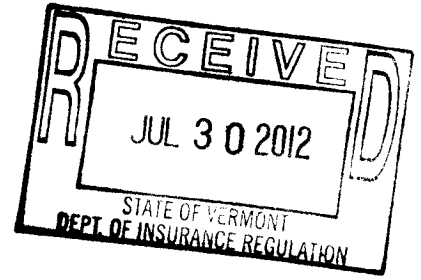


STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION



In re:

Bankers Life and
Casualty Company

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Docket No. 12-023-1

STIPULATION AND CONSENT ORDER

The Vermont Department of Financial Regulation (“Department”) and Bankers Life and Casualty Company (“Bankers Life”) stipulate and agree:

1. Pursuant to the authority granted by Vermont law including, but not limited to, that contained in 8 V.S.A. §§ 11, 12, 13, 4726 and 4804, the Commissioner of the Department is charged with administering and enforcing the insurance laws of the State of Vermont and is authorized to investigate insurers to determine compliance with these laws and regulations.
2. Bankers Life is a foreign insurer, NAIC ID 61263, licensed in the State of Vermont to issue life, accident and health, and annuity policies.
3. On October 20, 2004, the Department issued an Order, Docket 04-022-1 (“Order”), adopting an examination report of February 20, 2003.
4. On June 27, 2006, the Department approved a Compliance Plan developed by Bankers Life in response to the Order.
5. Subsequent to entry of the Order and in response to a consumer complaint against Bankers Life, the Department lodged an investigation against Bankers Life which resulted in the Department’s conclusion that Bankers Life was not following the terms of the Order in that it made unsuitable sales, failed to provide suitable training and to supervise its agents and employees, and used misleading sales materials.

6. The Department and Bankers Life enter into this Stipulation and Consent Order to resolve, without further administrative proceedings, the Department's allegations that Bankers Life was not following the terms of the Order. Notwithstanding this Stipulation and Consent Order, the Department continues to allege that Bankers Life did not follow the terms of the Order, but the parties agree this Stipulation and Consent Order does not constitute adjudication or a finding of a violation of statute or regulation and Bankers Life neither admits nor denies the Department's allegations.

7. The Department acknowledges that Banker's Life has voluntarily issued refunds to 20 consumers in the amount of seventy-seven thousand seven hundred ninety-three dollars and thirty-two cents (\$77,793.32).

8. In the event restitution is unable to be made to any of the 20 consumers referenced in ¶ 7 above because their addresses or whereabouts are unknown, Respondent shall comply with the requirements of Title 27, Chapter 14 of the Vermont Statutes Annotated and shall provide proof of such compliance to the Department.

9. Nothing herein shall be construed as a waiver of any private right of action any person may have.

10. The Department and Bankers Life further stipulate and agree:

- a. Annuity Suitability Program. Bankers Life will require that all Vermont issued annuities be handled in accordance with its Annuity Suitability Program. Specifically, any annuity which meets certain threshold criteria will be escalated and reviewed by an escalation team which will determine whether reasonable grounds exist to believe the sale is suitable for the consumer.

- b. Life Suitability. Bankers Life will require all agents complete, and submit with a life application, a Life Insurance Recommendation and Replacement Comparison Worksheet form which will document the reasons for the recommendation and remain part of the policy file.
- c. Market Assurance Program. The Banker's Life Market Assurance Program ("MAP") team will examine the Vermont field offices on a yearly basis through 2014 in accordance with the MAP procedures. The 2012 exams took place in February, 2012.
- d. Marketing and Advertising. All Bankers Life marketing and advertising materials utilized by agents and branch offices must be approved by the Bankers Life home office. The home office will review each agent or branch office submitted marketing and advertising materials to ensure agents and branch offices are not utilizing marketing and advertising materials which violate Vermont laws.
- e. Agent Training. Bankers Life will provide quarterly training to all producers appointed by and managers employed by Bankers Life who hold an active resident or non-resident Vermont license regarding Vermont statutory insurance law and Department insurance regulations, including but not limited to, suitability and replacement regulations. Bankers Life shall identify the trainers, topics and materials as part of its regular reporting to the Department. The first training will occur within the first three (3) months following the execution of this Stipulation and Consent Order. All subsequent trainings will occur each quarter.

- f. Branch Operations Compliance: Within six (6) months from execution of this Stipulation and Consent Order, Bankers Life will have a unit sales manager dedicated to each Vermont branch office to be responsible for, among other things, ongoing supervision of Bankers Life agents and employees in order to ensure compliance with Vermont laws and regulations as well as Bankers Life policies. In the event the unit sales manager dedicated to the Vermont branch offices is unable for any reason to serve in such capacity for a period in excess of seven (7) days, Bankers Life will ensure there is continued supervision of the Vermont branch offices during the dedicated unit sales manager's absence.
- g. Replacement Procedures. Bankers Life shall send a specific replacement letter to each replaced carrier and shall retain a specific copy as required by Vermont law.
- h. Reporting to the Department. Bankers Life shall provide additional reports to the Department in a reasonable time frame upon request demonstrating Bankers Life's compliance with this Stipulation and Consent Order.
- i. Meetings. Bankers Life shall participate in meetings with the Department at the Department's request for two (2) years after the execution of this Stipulation and Consent Order to ensure that Bankers Life is performing consistently with this Stipulation and Consent Order and Vermont statutory and regulatory laws.

11. In addition to the compliance procedures set forth herein, Bankers Life agrees to pay the Department as an administrative penalty Six Hundred Thousand (\$600,000.00) Dollars paid by check payable to the Vermont Department of Financial Regulation within thirty (30) days of execution of this Stipulation and Consent Order.

12. The Department will monitor Bankers Life's compliance with the terms of this Stipulation and Consent Order on an ongoing basis and will establish an annual audit schedule at Bankers Life's expense pursuant to the authority contained in 8 V.S.A. § 3564 which will result in three annual audits being conducted by the Department of Bankers Life. The first audit will be held approximately one year after the execution of this Stipulation and Consent Order. The experience period for each audit will be the prior year and no audit will cover an experience period which occurs prior to the execution of this Stipulation and Consent Order. Nothing herein shall be construed as limiting the Commissioner's authority to conduct an examination of Respondent for reasons unrelated to a determination as to whether Respondent is compliant with the terms of this Stipulation and Consent Order, or for any reason following the last of the three annual audits referenced in this paragraph.

13. The Department and Bankers Life agree that the terms of this Stipulation and Consent Order resolve the allegations by the Department that Bankers Life did not follow the terms of the Order. The parties acknowledge this Stipulation and Consent Order resolves any and all enforcement activities raised by the Department relating to the Order and subsequent investigation.

14. Bankers Life acknowledges that the Department will not be precluded in any manner

from seeking to subject Bankers Life to further sanctions or administrative enforcement proceedings for any alleged future violation of Vermont laws, regulations and orders, including any alleged violation of this Stipulation and Consent Order.

15. Bankers Life acknowledges and agrees that this Stipulation and Consent Order is entered freely and voluntarily and that, except as set forth herein, no promise was made to induce Bankers Life to enter into it and that this Stipulation and Consent Order represents the entire agreement of the parties as to the subject matter of this agreement and Order.

16. Bankers Life acknowledges that it is and has been represented by counsel in this matter and, understanding that it is entitled to a hearing before the Commissioner or his designee in the event administrative charges are filed against it, hereby voluntarily waives that right.

17. Bankers Life further acknowledges that the Commissioner retains jurisdiction over this matter for the purpose of enforcing this Order.

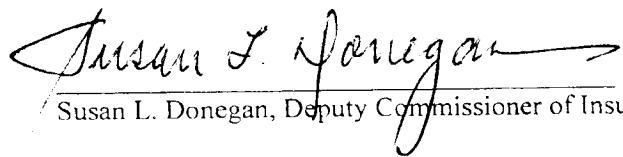
18. This Stipulation and Consent Order shall be governed and construed by the laws of the State of Vermont.

19. Each of the parties signing below represents that she or he has full authority to bind the entity on behalf of which she or he signs.

AGREED AND ACCEPTED:

Division of Insurance,
Vermont Department of Financial Regulation, f/k/a
The Vermont Department of Banking, Insurance,
Securities and Health Care Administration

By:


Susan L. Donegan, Deputy Commissioner of Insurance

Date:

7/20/12

Bankers Life and Casualty Company

By: William D. Fritts Jr. Date: 7/19/2012
William D. Fritts
Senior Vice President, Regulatory and Government Affairs

ORDER

1. Bankers Life and Casualty Company shall comply with all agreements, stipulations, and undertakings as recited above.
2. Nothing contained in this Order shall restrain or limit the Department in responding and addressing any consumer complaint about Bankers Life and Casualty Company filed with the Department or shall preclude the Department from pursuing any other violation of law.

Dated at Montpelier, Vermont this 20th day of July, 2012.

Stephen W. Kimbell

Stephen W. Kimbell, Commissioner
Vermont Department of Financial Regulation, f/k/a
the Vermont Department of Banking, Insurance, Securities
and Health Care Administration