SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF SANTA BARBARA
----------x
COORDINATION PROCEEDING
SPECIAL TITLE (RULE 1550(b))

PHL VARIABLE INSURANCE COMPANY CASES

Judicial Council Coordination Proceeding No. Cord 4612

COORDINATED ACTIONS:

FENTON v. PHL VARIABLE INSURANCE COMPANY

FENTON v. PHOENIX LIFE INSURANCE COMPANY
----------x

C O N F I D E N T I A L

VIDEOTAPED DEPOSITION of EDWARD JAMES HUMPHREY, taken on behalf of all Plaintiffs and all Cross-Defendants, at the CORPORATE SUITES LLC, 641 Lexington Avenue, 14th Floor, New York, New York 10022, commencing at 9:45 a.m., Monday, December 20, 2010, before Deborah Huntsman, a Shorthand Reporter and Notary Public of the State of New York.

ATKINSON-BAKER, INC.
COURT REPORTERS
(800) 288-3376
www.depo.com

REPORTED BY: DEBORAH HUNTSMAN

FILE NO.: A40B24F

1 A P P E A R A N C E S:

2 FOR ALL PLAINTIFFS AND ALL CROSS-DEFENDANTS:

3 KROLL LAW CORPORATION
BY: GERALD L. KROLL, ESQ.
4 629 State Street, Suite 201
Santa Barbara, California 93101
5

6 FOR ALL DEFENDANTS AND ALL CROSS-PLAINTIFFS:

7 EDISON, McDOWELL & HETHERINGTON LLP
BY: DAVID T. McDOWELL, ESQ.
8 Phoenix Tower
3200 Southwest Freeway, Suite 2920
9 Houston, Texas 77027

10 DORSEY & WHITNEY LLP
BY: PATRICK J. FEELEY, ESQ.
11 250 Park Avenue
New York, New York 10177-1500
12

13 ALSO PRESENT:
14 JOSEPH TEDONE, ESQ., Phoenix
15 STEVEN LOCKWOOD
MARC FRIEDMAN, Videographer
16

17

18

19

20

21

22

23

24

25

1 A. Yes. The minimum face amount was generally 10:27:16
2 $5 million, so that the minimum estate for the insured 10:27:19
3 was about $10 million. The contract was the same. We 10:27:24
4 always used our Universal Life Contract, 10:27:29
5 non-guaranteed contract for that. And the premium 10:27:33
6 flow was similar too. 10:27:35
7 Q. The premium flow was? 10:27:38
8 A. The premium flow for the policy was also 10:27:42
9 similar, and that paid a target premium in year one, 10:27:43
10 and as little as possible beginning year two. 10:27:47
11 Q. Was there any earmark associated with whether 10:27:50
12 or not the policies that were applied for were Single 10:28:02
13 Life versus Second to Die? 10:28:06
14 A. Yes, they were Single Life. 10:28:08
15 Q. Did you have an understanding of whether or not 10:28:15
16 this Non-Recourse Premium Finance business that 10:28:19
17 Phoenix was involved with was limited to the New York 10:28:21
18 region or was it nationwide, if you know? 10:28:30
19 A. It was nationwide. 10:28:33
20 Q. When you said before that one of the earmarks 10:28:35
21 of the Non-Recourse Premium Finance business was 10:28:43
22 Single Life policies, was there a reason why it would 10:28:45
23 be Single Life in a Non-Recourse Premium Finance 10:28:50
24 transaction, if you know? 10:28:55
25 A. The flip side of Non-Recourse Premium Financing 10:28:56

1 was the settlement business. These policies were 10:28:58
2 basically designed to settle, and the settlement 10:29:04
3 business worked in Single Life policies. The majority 10:29:06
4 of the business, the settlement business, was driven 10:29:11
5 from Single Life policies. 10:29:13
6 Q. Now, people either hearing your testimony or 10:29:16
7 reading it who are not familiar with the life 10:29:19
8 insurance business may not understand when you say 10:29:21
9 "settlement." Can you tell us what you mean by the 10:29:25
10 phrase "settlement"? 10:29:28
11 A. The business has changed, but the basic meaning 10:29:31
12 is that you would buy a policy, and after a couple of 10:29:35
13 years, you could then sell that policy to a settlement 10:29:39
14 company for a percentage of the face amount. The 10:29:44
15 ownership of the policy would then change to the 10:29:44
16 settlement company. The Non-Recourse business was 10:29:47
17 designed to settle at some point. 10:29:51
18 Q. I heard the phrase "third-party investors." 10:29:56
19 When you say "settlement company," do you understand 10:29:59
20 that to be interchanged with a third-party investor? 10:30:03
21 A. Yes. 10:30:05
22 Q. So your understanding was that these 10:30:05
23 Non-Recourse Premium Finance transactions were 10:30:09
24 destined to be sold to a third-party investor and that 10:30:12
25 the Single Life policy was a vehicle to do them? 10:30:14

1 MR. McDOWELL: Objection. Mischaracterizes 10:30:20
2 testimony. 10:30:23
3 Q. Is that correct? 10:30:24
4 A. Yes. 10:30:25
5 Q. As of the time that you started engaging 10:30:44
6 Phoenix in these Non-Recourse Premium Finance 10:30:49
7 transactions, you had been in the life insurance 10:30:51
8 business already for about 18 years; correct? 10:30:55
9 A. Yes. 10:30:57
10 Q. Did you have some understanding of the types of 10:30:57
11 insurance that people bought for estate planning 10:31:02
12 purposes? 10:31:04
13 A. Yes. 10:31:05
14 Q. After you started engaging in Non-Recourse 10:31:05
15 Premium Financing transactions for Phoenix, did 10:31:39
16 Phoenix actively encourage its sale force to engage in 10:31:40
17 these transactions, Non-Recourse Premium Financing 10:31:45
18 transactions? 10:31:53
19 A. Yes. 10:31:53
20 Q. Can you tell us the names of any particular 10:31:53
21 individuals that you dealt with at Phoenix that 10:31:54
22 actually encouraged the sales force to put 10:31:57
23 Non-Recourse Premium Finance on the books of Phoenix? 10:32:02
24 A. As far as my direct report, Kevin Lawler, was 10:32:03
25 actively pursuing that business, and put together a 10:32:11

1 user guide in 2005, a Non-Recourse user guide, which 10:32:12
2 would help us find, you know, different kinds of -- 10:32:17
3 basically Kevin came to the wholesalers within the 10:32:21
4 region in 2005 and asked us for all of the information 10:32:24
5 on the Non-Recourse plans our brokers were using. 10:32:25
6 From that information, he put together a user guide, 10:32:29
7 which gave information on all different types of 10:32:33
8 plans, what was available, and also what other 10:32:35
9 companies were doing. That was presented to us at our 10:32:38
10 regional meeting. The other person who asked for 10:32:41
11 Non-Recourse was Bob Primmer, an executive, who was 10:32:46
12 the head of the Life Insurance Department at that 10:32:49
13 time. 10:32:49
14 I went to a meeting in Newport, Rhode Island, 10:32:51
15 near the end of September of '05. It was a rookie 10:32:57
16 cabinet meeting for new wholesalers. I started to get 10:32:59
17 a good flow of this business, so I asked Bob at that 10:33:03
18 meeting, knowing that there really wasn't much 10:33:06
19 information on this, and how much Non-Recourse we 10:33:08
20 should produce and his view on that. He told me the 10:33:11
21 more the merrier, as far as Non-Recourse cases. 10:33:14
22 Q. When did Mr. Primmer say -- he actually used 10:33:17
23 the phrase "the more the merrier" when it came to 10:33:21
24 putting Non-Recourse Premium Finance on the books of 10:33:23
25 Phoenix? 10:33:26

1 A. Yes, he did. 10:33:26

2 Q. When did he say that? 10:33:27

3 A. That was the end of September of 2005. 10:33:30

4 Q. Where did this conversation take place? 10:33:32

5 A. In Newport Beach, Rhode Island. There was a 10:33:34

6 combination meeting for brokers and also the rookie 10:33:40

7 cabinet meeting was up there. He mentioned that at a 10:33:42

8 rookie cabinet meeting with other Phoenix wholesalers 10:33:45

9 present. 10:33:48

10 Q. What is a "rookie cabinet meeting"? 10:33:48

11 A. They took some of the top first year 10:33:50

12 wholesalers just as a Q and A, and just basically to 10:33:54

13 meet Bob and talk about our experience in the first 10:33:58

14 year there, and some questions we had for him. 10:34:01

15 Q. When you say "wholesalers," are you referring 10:34:05

16 to Wealth Management Consultants, such as yourself? 10:34:08

17 A. Yes. 10:34:12

18 Q. So people watching this or reading your 10:34:13

19 testimony will understand the terminology, how many 10:34:13

20 people were at this event, this rookie cabinet 10:34:21

21 meeting? 10:34:27

22 A. My estimate is there were six to eight other 10:34:28

23 Wealth Management Consultants there. 10:34:31

24 Q. Could you give us the names of any of the 10:34:34

25 others? 10:34:37

1 Q. That is from your own personal knowledge; 10:38:37
2 correct? 10:38:41
3 A. Yes. 10:38:41
4 Q. What was the difference? 10:38:42
5 MR. McDOWELL: The same objection. 10:38:44
6 A. If I could just give an example of my first 10:38:45
7 Non-Recourse policy that went through, the premium was 10:38:47
8 in excess of $1 million. That was more than any 10:38:50
9 premium that I had done in the previous year on all 10:38:54
10 cases. So the first big case I had with Non-Recourse 10:39:00
11 exceeded the premium that I had with all other 10:39:01
12 business. 10:39:04
13 Q. Did you find Non-Recourse Premium Finance cases 10:39:06
14 particularly profitable for you? 10:39:22
15 A. Yes. 10:39:22
16 Q. Did you understand that Non-Recourse Premium 10:39:22
17 Finance cases were particularly profitable for Wealth 10:39:23
18 Management Consultants and Regional Managing 10:39:27
19 Directors? 10:39:30
20 A. I wasn't aware of the compensation schedule for 10:39:32
21 the Regional Managers and Directors, so I can't really 10:39:39
22 answer that question. 10:39:42
23 Q. Can you say that Non-Recourse Premium Finance 10:39:42
24 transactions were particularly profitable for Wealth 10:39:45
25 Management Consultants at Phoenix? 10:39:47

1 A. Yes. 10:39:49

2 Q. Were they profitable for anybody else in the 10:39:49

3 Phoenix sales chain, as far as you know? 10:39:53

4 A. Yes. 10:39:57

5 Q. Who else were those transactions profitable 10:39:58

6 for? 10:40:03

7 A. As I mentioned, I didn't know the compensation 10:40:03

8 schedule for Regional Manager Directors. I just knew 10:40:07

9 there was income in 2006, so I know that it was 10:40:11

10 profitable for Kevin Lawler. 10:40:18

11 Q. How do you know that? 10:40:18

12 A. Our incomes were published in an insurance 10:40:20

13 magazine, and that is pretty obvious, the incomes were 10:40:23

14 pretty high. 10:40:26

15 Q. In which insurance magazine were your incomes 10:40:26

16 published in? 10:40:28

17 A. "The Insurance Forum." What they did was they 10:40:29

18 published any employees with income over $1 million, 10:40:34

19 and I was in there and so was Kevin. 10:40:40

20 Q. When was that publication? 10:40:46

21 A. My guess is that an estimate would be around 10:40:49

22 April of 2007 for the previous year for the income of 10:40:52

23 2006. 10:40:58

24 Q. Do you know how this publication got ahold of 10:40:58

25 these incomes and made them public? 10:41:04

1 A. One hundred pages. As I mentioned, Kevin came 10:57:28
2 to -- Kevin got all of his information from us. 10:57:35
3 Because he came to the wholesalers in the region, and 10:57:38
4 he asked for any information on the plans and how 10:57:38
5 brokers were using. So he just basically took the 10:57:44
6 only information we gave him, and put it together in a 10:57:44
7 binder, of our plans. 10:57:47
8 MR. McDOWELL: I object to the last portion of 10:57:48
9 the answer as non-responsive. 10:57:51
10 Q. Do you have some understanding of how 10:57:53
11 Mr. Lawler put together the new booklet or the guide? 10:57:56
12 A. Kevin came to the wholesalers whose brokers 10:57:58
13 were doing Non-Recourse, and there were probably four 10:58:03
14 or five of us, and asked for information on the plans 10:58:07
15 they were using. With that information, he put 10:58:10
16 together the first section of the binder. 10:58:12
17 Q. After the Insurance Department's opinion, did 10:58:17
18 you have some understanding whether other insurance 10:58:24
19 companies stopped transacting Non-Recourse Premium 10:58:27
20 Finance business? 10:58:32
21 A. It was my understanding that most of them had 10:58:32
22 stopped. It was my understanding that most insurance 10:58:37
23 companies had stopped. 10:58:37
24 Q. After most of the other insurance companies had 10:58:38
25 stopped, did Phoenix continue to engage in 10:58:41

1 Non-Recourse Premium Finance transactions? 10:58:44
2 A. Yes. 10:58:46
3 Q. For how much longer after the other insurance 10:58:46
4 companies had stopped, did Phoenix continue to engage 10:58:54
5 in Non-Recourse Premium Finance transactions? 10:58:55
6 MR. McDOWELL: I object. Lack of foundation, 10:58:57
7 speculation. 10:58:58
8 A. I can't speak to what companies actually 10:58:59
9 stopped, but I know that we were one of the last to 10:59:03
10 continue. I know that through the brokers I had, and 10:59:07
11 basically told us, you know, that we were the last 10:59:10
12 company accepting Non-Recourse. 10:59:13
13 Q. I didn't hear the last. 10:59:13
14 A. The brokers I was working with said we were the 10:59:17
15 last company accepting Non-Recourse Premium Financing. 10:59:17
16 Q. When you were first hired at Phoenix in 2004, 10:59:25
17 were you given any type of premium quota? 10:59:32
18 A. I don't believe I was in the first year. 10:59:36
19 Q. Were you given any indications of what your 10:59:39
20 superiors expected from you in terms of the premium 10:59:47
21 volume that they hoped for you to generate? 10:59:49
22 A. Are you talking about when I first joined 10:59:52
23 Phoenix? 10:59:54
24 Q. Correct. When you first started with Phoenix 10:59:55
25 in August of 2004. 10:59:59

broker. I don't recall. 12:17:20

Q. Did you speak with anybody else at Phoenix 12:17:23

about this particular policy that had been placed by 12:17:33

Mr. Kleinhandler? 12:17:34

A. Yes. 12:17:34

Q. Who did you speak with? 12:17:35

A. I spoke with Kevin Lawler and Lou DiGiacomo. 12:17:36

They went out to meet with David and the broker. 12:17:41

Q. Did anybody, either of them, tell you what 12:17:43

happened at the meeting? 12:17:47

A. Yes, they both did actually. 12:17:47

Q. Tell me what Mr. DiGiacomo said? 12:17:49

A. I got that from Kevin. I didn't speak to Lou 12:17:52

directly about that. 12:17:54

Q. What did Mr. Lawler tell you? 12:17:55

A. They met without my knowledge. I wasn't even 12:17:57

aware of the situation. But after the fact, Kevin 12:18:01

told me that they had met, and exactly what I just 12:18:04

told you. One of the insureds -- I think it was a 12:18:07

husband and wife. I believe both had answered that 12:18:07

the policies were purchased strictly for settlement, 12:18:12

and everything against what was on the Statement of 12:18:16

Client Intent. So Kevin told me that they went out to 12:18:17

meet with him, and questioned about policy, and that 12:18:20

was pretty much it. There was no action taken. 12:18:25

1 Q. Mr. DiGiacomo didn't take any action, as far as 12:18:29
2 you know? 12:18:32
3 A. No. 12:18:33
4 Q. Did Mr. Lawler take any action, as far as you 12:18:34
5 know? 12:18:38
6 A. No. 12:18:38
7 Q. Now, when you say "Statement of Client Intent," 12:18:39
8 you are talking about the question about whether the 12:18:43
9 insurance was taken out for estate planning purposes? 12:18:48
10 A. Well, among other questions. That form changed 12:18:50
11 on a regular basis, but there were probably six to 12:18:52
12 eight questions on that form, and one of them was, 12:18:52
13 obviously, about the reason for the insurance. 12:19:00
14 Q. Let's look at that form, because I think we 12:19:01
15 have one here that was produced to us by Phoenix. Do 12:19:05
16 you recall when you first were told about a Statement 12:19:54
17 of Client Intent form? 12:19:54
18 A. My best recollection is the first quarter of 12:19:57
19 2006. 12:20:00
20 Q. Do you have any understanding as to why that 12:20:01
21 form started to be used at Phoenix? 12:20:04
22 A. Well, it was a response to the Non-Recourse 12:20:07
23 business and the ending of that, and just the kind of 12:20:10
24 monitor or police that we would not get that type of 12:20:10
25 business. 12:20:15

1 Q. What type of business? 12:20:15
2 A. Non-Recourse or any kind of third-party 12:20:17
3 investor. 12:20:34
4 MR. KROLL: Let me just mark this. This 12:20:34
5 document was produced to us by Phoenix. I can give 12:20:34
6 you the control numbers on the marked exhibit. I am 12:20:37
7 going to mark as Exhibit 7 PHL 042067, 042068, 042069, 12:20:42
8 and 042070 as Exhibit 7. 12:21:10
9 (Whereupon, an e-mail from Mr. Humphrey, dated 12:21:10
10 1/24/06, re Statement of Client Intent, was marked as 12:21:10
11 Exhibit 7 for identification, this date.) 12:21:29
12 MR. McDOWELL: May I see this? 12:21:29
13 THE WITNESS: (Handing.) 12:21:33
14 MR. McDOWELL: Thank you. 12:21:34
15 Q. Take a look at Exhibit 7, sir. Have you had a 12:22:15
16 chance to take a look at Exhibit 7? 12:23:11
17 A. Yes. 12:23:14
18 Q. Is that the Statement of Client Intent form 12:23:14
19 that you are referring to? 12:23:16
20 A. Well, it is maybe the initial one. It became a 12:23:18
21 lot -- there were many more questions added to this, a 12:23:21
22 few more questions, I should say, added to this. But 12:23:23
23 this may have been the initial one. I can't say for 12:23:23
24 sure. But it does look familiar, yes. 12:23:26
25 Q. Now, if you look at that form, there are some 12:23:38

1 questions on there, for example, "Is it currently your 12:23:41
2 intent to sell the applied for life insurance policy 12:23:44
3 in the future?" Is that on there? 12:23:47
4 A. Yes. 12:23:49
5 Q. Do you recall seeing a memo from Mr. Lawler or 12:23:57
6 some e-mail from Mr. Lawler where he said, even if you 12:24:01
7 answered yes to that, it didn't mean you wouldn't 12:24:04
8 necessarily be prevented from getting a policy from 12:24:07
9 Phoenix? 12:24:11
10 A. Yes. 12:24:11
11 Q. Did Mr. Lawler communicate to you that even if 12:24:11
12 an insured answered, yes, that we plan to sell the 12:24:15
13 policy to a third party, that we could still get an 12:24:18
14 insurance policy with Phoenix? 12:24:23
15 MR. McDOWELL: Objection. Asked and answered. 12:24:24
16 A. Yes. 12:24:25
17 Q. In other words, even if the policy was not 12:24:26
18 taken out for estate planning purposes, you could 12:24:30
19 still get a policy with Phoenix? 12:24:30
20 MR. McDOWELL: The same objection. 12:24:34
21 A. Can I take a step back with that for a second. 12:24:35
22 There were a number of questions on this form. One of 12:24:37
23 the questions that we added that would be answered 12:24:39
24 yes, that you would still get a policy at issue. The 12:24:41
25 question on selling the policy in the future was all 12:24:45

1 MR. KROLL: This witness is under Evidence Code 12:27:57
2 Section 776. 12:28:01
3 Q. I will ask you again, sir: as an employee of 12:28:07
4 Phoenix at the time that this Statement of Client 12:28:11
5 Intent form came out, is it your understanding, based 12:28:17
6 on what was communicated to you by Mr. Lawler, that 12:28:22
7 the custom and practice of Phoenix at the time was 12:28:25
8 that if you answered, yes, that you intend to sell the 12:28:28
9 policy to a third party, and that you don't plan to 12:28:31
10 use the policy for estate planning purposes, that you 12:28:35
11 could still get a policy with Phoenix? 12:28:36
12 MR. McDOWELL: The same objection. 12:28:39
13 A. Yes. 12:28:40
14 Q. After you received these e-mails and written 12:28:56
15 communication from Mr. Lawler in 2006 with this new 12:29:01
16 Statement of Client Intent form, in 2007 did you 12:29:08
17 receive any further written communication from 12:29:11
18 Mr. Lawler, as far as you recall, about the Statement 12:29:14
19 of Client Intent? 12:29:19
20 A. Yes. 12:29:19
21 Q. Do you recall what was communicated to you then 12:29:19
22 about that same form? 12:29:27
23 A. The Statement of Client Intent form again 12:29:27
24 changed on a regular basis. So I can't recall exactly 12:29:27
25 what was stated, but we would often get updates on the 12:29:31

premium was being funded by the trust or the insureds 14:24:52
at issue, and then as being possibly sold and being 14:24:56
sold to a third-party, and then be funded by the 14:25:03
third-party investor. 14:25:08
Q. That was a thought that you had? 14:25:10
A. Yes. 14:25:15
Q. You mentioned others. Who were the others you 14:25:15
are referring to? 14:25:20
A. I would talk to Kevin Lawler about this. 14:25:21
Q. When did you talk to him about this? 14:25:26
A. Again, just on a number of occasions over the 14:25:27
-- 14:25:30
Q. During 2006? 14:25:30
A. 2006/2007. 14:25:31
Q. What did you and Mr. Lawler discuss on that 14:25:34
subject? 14:25:37
A. As I said before, the flow of the premiums. It 14:25:37
became, you know, almost a broken record. It was the 14:25:43
same conversation pretty much every month. 14:25:46
Q. What about the timing and the way the premiums 14:25:49
were paid, if anything, was discussed between you and 14:25:53
Mr. Lawler? 14:25:55
A. To be perfectly frank, on this I even said to 14:25:56
him at one point, I said, "It doesn't take a rocket 14:26:00
scientist to figure out what is happening." 14:26:02

1 Q. What did you mean by that? 14:26:05
2 A. Meaning it is so obvious, what could possibly 14:26:07
3 be happening here. I would bring it up once a month, 14:26:12
4 you know, "Nobody is doing anything about this. What 14:26:16
5 am I supposed to do?" 14:26:18
6 Q. What was perfectly obvious? 14:26:19
7 A. The funding of the policy. 14:26:24
8 Q. By whom? 14:26:24
9 A. By the insured. 14:26:27
10 Q. When you said the funding of the policies, were 14:26:27
11 you making any reference to third-party investors? 14:26:28
12 A. No. The way the policy was minimally funded 14:26:31
13 initially, and then the full premium paid three weeks 14:26:33
14 later, a full annual premium. 14:26:37
15 Q. Did you and Mr. Lawler talk about those facts 14:26:37
16 as being indicative of a third-party investor 14:26:41
17 transaction? 14:26:44
18 A. Yes. 14:26:44
19 Q. That was in 2006 and 2007? 14:26:45
20 A. Yes. 14:26:49
21 Q. Did you ever have any situations with your 14:26:57
22 brokers where you had multiple smaller policies for 14:27:01
23 the same insured who was 70 years of age or older? 14:27:05
24 A. Yes. 14:27:10
25 Q. Was there anything about those transactions 14:27:15

1 same types of producers, but I wasn't -- I didn't have 14:42:09
2 firsthand knowledge of his workload or cases. 14:42:14
3 Q. Now, when you said you generated $36 million in 14:42:17
4 premiums in 2006, can you tell us how does that in the 14:42:20
5 life insurance company, $36 million, is there some 14:42:26
6 benchmark for that? 14:42:30
7 MR. McDOWELL: Objection. Calls for 14:42:33
8 speculation, lack of foundation. 14:42:35
9 Q. In other words, in the life insurance industry 14:42:37
10 is $36 million a lot of money to produce as a WMC? 14:42:39
11 MR. McDOWELL: The same objection. 14:42:47
12 A. Yes. In one of the exhibits, I actually talked 14:42:48
13 about that. They gave me an award for having as much 14:42:52
14 premium as the top -- as some of the top one hundred 14:42:55
15 insurance companies in the United States. 14:42:59
16 Q. You generated as much premium income alone as 14:43:00
17 an entire insurance company? 14:43:05
18 A. Yes. As a number of them, yes. 14:43:07
19 Q. A number of insurance companies? 14:43:07
20 A. A number of the top one hundred insurance 14:43:08
21 companies. 14:43:11
22 Q. Is there a place you can point to where that is 14:43:13
23 actually mentioned? 14:43:36
24 A. On Exhibit 4, the second page, the third 14:43:36
25 paragraph from the bottom. At this point I was upset 14:43:55

1 application. 14:47:52
2 Q. From a financial standpoint, when you said the 14:47:53
3 medical, what documentation, if any, was requested to 14:47:57
4 support the financial information on Lockwood Pension 14:48:00
5 Services' business? 14:48:00
6 A. There may have been some cases where, again, 14:48:04
7 third-party financials were requested either from a 14:48:06
8 CPA or a tax advisor, but it wasn't the norm. 14:48:08
9 Q. What was the norm? 14:48:13
10 A. An inspection. 14:48:15
11 Q. And that was a phone call to the insured; 14:48:17
12 right? 14:48:28
13 A. Yes. 14:48:28
14 Q. That was it? 14:48:28
15 A. Yes. 14:48:28
16 Q. So the norm would have been for Phoenix not to 14:48:28
17 request any financial documentation to support what 14:48:28
18 was in the application; is that correct? 14:48:29
19 A. Other than the inspection, yes. 14:48:30
20 Q. What was requested document-wise by Phoenix, 14:48:33
21 and I am just asking, is it correct that no 14:48:37
22 documentation was requested by Phoenix to support the 14:48:41
23 financial information in the application? 14:48:43
24 MR. McDOWELL: Objection. Asked and answered. 14:48:45
25 Mischaracterizes testimony. 14:48:50

1 Q. Is that correct? 14:48:50
2 A. Yes. 14:48:51
3 Q. Are you familiar with whether other life 14:48:52
4 insurance companies at the same time in 2006 and 2007 14:48:55
5 requested trust documents from applicants? 14:49:00
6 A. Yes. 14:49:02
7 Q. Is that the norm in the industry? 14:49:03
8 A. I don't know about the norm, but I know our 14:49:06
9 competition was asking for tax returns and trust 14:49:08
10 documents in a lot of the cases, where we were not. 14:49:13
11 Q. Now, if you take a look at Exhibit 4, what was 14:49:31
12 the reason why you wrote Exhibit 4? 14:49:35
13 A. I had a meeting coming up with Kevin Lawler, 14:49:54
14 and there were a number of issues that we were just 14:49:58
15 not seeing eye to eye as far as region and some issues 14:50:00
16 that I had. So I put this together prior to a meeting 14:50:05
17 with Kevin. 14:50:09
18 Q. Do you recall when you wrote Exhibit 4? 14:50:10
19 A. This was February 2007. 14:50:13
20 Q. So you said that you and Mr. Lawler were not 14:50:15
21 seeing eye to eye on certain things? 14:50:19
22 A. Yes. 14:50:21
23 Q. What were those things that you were not seeing 14:50:21
24 eye to eye on? 14:50:25
25 A. Well, it is pretty much mentioned in the memo 14:50:25

here. We are talking about some expenses, some of the 14:50:25
goals that the company had for us, and just, you know, 14:50:30
some personal issues that I was having and problems 14:50:37
that I was having, you know, dealing with my position. 14:50:43
Q. Was it your custom and practice in 2006 and 14:50:49
2007 to write letters and memos, such as Exhibit 4, to 14:50:52
Mr. Lawler? 14:50:57
A. Yes. I actually -- I am sorry. 14:50:58
Q. When you wrote Exhibit 4, did you have any 14:51:27
concern that you might be terminated by Phoenix? 14:51:30
A. No. I mean, I was coming off from a record 14:51:35
year. I wasn't concerned about that at that point. 14:51:41
Q. Did you and Mr. Lawler have words at some point 14:51:50
before Exhibit 4? 14:51:59
A. I don't know if we had before this e-mail, but 14:51:59
we definitely had words at times, sure. 14:52:02
Q. About what? 14:52:05
A. Everything. Management style, numbers, quotas, 14:52:09
just everyday business stuff. We just saw things a 14:52:16
little differently. 14:52:20
Q. Did you and Mr. Lawler get along personally? 14:52:21
A. At times. 14:52:26
Q. Take a look at Exhibit 3, sir. 14:52:28
A. Okay. 14:52:53
Q. Did you have an understanding that Phoenix had 14:52:53

1 some type of publicly stated policy that Phoenix did 14:53:20
2 not want Stranger-Owned Life Insurance on its books? 14:53:30
3 A. Yes. 14:53:30
4 Q. That was a position that you understood was 14:53:32
5 expressed to the public at large? 14:53:33
6 A. Yes. 14:53:35
7 Q. Would you agree there was a deference between 14:53:37
8 what Phoenix said in its public pronouncements and 14:54:01
9 what actually took place internally at Phoenix when it 14:54:04
10 comes to this third-party investor insurance and 14:54:04
11 Stranger-Owned Life Insurance? 14:54:11
12 A. Yes. 14:54:11
13 Q. What was the difference? 14:54:11
14 A. The difference was, you know, the public 14:54:13
15 persona was that they wouldn't accept any of this 14:54:16
16 business, and they were not in that market. And 14:54:18
17 privately, we had the best product for that age, we 14:54:21
18 had very aggressive underwriting for that age, and 14:54:25
19 everything that was designed to make it appear that we 14:54:30
20 were in that market internally. 14:54:34
21 Q. Well, we took the deposition of a gentleman 14:54:38
22 named Max Labar. Have you ever heard the name "Max 14:54:38
23 Labar"? 14:54:50
24 A. I have, yes. 14:54:50
25 Q. Do you know Max Labar? 14:54:51

1 A. No. 14:54:51

2 Q. Mr. Labar told us that there was a publicly 14:54:59

3 stated policy, and put his hand up to indicate like we 14:55:00

4 do not want it, and then his other hand gesturing, 14:55:05

5 like, bring it on. Was that your understanding of the 14:55:09

6 way things worked at Phoenix? 14:55:16

7 MR. McDOWELL: Objection. Leading, 14:55:18

8 mischaracterizes testimony. 14:55:22

9 A. Yes. That is also based on the quotas we 14:55:22

10 received. 14:55:25

11 Q. How was it based on the quotas that you 14:55:26

12 received? 14:55:28

13 A. We couldn't meet the quotas we received unless 14:55:28

14 we were in the market that generated these premiums. 14:55:33

15 Q. When you say "in the market," you are meaning 14:55:34

16 in the market for third-party -- 14:55:36

17 A. Senior market, high face amounts, which, again, 14:55:37

18 is an earmark of -- 14:55:41

19 Q. -- third-party investor transactions? 14:55:44

20 A. Yes. But just to point it out, I was also -- 14:55:47

21 they also made the statement they wanted the mix of 14:55:52

22 business to be better, and, again, that was impossible 14:55:56

23 if they wanted -- they wanted $20 million of premium. 14:56:00

24 I couldn't have my brokers writing 35- and 40-year-old 14:56:04

25 face amounts of a few million. I needed to write the 14:56:08

high-end ticket. So, again, they gave us a penalty in 14:56:12
2007 for, if we didn't have the correct mix of 14:56:15
business according to their design, but there would be 14:56:19
no way for me to meet my quota and also have the mix 14:56:23
of business that they asked for. So it seems like it 14:56:26
was publicly stated that they wanted the mix of 14:56:28
business, but I needed the $20 million in, so there 14:56:30
was no way to do both. So it was a mixed message. 14:56:34
Q. You say there was no way to do both, did you 14:56:36
feel you had to do something else to make the quota, 14:56:39
other than what they were talking about, that is in 14:56:43
this mix business? 14:56:46
A. Well, I just had to continue to do what I was 14:56:46
doing. 14:56:48
Q. Which was? 14:56:49
A. Which was the over 70 market. 14:56:51
Q. With the earmarks that you were talking about 14:56:56
earlier? 14:56:58
A. Yes. 14:56:59
Q. After you submitted Exhibit 3 to Mr. Lawler and 14:57:00
you had this meeting in Hartford, did anybody write 14:57:05
you back in response to Exhibit 3? 14:57:09
A. No. 14:57:11
Q. Did you get any response to Exhibit 3? 14:57:13
A. Other than at the meeting, no. 14:57:16