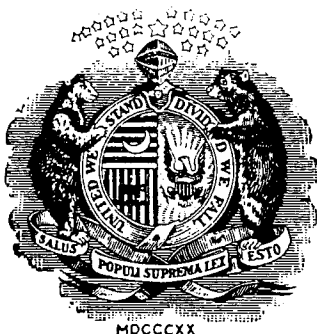


# STATE OF MISSOURI

DEPARTMENT OF



INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

TO: Stonebridge Life Insurance Company  
Office of the President  
2700 West Plano Parkway  
Plano, TX 75075-8200

RE: Missouri Market Conduct Examination # 0405-42-LAH

## **STIPULATION OF SETTLEMENT** **VOLUNTARY FORFEITURE AND ORDER OF DIRECTOR**

It is hereby stipulated and agreed by W. Dale Finke, Director of the Missouri Department of Insurance, hereinafter referred to as "Director," and Stonebridge Life Insurance Company, hereinafter referred to as "Stonebridge," as follows:

WHEREAS, W. Dale Finke is the Director of the Department of Insurance, an agency of the State of Missouri, created and established for administering and enforcing all laws in relation to insurance companies doing business in the State in Missouri; and

WHEREAS, Stonebridge has been granted a certificate(s) of authority to transact the business of insurance in the State of Missouri; and

WHEREAS, the director conducted a Market Conduct Examination of Stonebridge and prepared report number 0405-42-LAH; and

WHEREAS, the report of the Market Conduct Examination has revealed that:

1. In some instances, Stonebridge was cited for using telephone scripts and mail kits that contained incorrect suicide exclusions, thereby violating §§376.620 and 375.936(4) & (6)(a), RSMo, and Missouri Regulations 20 CSR 400-1.050(1), 20 CSR 400-1.050 (2)(A), 20 CSR 400-

5.100(3)(A), (4)(A), and (B). These cited violations are continuing violations from the Company's 1989 and 1997 Market Conduct examinations.

2. In some instances, Stonebridge was cited for rescinding policies when it did not have a signed application thus allowing the company to contest any representation made therein, thereby violating §§376.580, 376.800, RSMo, and Missouri Regulations 20 CSR 300-2.200(3)(A)1, and 20 CSR 100-1.050(1)(H).

3. In some instances, Stonebridge was cited for errors in its claims handling practices for its Paid and Denied Individual and Group Long Term Care policies in that the company's agent, Conceco Services, LLC, failed to acknowledge receipt of the claim within ten (10) days, thereby violating Missouri Regulations 20 CSR 100-1.030(1).

4. In some instances, Stonebridge was cited for failing to respond to the examiners' criticisms and formal requests within ten (10) calendar days, thereby violating §374.205.2(2), RSMo and Missouri Regulations 20 CSR 300-2.200(6).

WHEREAS, Stonebridge hereby agrees to take remedial action bringing Stonebridge into compliance with the statutes and regulations of the State of Missouri and agrees to maintain those corrective actions at all times, including, but not limited to, taking the following actions:

1. Stonebridge agrees to take corrective action to prevent re-occurrences of the errors noted in the above-referenced market conduct examination report do not recur; and

2. For its contracts of insurance sold in Missouri, Stonebridge agrees to review and make corrective modifications to its advertisements, sales training materials, and to the extent necessary, to its underwriting procedures, policy and group certificate forms, and claims handling procedures, in order to ensure compliance with Missouri law regarding insurance coverage for suicide; and

3. Stonebridge has filed and agrees to continue to file its telemarketing application for Group Accident and Health coverage, and Group Life coverage, as well as its application for Group Sickness and Accidental Hospital Indemnity coverage with the Department.

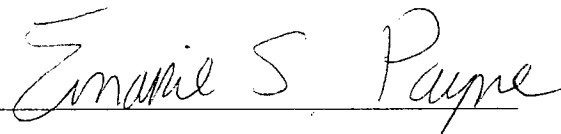
4. Stonebridge agrees to review all previous rescissions dated January 1, 2002, to August 28, 2003, and reinstate those certificates of coverage and reopen and readjudicate any improper claim denials as required by the respective certificates. Stonebridge also agrees, that within 90 days of the closing of this examination, it will provide the department with a report detailing the company's review process for those improper denials.

WHEREAS, Stonebridge, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing, which may have otherwise applied to the above referenced Market Conduct Examination; and

WHEREAS, Stonebridge hereby agrees to the imposition of the ORDER of the Director set forth below and as a result of Market Conduct Examination #0405-42-LAH further agrees, voluntarily and knowingly to surrender and forfeit the sum of \$62,269.75.

NOW, THEREFORE, in lieu of the institution by the Director of any action for the SUSPENSION or REVOCATION of the Certificate(s) of Authority of Stonebridge Life Insurance Company to transact the business of insurance in the State of Missouri or the imposition of other sanctions, Stonebridge Life Insurance Company does hereby voluntarily and knowingly waive all rights to any hearing, does consent to the ORDER of the Director set forth below and does surrender and forfeit the sum of \$62,269.75, such sum payable to the Missouri State School Fund, in accordance with §374.280, RSMo.

DATED: 6/13/06

  
Vice PRESIDENT  
Stonebridge Life Insurance Company