

REGULATORY SETTLEMENT AGREEMENT

This Regulatory Settlement Agreement (the “**Agreement**”) is entered into this 25th day of March, 2021 by and among (i) Companion Life Insurance Company (the “**Company**”); (ii) the insurance regulators of Delaware, Michigan, Pennsylvania, Texas and South Carolina (referred to collectively as the “**Lead States**”); and (iii) the insurance regulators of such other jurisdictions choosing to adopt, agree to and approve this Agreement pursuant to the terms hereof (the “**Participating States**”) (the Lead States and the Participating States shall be collectively referred to herein as the “**Settling Jurisdictions**”). (The Settling Jurisdictions and the Company are each referred to herein as a “**Party/Parties**”).

RECITALS

WHEREAS, the Company is a South Carolina domestic insurer and, at all times relevant to this matter, has been a licensed insurer admitted to transact insurance business in forty-five (45) states and the District of Columbia; and

WHEREAS, the Colorado Department of Insurance conducted a market conduct examination (the “**Examination**”) of the Company’s Life, Accident, Health, and Disability business in the following areas of operation: Company Operations and Management; Complaints; Rates and Forms Filing; Advertising; Marketing and Sales; Producer Licensing; and Claims from January 1, 2016 through December 31, 2017 pursuant to the procedures established in the NAIC Market Regulation Handbook and found multiple violations of the insurance laws of that state; and

WHEREAS, similar findings were identified and adopted as part of a single state targeted market conduct examination covering a period of January 1, 2014 through January 31, 2016 by the Delaware Department of Insurance and a single state targeted market conduct examination covering a period for the 2014-2015 and 2015-2016 policy years by the Vermont Department of Financial Regulation; and

WHEREAS, the Lead States and other insurance regulators engaged in discussions with the Company regarding the multistate areas of common concern revealed through these examinations, a plan of corrective action that must be implemented, and regulatory enforcement of the corrective action plan; and

WHEREAS, based upon communications between the Lead States and the Company, the Company acknowledges that the Colorado, Delaware and Vermont examinations identified violations of laws and regulations. The Company neither admits or denies the regulatory findings and desires to enter into this Agreement in order to promote regulatory efficiency, to avoid disruption to insureds, and to implement corrective action on a national basis as outlined in this Agreement;

WHEREAS, the Company has cooperated with the Lead States as part of the regulatory oversight by making its books and records available, responding to questions and providing weekly

and monthly updates to the Lead States, and making its personnel available to assist the Lead States with the ongoing monitoring and review that resulted from the Examination's findings;

WHEREAS, the Parties have agreed to resolve all issues detailed in this Agreement in the interest of regulatory efficiency;

WHEREAS, this Agreement sets forth certain multistate areas of common concern and required corrective and compliance actions which the Company has taken and will take pursuant to the Compliance Plan attached as Exhibit C to address the identified regulatory issues which are the subject of this Agreement; and

WHEREAS, there are presently thirty-eight (38)¹ jurisdictions participating in the Agreement. A list of jurisdictions joining the Agreement will be documented on Exhibit A and sent to jurisdictions once all Participating States sign Exhibit B by the deadline of May 26, 2021. The Parties agree that this Agreement shall not become effective unless and until a minimum of thirty (30) jurisdictions have agreed to become a Party to the Agreement by the Final Effective Date unless otherwise waived by the Company.

NOW THEREFORE, in consideration of the Recitals, the mutual covenants and agreements herein, and each act performed and to be performed hereunder, the Parties agree as follows:

1. Incorporation of Recitals.

The above and foregoing Recitals, including, without limitation, all capitalized terms defined therein, are hereby incorporated into and made a part of this Agreement as if more fully set forth in the body of this Agreement.

2. Definitions.

Whenever used in this Agreement, the terms listed below shall have either the meaning given in this section or other applicable provision of this Agreement unless the context requires otherwise.

- a) **Agreement** shall mean the Regulatory Settlement Agreement entered into between the Parties.
- b) **Association** shall mean a bona fide association formed and maintained in good faith for purposes other than obtaining insurance meeting the requirements of applicable Insurance Laws.
- c) **Company** shall mean Companion Life Insurance Company.

¹ As indicated in Exhibit A, Delaware is included in the list of Settling Jurisdictions. However, due to the fact that Company has already settled with Delaware pursuant to a targeted market conduct examination, it is not listed in the count of thirty-eight (38) jurisdictions participating in the Agreement.

- d) **Compliance Audits** means the audit and oversight activity described in Section 3. a) and b) of the Compliance Plan.
- e) **Compliance Plan** shall mean Exhibit C.
- f) **Conditional Effective Date** shall be the date on which this Agreement has been signed by the Company and adopted by each of the Lead States.
- g) **Examination** shall have the meaning set forth in the second Recital on page 1.
- h) **Examination Period** shall mean January 1, 2014 through December 31, 2020.
- i) **Final Effective Date** shall have the meaning set forth in Section 9.b.
- j) **Insurance Laws** shall mean the insurance statutes, rules, regulations and case law in effect in each Settling Jurisdiction, together with any other statutes, rules, regulations and case law relating to or otherwise affecting the sale, marketing, provision, and servicing of the Insurance Products and other services or benefits provided to consumers by or through, directly or indirectly, the Company or the Third-Party Contractors. For purposes of illustration only and not limitation, Insurance Laws shall include unfair trade practice laws, and prompt payment of insurance claims laws. For purposes of this Agreement, the term shall also include bulletins, notices and official interpretations of law in effect in a Settling Jurisdiction unless reliance on such bulletins, notices or official interpretations is prohibited by a Settling Jurisdiction's laws.
- k) **Insurance Products** shall mean all Life, Accident, Health, and Disability business, including short-term medical insurance, student health insurance, limited indemnity plans, dental plans, prescription drug plans, long term disability plans, stop loss plans, vision plans, group insurance plans and all other insurance and ancillary products sold by or through the Company and the Third-Party Contractors either directly, indirectly, or through their distribution network and shall include, without limitation, all Company products in which the Company and/or the Third-Party Contractors, contract with carriers, providers or other entities for sale to the general public.
- l) **Lead States** shall have the meaning set forth in the first paragraph of page 1.
- m) **Market Conduct Compliance Manual** means the manual developed by the Company for purposes of providing guidance for its regulatory compliance oversight responsibilities.
- n) **MGU/MGA** shall mean Managing General Underwriters and/or Managing General Agents as defined by the Insurance Laws.
- o) **Monitoring Period** shall mean the 12 months following the Final Effective Date, unless otherwise extended pursuant to the terms of this Agreement.
- p) **Multistate Areas of Review** shall mean those areas of concern identified by the Examination that the Lead States and the Company have agreed should be subject to review on a collaborative basis for the benefit of the Settling Jurisdictions. The Multistate Areas of Review are set forth in Section 3.
- q) **Multistate Contingency Payment** has the meaning set forth in Section 5.b.

- r) **Multistate Penalty** shall have the meaning set forth in Section 5.a.
- s) **Participating States** shall have the meaning set forth in the first paragraph of page 1.
- t) **Party/Parties** shall have the meaning set forth in the first paragraph of page 1.
- u) **Producer** shall mean a person who is appointed by and represents an insurance company or prospective insured and is required to be licensed pursuant to the Insurance Laws.
- v) **Settling Jurisdictions** shall have the meaning set forth in the first paragraph of page 1.
- w) **Subscribing Jurisdiction Adoption Form** shall be the document attached hereto as Exhibit B.
- x) **Target Completion Date** shall have the meaning set forth in Section 4.a.
- y) **Term** shall have the meaning set forth in Section 10.
- z) **Third-Party Contractors** shall mean related and unrelated TPAs and MGUs/MGAs contracted with and performing services on behalf of the Company.
- aa) **TPA** shall mean Third-Party Administrators as defined by the Insurance Laws.

3. **Multistate Areas of Review.**

In accordance with the implementation schedule described in this Agreement, the Company agrees to take the corrective actions described in the Compliance Plan. The Compliance Plan shall be administered as part of an ongoing examination by the South Carolina Department of Insurance pursuant to S.C. Code Ann. § 38-13-10 and shall include, among other things, addressing the following Multistate Areas of Review and reporting to the Lead States for purposes of monitoring and verifying compliance with this Agreement. The Settling Jurisdictions expressly recognize South Carolina as the producing state of information and materials received in connection with this Agreement, with the Compliance Plan and with the ongoing examination.

- a) Oversight of Third-Party Contractors and Producers.
 - i. The Company shall make its Market Conduct Compliance Manual available to all Third-Party Contractors and Producers and enforce compliance with its terms and procedures.
 - ii. The Company shall ensure that all contracts with Third-Party Contractors comply with the Insurance Laws.
 - iii. The Company shall ensure that Third-Party Contractors and Producers are authorized to do business and properly licensed and appointed as required by the Insurance Laws of the Settling Jurisdictions.
 - iv. The Company shall provide documentation to the Lead States verifying that it has conducted Compliance Audits of its Third-Party Contractors during the 2020 calendar year. Where a jurisdiction's Insurance Laws require additional auditing, the Company will comply with each jurisdiction's Insurance Laws.
- b) Maintenance of Records.
 - i. The Company and its Third-Party Contractors shall maintain complete records of the business it transacts and preserve required information during the term of the

- Agreement and for the longer of: (1) seven (7) years following the Target Completion Date; or (2) any longer period of time required by any Lead State or Participating State as part of the regular record retention requirements of its Insurance Laws or requirements. Such information must be presented to the Lead States upon request in accordance with the timeframes set forth in this Agreement.
- ii. Each Producer shall maintain complete records of the business it transacts on behalf of Company in accordance with applicable federal and state insurance record retention laws.
 - iii. The Company shall maintain records of advertising material in accordance with the Compliance Plan.
 - iv. The Company shall maintain records of all regulatory and non-regulatory complaints in accordance with the Compliance Plan.
- c) Complaint Handling.
- i. To ensure uniform complaint handling by all Third-Party Contractors and Producers, the Company shall create and implement a uniform complaint handling process for both regulatory and non-regulatory complaints.
 - ii. The Company shall comply with response timeframes outlined in the Insurance Laws of the Settling Jurisdictions when responding to all complaints.
- d) Forms and Rates.
- i. The Company shall evaluate and update rates and forms filings of its Insurance Products for compliance with the Insurance Laws where it is licensed to conduct business.
 - ii. The Company shall report its progress to the Lead States in accordance with the Compliance Plan.
- e) Claims Handling.
- i. During the Monitoring Period, the Company shall review its claims payments for accuracy and timeliness.
 - ii. The Company shall ensure that its claims handling procedures and those of its Third-Party Contractors adhere to the claims handling requirements of the Insurance Laws.
- f) Associations and Trusts.
- i. The Company shall evaluate its use of trusts and Associations in all states in which it offers products.
 - ii. Where trusts and Associations are used, the Company shall certify their compliance with the applicable Insurance Laws.
- g) Sales and Marketing.
- i. The Company shall ensure that all marketing and sales material accurately reflects approved policy provisions and benefits in accordance with the Insurance Laws.
 - ii. The Company shall provide Producer training and ensure that only Company approved marketing materials are used by Producers during the sales process.

4. Compliance Plan.

In addition to the actions described above, the Company agrees to implement and comply with the requirements described below.

- a) The Company agrees to implement a list of changes and improvements to its systems, practices and procedures to address the Multistate Areas of Review. These changes and corrective actions described in the Compliance Plan shall be implemented no later than one year from the Final Effective Date of this Agreement (the “**Target Completion Date**”).
- b) During the Monitoring Period, the Company shall submit a quarterly written report to the Lead States detailing those activities taken in furtherance of the Compliance Plan. The Company will submit each quarterly written report within thirty (30) days of the close of the prior quarter. The Parties agree that the quarterly written reports shall be deemed satisfactory unless the Company receives objections from the Lead States within forty-five (45) calendar days of each submission due date. However, a failure to object by the Lead States shall not act as a waiver of a Settling Jurisdiction’s rights to pursue sanctions or enforcement action if non-compliance is later identified. The Company will be allotted a reasonable amount of time, but in no case less than thirty (30) days, to respond to any Lead State objections to a quarterly written report. The Lead States will also have the right to request a data sample, in accordance with the standards set forth in the NAIC Market Regulation Handbook, from the Company to test and validate the Company’s reported Compliance Plan activities, as set forth in the quarterly written reports. If a data sample is requested by the Lead States, the Company will have thirty (30) days from the date of the request to submit the sample to the Lead States. Quarterly reporting shall commence with the quarter ended September 30, 2021 and shall be done in accordance with the methodology set forth in Exhibit C.1.
- c) The Company agrees to audit a statistically valid sample of claims transactions in the states where it is licensed and doing business consistent with standards set forth in the NAIC’s Market Regulation Handbook for the period of January 1, 2019 through September 30, 2020 for timeliness of claims payments and application of interest when appropriate. This audit shall be completed by June 30, 2021 in a form acceptable to the Lead States. In the event the audit determines an error rate in excess of 5% of the sampled claims population in any given system on the Company’s application of interest when appropriate, the Company will work with the Lead States to develop a remediation plan to address identified deficiencies and validate that the deficiencies have been addressed.

5. Multistate Penalty.

- a) The Company shall pay or cause to be paid the amount of Five (5) Million and no/100 Dollars (\$5,000,000.00) to the Settling Jurisdictions (the “**Multistate Penalty**”). Each Settling Jurisdiction that signs the Subscribing Jurisdiction Adoption Form will be allocated a portion of the Multistate Penalty based on the Settling Jurisdiction’s percentage of the Company’s 2019 gross written premium. To be eligible to receive an allocation, Participating States must sign the Subscribing Jurisdiction Adoption

Form by May 26, 2021. States or jurisdictions that have already assessed a penalty for similar violations prior to the Final Effective Date are not eligible to participate in the allocation but are otherwise eligible to participate in this Agreement as a Settling Jurisdiction. Notwithstanding the foregoing, any jurisdiction that opts out of this Agreement by failing to become a Participating State prior to the Final Effective Date will not receive the jurisdiction's allocated portion of the Multistate Penalty.

- b) Except as otherwise specifically provided in this Agreement, the Multistate Penalty shall be the sole amount charged, assessed or collected by the Settling Jurisdictions with respect to the matters described in this Agreement provided Company fully complies with this Agreement and the Compliance Plan outlined herein. However, should the Company fail to comply with any part of this Agreement or the Compliance Plan, an additional payment (the "**Multistate Contingency Payment**") up to Five (5) Million and no/100 Dollars (\$5,000,000.00) may be assessed as provided in Exhibit D and/or the Lead States may elect to call a multistate examination of the Company to ascertain the scope of the noncompliance. This shall be determined at the conclusion of the Monitoring Period.
- c) Within ten (10) business days of the Final Effective Date, the Lead States shall provide the Company a document reflecting how the Multistate Penalty shall be allocated among the Settling Jurisdictions, along with necessary payment information provided by the Settling Jurisdictions.
- d) The Company acknowledges the validity and legitimacy of the Multistate Penalty and shall pay the Multistate Penalty in accordance with the Lead States' instructions within thirty (30) calendar days of the Final Effective Date. Once paid by the Company, the Multistate Penalty is final and non-recoverable under any circumstances, including without limitation, termination of this Agreement.

6. **Monitoring and Oversight.**

- a) The Lead States shall maintain oversight over the Company's compliance with the terms of this Agreement. With respect to such continuing oversight, the Company agrees as follows:
 - i. During the Monitoring Period, the Company shall provide to the Lead States reports detailing the Company's compliance with its obligations under the Compliance Plan.
 - ii. During the Monitoring Period, the Lead States shall review and monitor the Company's required reporting as detailed in the Compliance Plan.
 - iii. At the completion of the Monitoring Period, the Lead States will conduct a targeted Desk Examination and review of the quarterly reporting in accordance with the NAIC Market Regulation Handbook to determine full, complete and satisfactory completion of all terms of this Agreement. The Examiner's responsibilities shall include verifying the testing and reporting methodology of the Company and confirming the accuracy of the Company's reports in accordance with timeframes

set forth in Section 4.b. Upon completion, the Lead States shall provide a report summarizing the results of the findings to the Parties.

- iv. The Lead States agree to meet and consult with the Company to review their preliminary findings or determinations with respect to whether this Company has met its obligations under the Compliance Plan. The Lead States agree to give reasonable consideration to any issues raised, including the existence of catastrophic or other events beyond the reasonable control of the Company before final determinations are made or penalties are assessed.
- v. If the final report determines that the Company is meeting its obligations under the Compliance Plan but there are deficiencies involving compliance with respect to the Multistate Areas of Review in a particular jurisdiction of a Participating State, the Company agrees to work with that Participating State to address and resolve the issues, including the development of an individual jurisdiction process improvement plan. If the Participating State and the Company cannot resolve such issues, the Participating State may take other appropriate action within the context of that jurisdiction's laws, including the calling of a targeted market conduct examination, the scope of which shall not include periods prior to January 1, 2021.
- vi. The Company shall reimburse the Lead States for their monitoring and oversight costs during the Monitoring Period.
- vii. In the event the Company is determined not to have met its obligations under this Agreement subject to the Default and Cure provisions, the Company may be subject to re-examination and all associated costs of a re-examination will be paid by the Company.

- b) The Settling Jurisdictions agree that any and all work papers, recorded information, documents and copies of work papers, and documents produced by, obtained by, or disclosed to the Settling Jurisdictions, including test plans and reports shall be given confidential treatment to the fullest extent provided by South Carolina Insurance Laws and shall not be subject to subpoena and may not be made public by the Settling Jurisdictions or to any other person except as provided for by S.C. Code Ann. § 38-13-30. Nothing in this Agreement is intended to, nor shall it, preclude Settling Jurisdiction(s) from sharing records and other information relating to the examination, or this Agreement, or disclosing the results of compliance with the Agreement to other governmental or law enforcement entities or as otherwise permitted under the Settling Jurisdiction's laws.

7. Regulatory Forbearance and Release.

- a) By entering into this Agreement, the Settling Jurisdictions and the Company intend to resolve all the concerns addressed in the Multistate Areas of Review, including any alleged violations of laws and regulations. The Settling Jurisdictions agree that this Agreement shall be deemed a complete settlement and full and final resolution, and is in lieu of any disciplinary, legal, regulatory or enforcement action(s) that could have been taken by any Settling Jurisdiction, relating to the concerns addressed by the Multistate Areas of Review and arising out of any alleged violations of any laws, regulations or administrative orders issues or which could have been issued by the Settling Jurisdictions through the Term. Each Settling Jurisdiction agrees that it will

not initiate or conduct a new market conduct examination or pursue additional sanctions for the deficiencies involving compliance with respect to the Multistate Areas of Review for the period covered under the Examination Period.

8. Default and Cure.

- a) Company's failure to comply with any provision of this Agreement shall constitute a breach of the Agreement, a violation of the order of the Participating States and a violation of the Agreement with the Participating States and shall subject the Company to such administrative and enforcement actions and penalties as each Participating State deems appropriate, consistent with each Participating State's respective Insurance Laws in effect at the time the failure occurred.
- b) Any agreement on the part of any Party hereto, to any extension or waiver shall be valid only if in writing signed by the Party granting such waiver or extension and, unless expressly provided otherwise, shall be a one-time waiver or extension only by the signatories to the waiver, and any such waiver or extension or any other failure to insist on strict compliance with any duty or obligation herein shall not operate as a waiver or extension of, or estoppel with respect to, any continuing, subsequent or other failure to comply with this Agreement.
- c) If a Settling Jurisdiction believes that the Company has breached a provision of this Agreement or that the Company has made a misrepresentation in this Agreement or during the conduct of the Monitoring Period, such Settling Jurisdiction shall provide written notice of the alleged breach to the Company and the Lead States that the breach has occurred. The Company shall have the opportunity, within twenty-one (21) calendar days of receipt of such notice, to present evidence in writing and through appearance before the complaining jurisdiction's regulator in an attempt to rebut the allegations(s) or to seek an extension to address the alleged breach. An extension to address an alleged breach is not guaranteed and does not prohibit further sanctions if warranted. A Settling Jurisdiction should not pursue any enforcement action as set forth in this Section against the Company until the twenty-one (21) calendar day response period described above has expired unless immediate action is needed to prevent consumer, provider, or market harm.

9. Effectiveness.

- a) The Lead States shall arrange to deliver this Agreement within seven (7) calendar days following the Conditional Effective Date to the Settling Jurisdictions. The Settling Jurisdictions may adopt, agree to, or approve the Agreement by means of the Subscribing Jurisdiction Adoption Form attached as Exhibit B and by reference herein incorporated.
- b) This Agreement shall be finally effective on the date the Lead States provide the Company with a copy of this Agreement adopted, agreed to, and approved by the

Settling Jurisdictions (the “**Final Effective Date**”). Except as provided in Section 9.c., the Final Effective Date shall be no later than ninety (90) calendar days after the Conditional Effective Date.

- c) The Lead States and the Company may agree in writing to extend the initial Final Effective Date and each extended Final Effective Date thereafter in writing, in which case the Lead States shall notify the Participating States who may then choose whether to participate hereunder on or before the extended Final Effective Date.
- d) If the Final Effective Date does not occur by the initial Final Effective Date, as may be extended pursuant to the terms of this Agreement, this Agreement shall be deemed null and void and of no further force or effect.

10. Term.

This Agreement shall commence on the Final Effective Date and remain in effect until delivery of the final report as provided in Section 6. (the “**Term**”), unless otherwise amended by agreement of the Company and Lead States.

11. Additional Terms.

- a) Third Party Reliance. This Agreement is an Agreement solely among the named Parties, and no other person or entity shall be deemed to obtain or possess any enforceable rights against the Company as a third-party beneficiary or otherwise as a result of this Agreement. The Parties agree that this Agreement is not intended to and shall not confer any rights upon any other person or entity and shall not be used for any other purpose. Nothing in this Agreement shall be construed to provide for a private right of action to any person or entity not a party to this Agreement. Nor shall the Agreement be deemed to create any intended or incidental third-party beneficiaries, and the matters herein shall remain within the sole and exclusive jurisdiction of the Settling Jurisdictions. Nothing contained herein shall affect any rights that the Company or any Third-Party Contractor might have against third parties.
- b) Exhibits. The following exhibits are attached hereto and incorporated herein:
 - i. Exhibit A – Settling Jurisdictions
 - ii. Exhibit B – Subscribing Jurisdiction Adoption Form
 - iii. Exhibit C – Company Compliance Plan
 - A. Exhibit C.1. – Reporting and Sampling Methodology
 - iv. Exhibit D – Multistate Contingency Payment
- c) Time Is of the Essence. The Parties hereby agree that time shall be of the essence with respect to the performance of this Agreement.
- d) Notice. All notices permitted or required to be delivered under this Agreement shall be in writing and shall be deemed so delivered by hand, one (1) business day after transmission by e-mail (evidenced by delivery receipt), five (5) business days after being placed in the hands of a commercial courier service for express delivery, or ten (10) business days after placement in the mail by registered or certified mail, return receipt requested, postage prepaid and addressed to the following addresses or a Party’s most current principal address of which the Party sending the notice has been notified:

If to the Company: John Wilbur, President or his successor
Companion Life Insurance Company
1301 Gervais Street, Suite 900
Columbia, SC 29201
John.Wilbur@CompanionGroup.com and
Clifemarketcompliance@companionlife.com

Copy to: Jeffrey Thomas, Esq. or his successor
Mitchell, Williams, Selig, Gates & Woodyard, PLLC
425 West Capitol Avenue, Suite 1800
Little Rock, AR 72201
JThomas@mwlaw.com

If to the Lead States: South Carolina Department of Insurance
Attn: Kendall Buchanan, Deputy Director, Market
Regulation and Public Information or her successor
1201 Main Street, Suite 1000
Columbia, SC 29201
kbuchanan@doi.sc.gov and marketreg@doi.sc.gov

- e) Rights and Remedies. Except as otherwise provided in this Agreement, the rights, powers, remedies, and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges by applicable law.
- f) Settling Jurisdiction Authority. Each person signing on behalf of each of the Settling Jurisdiction represents, warrants and gives his or her express assurance that under applicable laws, regulations, and judicial rulings, he or she has authority to enter into this Agreement.
- g) Company Authority. The Company expressly represents and warrants as of the date of its execution of this Agreement that: (i) it is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation or organization and has the absolute, unrestricted right, power, authority and capacity to execute and deliver this Agreement and to perform its obligations arising hereunder, without any further consent or approval being required from any individual person, parent company, or other organization or entity; (ii) it has obtained all necessary authorizations, approvals, or consents of any governmental entity required in connection with the execution, delivery, or performance by it of this Agreement; (iii) it has conducted all investigations it deems appropriate and necessary to determine whether to enter into this Agreement; and (iv) it has read this Agreement, enters into it knowingly and voluntarily, and has been advised by its legal counsel as to the legal effect of this Agreement.
- h) Choice of Law. This Agreement and any disputes or conflicts which may arise in connection with the interpretation or enforcement of this Agreement, and the rights and obligations of the Parties, shall be governed by the laws of the State of South Carolina without regard or reference to conflict of law rules. The Parties consent to the exclusive jurisdiction of the United States District Court for the District of South Carolina Columbia Division or the State of South Carolina Richland County Court of Common

Pleas for the purposes of interpreting and enforcing this Agreement. Nothing in this Section 11.h., however, shall limit the rights of a Settling Jurisdiction to pursue administrative and enforcement actions and penalties consistent with such Settling Jurisdiction's laws, rules and regulations as provided in Section 7 of this Agreement.

- i) Subsequent Law. If a Settling Jurisdiction adopts an Insurance Law relating to or conflicting with any provision of this Agreement, then application of such provision of this Agreement shall be superseded by such Insurance Law as it applies in that Settling Jurisdiction, and all other unaffected terms and conditions of the Agreement shall remain in full force and effect.
- j) Joint Preparation. This Agreement, exclusive of any statements or findings, preliminary or otherwise, of the Lead States, shall be deemed to have been prepared jointly by the Parties hereto. Any ambiguity herein shall not be interpreted against any Party hereto and shall be interpreted as if each of the Parties hereto had prepared this Agreement.
- k) Interpretation. Titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Whenever the context requires in this Agreement, the singular shall include the plural and vice versa.
- l) Invalidity. In the event that any portion of this Agreement is enjoined or held invalid under the laws of a Settling Jurisdiction, such enjoined or invalid portion shall be deemed to be severed only for the duration of the injunction, if applicable, and only with respect to that Settling Jurisdiction and its jurisdiction, and all remaining provisions of this Agreement shall be given full force and effect and shall not in any way be affected thereby.
- m) Full and Final Agreement. This Agreement, including any exhibits hereto, constitutes the entire understanding between the Company and the Settling Jurisdictions with respect to the subject matter contained herein and supersedes any and all prior or existing understandings, agreements, plans, and negotiations, whether written or oral, between the Company and any Settling Jurisdiction with the exception of the required actions the Company entered into with the three jurisdictions (CO, DE, VT) because their existing understandings, agreements, plans, and negotiations, whether written or oral, between the Company and those jurisdictions allowed the Settling Jurisdictions to sign on to this Agreement and adopting the reporting requirements found in those Examinations. All modifications to this Agreement must be in writing and signed by each of the Parties hereto.
- n) Counterparts. This Agreement may be executed in one or more counterparts, any of which shall be deemed an original and all of which taken together shall constitute one and the same Agreement. Execution and delivery of this Agreement may be evidenced by facsimile or electronic mail transmission.

[SIGNATURES ON FOLLOWING PAGES]

In Witness Whereof, the Parties to this Agreement have each caused their signatures to be set forth below on the date first set forth below.

COMPANION LIFE INSURANCE COMPANY

BY: _____


JOHN WILBUR
PRESIDENT

DATE: MARCH 11, 2021

SOUTH CAROLINA DEPARTMENT OF INSURANCE

BY: _____

RAYMOND G. FARMER
DIRECTOR OF INSURANCE

DATE: _____

DELAWARE DEPARTMENT OF INSURANCE

BY: _____

TRINIDAD NAVARRO
COMMISSIONER OF INSURANCE

DATE: _____

In Witnesses Whereof, the Parties to this Agreement have each caused their signatures to be set forth below on the date first set forth below.

COMPANION LIFE INSURANCE COMPANY

BY: _____

JOHN WILBUR
PRESIDENT

DATE: _____

SOUTH CAROLINA DEPARTMENT OF INSURANCE

BY:  _____

RAYMOND G. FARMER
DIRECTOR OF INSURANCE

DATE: *March 16, 2021*

DELAWARE DEPARTMENT OF INSURANCE

BY: _____

TRINIDAD NAVARRO
COMMISSIONER OF INSURANCE

DATE: _____

In Witnesses Whereof, the Parties to this Agreement have each caused their signatures to be set forth below on the date first set forth below.

COMPANION LIFE INSURANCE COMPANY

BY: _____

JOHN WILBUR
PRESIDENT

DATE: _____

SOUTH CAROLINA DEPARTMENT OF INSURANCE

BY: _____

RAYMOND G. FARMER
DIRECTOR OF INSURANCE

DATE: _____

DELAWARE DEPARTMENT OF INSURANCE

BY: *Trinidad Navarro*

TRINIDAD NAVARRO
COMMISSIONER OF INSURANCE

DATE: 3/18/21

MICHIGAN DEPARTMENT OF INSURANCE

BY: _____

ANITA G. FOX
DIRECTOR OF INSURANCE

DATE: _____

PENNSYLVANIA DEPARTMENT OF INSURANCE

BY: *Jessica K. Altman*

JESSICA K. ALTMAN
COMMISSIONER OF INSURANCE

DATE: MARCH 17, 2021

TEXAS DEPARTMENT OF INSURANCE

BY: _____

DOUG SLAPE
CHIEF DEPUTY COMMISSIONER OF INSURANCE

DATE: _____

MICHIGAN DEPARTMENT OF INSURANCE

BY: _____

ANITA G. FOX
DIRECTOR OF INSURANCE

DATE: _____

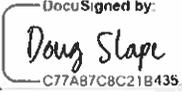
PENNSYLVANIA DEPARTMENT OF INSURANCE

BY: _____

JESSICA K. ALTMAN
COMMISSIONER OF INSURANCE

DATE: _____

TEXAS DEPARTMENT OF INSURANCE

BY:  _____
C77A87C8C21B435

DOUG SLAPE
CHIEF DEPUTY COMMISSIONER OF INSURANCE

DATE: 3/25/2021

EXHIBIT A

Settling Jurisdictions

List of states

Alabama	Alaska
Arizona	Arkansas
Delaware*	District of Columbia, Washington
Florida	Georgia
Idaho	Illinois
Indiana	Iowa
Kansas	Kentucky
Louisiana	Maine
Maryland	Michigan*
Mississippi	Missouri
Montana	Nebraska
Nevada	New Hampshire
North Carolina	North Dakota
Ohio	Oklahoma
Oregon	Pennsylvania*
Rhode Island	South Carolina*
Tennessee	Texas*
Virginia	Washington
West Virginia	Wisconsin
Wyoming	

* Lead States

EXHIBIT B

**Multistate Targeted Market Conduct Agreement
of Companion Life Insurance Company (77828) - SC42120
Regulatory Settlement Agreement**

SUBSCRIBING JURISDICTION ADOPTION FORM

On behalf of Missouri Department of Commerce and Insurance, I Chlora Lindley-Myers, hereby adopt, agree to and approve this Agreement.

Missouri Department of Commerce and Insurance

By: Chlora Lindley-Myers

Printed: Chlora Lindley-Myers

Title: Director

Date: April 20, 2021

Please provide the following information as to how your jurisdiction's allocation of the Multistate Penalty should be made from the Company.

CONTACT NAME: Stewart Freilich

MAILING ADDRESS: Missouri Department of Commerce and Insurance, PO Box 690
Jefferson City, MO 65102

PAYMENT MADE TO: Missouri State School Fund

Upon completion, please return this form to Michael Bailes, and copy Paul Santillanes:

Michael E. Bailes, II MCM
Market Regulation Coordinator
South Carolina Department of Insurance
1201 Main Street, Suite 1000
Columbia, SC 29201
Tel: 803-737-6131
Fax: 803-737-6205
E-mail: marketreg@doi.sc.gov, psantillanes@naic.org

EXHIBIT C

Compliance Plan

In accordance with Section 4 of the Agreement, Company has agreed to implement a Compliance Plan consisting of changes and improvements to its systems, practices and procedures that will address the Multistate Areas of Review. The Parties agree that the Company's substantial and material progress toward completion of the Compliance Plan during the Term together with demonstrated compliance with the requirements outlined in the Agreement, will satisfy the Company's obligations to the Settling Jurisdictions under the Agreement.

The Parties may agree to extend or waive any part of the Compliance Plan consistent with Section 8.b. of the Agreement. The signed extension or waiver shall explicitly state the date on which the extension is granted, the revised due date, and the reason for the extension request. Should the Company fail to timely submit a quarterly written report, respond to an objection, or submit a data sample to the Lead States, and, after receiving notice of such failure from the Lead States, fail to cure this failure within five (5) business days, then the Lead States will report such failure to the Participating Jurisdictions.

Oversight of Third-Party Contractors and Producers

1. **Market Conduct Compliance Manual:** The Company has made its Market Conduct Compliance Manual available on its website at <https://www.companionlife.com/compliancemanual.aspx>. The Company will identify any changes to the Manual on the website.
 - a) Existing and new Third-Party Contractors and Producers will be notified in writing of the Market Conduct Compliance Manual and their duty to comply.
 - b) The Company shall provide the Lead States notice of any and all changes to the Market Conduct Compliance Manual.
2. **Contracts:** The Company shall distribute new contracts to all Third-Party Contractors in lieu of amending existing contracts.
 - a) The Company will provide the Lead States with an exemplar contract for informational purposes.
 - b) The Company shall include in its quarterly written reports (1) the number of such contracts executed to date and (2) the number of contracts not yet executed until such time as all Third-Party Contractors are operating under the new contracts. All Third-Party Contractors shall have executed and be operating under the new contracts prior to expiration of the Monitoring Period.
 - c) The Company shall submit notice of any new agreement with a Third-Party Contractor to the Lead States as part of its quarterly written report. The Company will also provide the date upon which performance will commence under such new agreement, where that performance date shall be on or after the date of contract execution.

3. Audit and Oversight

- a) The Company shall conduct premium, underwriting, and claims audits annually for all Third-Party Contractors under contract as of December 31, 2020. After the first quarter of the calendar year, the Company shall assess whether any contracted MGU holds MGA status under applicable Insurance Laws. If an MGU would be considered an MGA under applicable Insurance Laws, and where applicable Insurance Laws require additional auditing of MGAs, then the Company will perform the additional audits required by the Insurance Laws.
- b) In addition to its audit program, the Company shall conduct regular oversight of Producers' and Third-Party Contractors' compliance activities, including complaints activity, advertising and marketing usage, and, where applicable, policy form usage and describe its oversight activities in its quarterly written report.
- c) The Company will provide the Lead States with its most recent program audit, which sets out the Company's audit schedule, at the commencement of the Monitoring Period. The Company will provide any updates to the program audit with its quarterly written report.
- d) As part of its quarterly written report, the Company will provide the Lead States with written audit reports and audit resolution forms, which detail issues or recommendations identified within an audit report. The Company further agrees to provide quarterly status updates on the progress toward remedying any matter identified on an audit resolution form until that remedial work is complete.

Maintenance of Records

1. **Contract Provisions for Record Retention:** The Company shall require its Third-Party Contractors to agree that (1) all records regarding Company business transacted belongs to the Company; (2) such records must be produced upon request of the Company or a regulator; and (3) where applicable the records must be maintained in a format that clearly shows the inception, handling, and disposition of claims to allow reconstruction of a claim and determine compliance. Each Third-Party Contractor shall maintain complete records of the business it transacts and preserve required information for the longer of: (1) seven (7) years following the Target Completion Date; or (2) any longer period of time required by applicable Insurance Law or requirement. Each Producer shall maintain complete records of the business it transacts on behalf of Company in accordance with applicable federal and state insurance record retention laws.
2. **Advertising:** The Company will maintain a complete and accurate record of all advertising. The quarterly written reports will provide the Lead States with information regarding the Company's advertising activity, including (1) a listing of all advertising material approved during a quarter, (2) jurisdiction(s), (3) format, and (4) product(s) advertised. If a Settling Jurisdiction's Insurance Laws require regulatory approval of advertising material prior to usage, then (5) the regulatory approval date will also be included in the quarterly written report. The Company will also provide the Lead States with samples of its advertising records within thirty (30) days of any request.

3. **Complaints:** The Company will maintain a complete and accurate record of all regulatory and non-regulatory complaints. The quarterly written reports shall provide the Lead States with information regarding the Company's complaint activity, and the Company will provide the Lead States with samples of its complaint records within thirty (30) days of any request.
4. The Company shall ensure that recordings of verification calls are retained in accordance with the record retention requirements of the Insurance Laws.

Complaint Handling

1. The Company has created a uniform complaint handling process for regulatory and non-regulatory complaints, which is set forth in its Market Conduct Compliance Manual.
2. The Company recognizes its obligation to meet the complaint response timeframes outlined in the Insurance Laws of the Settling Jurisdictions. The Company maintains a log of its regulatory complaint handling activity. Additionally, Company senior management meets on a monthly basis to discuss pending regulatory complaints and those trends that may be identified from the record of regulatory complaints. As part of the quarterly written reports, the Company shall provide a listing of new regulatory complaints received during the prior quarter as well as the monthly summative regulatory complaints reports prepared for senior management.
3. The Lead States may request a sample of regulatory complaints identified in the quarterly written reports, and the Company shall provide the complete regulatory complaint and inquiry records to the Lead States within thirty (30) days of receipt of the request.

Forms and Rates

1. The Company shall evaluate its forms and rates for compliance with the Insurance Laws.
2. The Company will provide new forms and rates to the Third-Party Contractors in advance of issuance. The Company shall require the Third-Party Contractors to acknowledge that forms and rates issued will comply with forms and rates as approved and permitted by the insured's situs jurisdiction before the Company will grant the Third-Party Contractors permission to use the new forms and rates. After the acknowledgment, Third-Party Contractors must use the new forms and rates with (1) new policies and (2) at renewal unless otherwise agreed to by a Settling Jurisdiction.
3. The Company shall provide to the Lead States its plan for implementation of new forms and rates as part of its first quarterly written report. Any changes to the plan for implementation will be included in subsequent quarterly reports.
4. The Company shall provide the Lead States information showing the Company's progress in implementing the new product forms and rates in each quarterly written report. The Company will identify the Third-Party Contractors approved to use new forms and rates

and the rate at which Third-Party Contractors are enrolling policyholders on the new forms and rates.

5. The Company will continue to provide weekly reporting to the Lead States regarding the status of new product and rate filings and approvals until the implementation process is complete.
6. The Company shall immediately report to the Lead States the discovery of any use of unapproved forms and rates within three (3) business days and develop a corrective action plan. The Company shall provide weekly reports to the Lead States until the issue is resolved.

Claims Handling

1. The Company will provide the Lead States with claims handling information in its quarterly written reports to demonstrate claims activity that complies with the Settling Jurisdictions' Insurance Laws. The Company will audit a statistically valid sampling consistent with standards set forth in the NAIC's Market Regulation Handbook of claims transactions and report on the following metrics:
 - a. Average Turnaround Time for Sampled Claims
 - b. Claim Turnaround Time
 - c. Jurisdiction
 - d. Claim Number
 - e. Claim Amount
 - f. Type of Policy
 - g. Date of Service
 - h. Date of Receipt of Claim
 - i. Date of Claim Determination
 - j. Claim Amount Paid
 - k. Interest Paid
 - l. Total Payment
 - m. Method of Claim Submission (paper/electronic)

As part of the quarterly written report, the Company will identify any sampled claims where the claims determinations were not timely made under a Settling Jurisdiction's Insurance Laws and the corrective action planned by the Company, including interest payment, to address the untimely determination.

2. The Lead States may request the complete claims records for any sampled claims included within the quarterly written reports, and the Company shall provide the records to the Lead States within thirty (30) days of receipt of the request.

Associations and Trusts

1. The Company shall evaluate its use of trusts and affiliation with Associations through which it offers new insurance products.

2. The Company will provide evidence of Association compliance with the applicable Insurance Laws for licensure and certification of authority as part of its first quarterly written report. The Company will provide updates to such Association information, if any, in the next-to-be-filed quarterly written report.

Sales & Marketing

1. The Company has made marketing, training and licensing requirements available to its Third-Party Contractors and Producers in the Market Conduct Compliance Manual.
2. The Company shall require the Third-Party Contractors and Producers engaged in producing insurance sales to be licensed and appointed in accordance with the Insurance Laws for any Settling Jurisdiction in which there is sales activity. The Company shall verify that the Third-Party Contractors are properly licensed and appointed.
 - a) The Company shall verify annually that the Third-Party Contractors are properly licensed and, where applicable, appointed and include the results of this annual verification in the applicable quarterly written report.
 - b) The Company shall review and confirm the licensure and appointment status of Producers during the processing of a new application for Insurance Products.
 - c) The Company shall report the details of any and all exceptions to the Lead States in its quarterly written reports.
 - d) In the event the Company becomes aware of any Third-Party Contractor or Producer whose licensure or appointment is not compliant with applicable Insurance Laws the Company will report such violation, as well as the corrective actions taken in response, to the Lead States in its quarterly written report.
3. The Company shall require all marketing and advertising used by Third-Party Contractors and Producers to be reviewed by the Company to ensure the material accurately represents the benefits represented in the policy forms and is otherwise compliant with Insurance Laws prior to use. Third-Party Contractors and Producers must either (1) utilize Company-created and approved advertising materials or (2) submit advertising materials to the Company for its review and approval before use. The Company shall provide a list of all advertising material it approved and any unapproved material discovered to be in use during the quarter.
4. In the event the Company becomes aware of any noncompliant marketing or advertising usage, the Company will report such violation, as well as the corrective actions taken to address the violation, to the Lead States in its quarterly marketing and advertising report.
5. The Company shall implement procedures and provide appropriate training for the verification call process.

Financial Statement Reporting

1. The Company shall put in place appropriate controls to ensure accurate reporting of premium in its Annual Financial Statements.

2. The Company shall accurately report premiums in those states that require Supplemental Reports.

EXHIBIT C.1.

Reporting and Sampling Methodology

Summary

Summary			Sampling Methodology	Scope
Partner Type	Audit / Oversight Type	Frequency		
TPA	Premium Audit	Annual	Methodology determined by; 100% of the total population during the sample period and apply a 95% confidence level with a + or - 5% confidence interval to determine the sample size.	Confirm check amount agrees with bordereaux, Confirm check date agrees with month deposited, In some cases, the MGU/TPA will have batch totals for the deposit in these instances the MGU/TPA should be able to provide a breakdown of the batch total that shows the group premium deposit chosen, Confirm ceding allowances tie back to MGU/TPA agreement
	Underwriting Audit	Annual	10% of cases sold	Review of adherence to underwriting guidelines, proper application of rating, and utilization of approved filed rating manual
	Claim Audits	Annual	Methodology determined by; 100% of the total population during the sample period and apply a 95% confidence level with a + or - 5% confidence interval to determine the sample size.	Review of: Date Paid, Claim Number, Product, Date of Service, Claim Amount, Claim Paid, Method of Claim Submission, Policy State, Claim Turnaround Time (TAT), Average TAT (Calculated), Penalty Paid , Interest Paid, Adherence to the claim provisions specified in the program manager agreement, Claim System, claim system controls and edits, Internal claim authorities, Review program manager's Quality Review (QR) processes, Claim turnaround time, Handling of complaints, appeals, overpayments, and subrogation Claim payments are in accordance with the terms of the policy EOB reviews
	Policy Oversight	Quarterly	10% of all policies issued	Review of: Appropriate inputs on applications, schedules, and riders, appropriate policy form number used, appropriate signatures applied, schedule of benefits matches application, ensure that all policy provisions and variables align with approved filings
MGU	Premium Audit	Annual	Methodology determined by; 100% of the total population during the sample period and apply a 95% confidence level with a + or - 5% confidence interval to determine the sample size.	Confirm check amount agrees with bordereaux, Confirm check date agrees with month deposited, In some cases, the MGU/TPA will have batch totals for the deposit in these instances the MGU/TPA should be able to provide a breakdown of the batch total that shows the group premium deposit chosen,

				Confirm ceding allowances tie back to MGU/TPA agreement
	Underwriting Audit	Annual	10% of sold cases	Review of adherence to underwriting guidelines, proper application of rating, and utilization of approved filed rating manual
	Claim Audits	Annual	Methodology determined by; 100% of the total population during the sample period and apply a 95% confidence level with a + or - 5% confidence interval to determine the sample size.	Review of: Date Paid, Claim Number, Product, Date of Service, Claim Amount, Claim Paid, Method of Claim Submission, Policy State, Claim Turnaround Time (TAT), Average TAT (Calculated), Penalty Paid , Interest Paid, Adherence to the claim provisions specified in the program manager agreement, Claim System, claim system controls and edits, Internal claim authorities, Review program manager's Quality Review (QR) processes, Claim turnaround time, Handling of complaints, appeals, overpayments, and subrogation Claim payments are in accordance with the terms of the policy
	Policy Oversight	Quarterly	10% of all policies issued	Review of: Appropriate inputs on applications, schedules, and riders, appropriate policy form number used, appropriate signatures applied, schedule of benefits matches application, ensure that all policy variables align with approved filings
MGA	Premium Audit	Annual	Methodology determined by; 100% of the total population during the sample period and apply a 95% confidence level with a + or - 5% confidence interval to determine the sample size.	Confirm check amount agrees with bordereaux, Confirm check date agrees with month deposited, In some cases, the MGU/TPA will have batch totals for the deposit in these instances the MGU/TPA should be able to provide a breakdown of the batch total that shows the group premium deposit chosen, Confirm ceding allowances tie back to MGU/TPA agreement
	Underwriting Audit	Semi-Annual	10% of sold cases	Review of adherence to underwriting guidelines, proper application of rating, and utilization of approved filed rating manual

Claim Audits	Semi-Annual	Methodology determined by; 100% of the total population during the sample period and apply a 95% confidence level with a + or - 5% confidence interval to determine the sample size.	Review of: Date Paid, Claim Number, Product, Date of Service, Claim Amount, Claim Paid, Method of Claim Submission, Policy State, Claim Turnaround Time (TAT), Average TAT (Calculated), Penalty Paid , Interest Paid, Adherence to the claim provisions specified in the program manager agreement, Claim System, claim system controls and edits, Internal claim authorities, Review program manager's Quality Review (QR) processes, Claim turnaround time, Handling of complaints, appeals, overpayments, and subrogation Claim payments are in accordance with the terms of the policy EOB reviews (TPAs only)
Policy Oversight	Quarterly	10% of all policies issued	Review of: Appropriate inputs on applications, schedules, and riders, appropriate policy form number used, appropriate signatures applied, schedule of benefits matches application, ensure that all policy variables align with approved filings

EXHIBIT D

Multistate Contingency Payment

Failure to cure a default in accordance with Section 8. of the Agreement may result in assessment of a Multistate Contingency Payment for failure of Company to comply with the Agreement or the Compliance Plan during the Monitoring Period. Each Multistate Area of Review (Sections 3.a. through 3.g.) shall be assigned an amount representing up to the total amount of the Multistate Contingency Payment of Five (5) Million and no/100 Dollars (\$5,000,000.00) that could be assessed for failure to comply with requisite portions of the Agreement or the Compliance Plan. The Multistate Contingency Payment will be assessed as follows:

A. Oversight of Third-Party Contractors and Producers

Company shall pay a penalty of up to one-seventh (1/7) of the Multistate Contingency Payment for failure to meet its obligations related to Oversight of Third-Party Contractors and Producers required by Section 3.a. of the Agreement and the Compliance Plan.

B. Maintenance of Records

Company shall pay a penalty of up to one-seventh (1/7) of the Multistate Contingency Payment for failure to meet its obligations related to Maintenance of Records required by Section 3.b. of the Agreement and the Compliance Plan.

C. Complaint Handling

Company shall pay a penalty of up to one-seventh (1/7) of the Multistate Contingency Payment for failure to meet its obligations related to Complaint Handling required by Section 3.c. of the Agreement and the Compliance Plan.

D. Forms and Rates

Company shall pay a penalty of up to one-seventh (1/7) of the Multistate Contingency Payment for failure to meet its obligations related to Forms and Rates required by Section 3.d. of the Agreement and the Compliance Plan.

E. Claims Handling

Company shall pay a penalty of up to one-seventh (1/7) of the Multistate Contingency Payment for failure to meet its obligations related to Claims Handling required by Section 3.e. of the Agreement and the Compliance Plan.

F. Associations and Trusts

Company shall pay a penalty of up to one-seventh (1/7) of the Multistate Contingency Payment for failure to meet its obligations related to Associations and Trusts required by Section 3.f. of the Agreement and the Compliance Plan.

G. Sales and Marketing

Company shall pay a penalty of up to one-seventh (1/7) of the Multistate Contingency Payment for failure to meet its obligations related to Sales and Marketing required by Section 3.g. of the Agreement and the Compliance Plan.