, 342 W. Woodlawn Ave., Suite 100, San Antonio, Texas 78212, to serve as a disbursement agent to carry out all necessary functions of disbursing payments to the persons identified as eligible for payments by the Office of the Attorney General.

4.6 From the \$2,500,000.00 payment made by Resource Life described in paragraph 4.2, the Office of the Attorney General shall deliver \$2,000,000.00 to the disbursement agent from which the disbursement agent shall create an account and make disbursements of the payments described in paragraph 4.4. This account shall be used for no other purpose.

4.7 Upon conclusion of the disbursement agent's duties, any unnegotiated, undeliverable or unclaimed payments from the \$2,000,000.00 disbursement fund shall be

handled by the State, the Office of the Attorney General, or the disbursement agent as unclaimed or abandoned property in accordance with the Texas Property Code.

4.8 Each check or draft issued pursuant to the terms of this AVC to a person identified as eligible for compensation shall identify the certificate of insurance to which it applies and shall also include on the back of the check or draft a release as follows: "I release Resource Life Insurance Company from any liability relating to unearned premium refunds for the certificate of insurance identified on this check." In addition, the cover letter from the disbursement agent to the person shall include the statement as follows: "The enclosed check contains a release, and a person who endorses the check releases Resource Life from any liability relating to unearned premium refunds for the certificate of insurance identified on the check."

4.9 In addition to the amount paid pursuant to paragraph 4.2 above, Resource Life shall pay the disbursement agent's actual fees and costs up to a maximum of \$100,000.

5.0

COURT APPROVAL

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

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

5.3 Nothing in the AVC shall be construed as a waiver of any private rights, causes of action, or remedies of any person against Resource Life with respect to the practices alleged herein, except to the extent such a person endorses a check containing the release language as described in paragraph 4.8 above.

5.4 The parties hereto release each other and Resource Life Insurance Company's shareholders, affiliated entities, parent entities, subsidiaries, officers, directors, employees, attorneys, agents, and representatives from any and all claims for damages or other relief arising out of or relating to Resource Life's alleged failure to refund unearned premiums due to its insureds for policies issued in Texas prior to January 1, 2008, whether or not asserted by the parties, in their pleadings in this case or otherwise. The State also releases Aon and its shareholders, affiliated entities, parent entities, subsidiaries, officers, directors, employees, attorneys, agents, and representatives from any and all claims for damages or other relief arising out of or relating to Resource Life's alleged failure to refund unearned premiums due to its insureds for policies issued in Texas prior to January 1, 2008, whether or not asserted by the parties, in their pleadings in this case or otherwise.

5.5 The parties covenant not to sue each other for any claims released by this AVC, except that the parties reserve all rights to enforce this AVC.

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. Resource Life and the Office of 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 Resource Life.

5.7 The parties agree that this case will be dismissed with prejudice upon Court approval of this AVC, subject to the provisions of TEX. BUS. & COM. CODE Sec. 17.58(d) and any proceedings necessary to effectuate the terms of this Assurance of Voluntary Compliance.

5.8 This AVC shall be governed by Tex. Bus. & Com. Code §17.58.

5.9 Nothing contained herein shall constitute or be construed as an admission of liability by Resource Life.

6.0

MISCELLANEOUS PROVISIONS

6.1 To seek a modification or termination of this AVC for any reason, Resource Life 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. In the event the Attorney General refuses the modification or termination, Resource Life reserves all rights to pursue any legal or equitable remedies available to it. Except as otherwise provided in this AVC, 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 in writing through their counsel to an extension of any time periods in this AVC without an order of the court.

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.

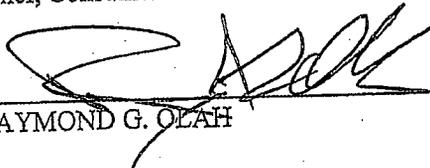
EXECUTED this 1st day of March, 2010.

GREG ABBOTT
Attorney General of Texas

C. ANDREW WEBER,
First Assistant Attorney General

DAVID S. MORALES
Deputy Attorney General for Civil Litigation

PAUL CARMONA
Chief, Consumer Protection and Public Health Division


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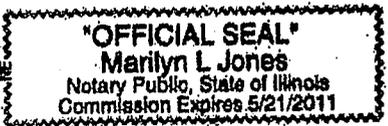
ATTORNEYS FOR RESOURCE LIFE INSURANCE
COMPANY

By: [Signature]
Title: Chairman CEO

THE STATE OF ILLINOIS §
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COUNTY OF §

On this 1st day of MARCH 2010, before me, the undersigned authority, personally appeared DAVID L. COLE, who is personally known to me and acknowledged himself/herself to be an agent for Resource 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 Resource Life Insurance Company by himself/herself as an agent for such.

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



/s/ Marilyn L. Jones
Notary Public, State of ILLINOIS
My Commission Expires: 05/21/2011