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OFFICE OF INSURANCE REGULATION

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INSURANCE REGULATION
Docketed by: DFS

KEVIN M. McCARTY
DIRECTOR

IN THE MATTER OF:

CASE NO.: 60978-02-CO

NATIONAL STATES INSURANCE COMPANY
Life and Health Target Market Conduct Examination

CONSENT ORDER

THIS CAUSE came on for consideration as the result of an agreement between NATIONAL STATES INSURANCE COMPANY, (hereinafter referred to as "NATIONAL STATES"), and the OFFICE OF INSURANCE REGULATION, of the FINANCIAL SERVICES COMMISSION, (hereinafter referred to as "OFFICE"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the OFFICE hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter of, and parties to this proceeding.
2. NATIONAL STATES is a foreign insurer authorized to transact insurance business in Florida, and as such, is subject to the jurisdiction and regulation of the OFFICE pursuant to the Florida Insurance Code.
3. The OFFICE has conducted a target market conduct examination of NATIONAL STATES pursuant to Section 624.3161, Florida Statutes. As a result of that examination, the OFFICE determined that NATIONAL STATES committed the following violations of the Florida Insurance Code, to wit:

- a. Failed to ensure that its agents did not misrepresent the benefits, advantages, conditions or terms of any insurance policy in violation of Section 626.9541(1)(a)1., Florida Statutes.
- b. Failed to ensure that agents did not make representations on behalf of the insureds on insurance applications in violation of Section 626.9541(1)(k), Florida Statutes.
- c. Failed to accurately record cancellations and promptly return unearned premium in violation of Section 627.6043(2), Florida Statutes.
- d. Collected excess premium in violation of Section 626.9541(1)(o)2., Florida Statutes.
- e. Made material misrepresentations with the intent of effecting settlement on less favorable terms in violation of Section 626.9541(1)(i)1., Florida Statutes.

4. NATIONAL STATES does not admit these violations, but executes this Consent Order to avoid the time and expense of litigation.

5. The OFFICE and NATIONAL STATES expressly waive a hearing in this matter and the making of Findings of Fact and Conclusions of Law by the OFFICE and all further and other proceedings herein to which the parties may be entitled by law or the Florida Administrative Code. NATIONAL STATES hereby knowingly and voluntarily waives all rights to challenge or to contest this Order, in any forum now available to it, including the right to any administrative proceeding, circuit or federal court action, or any appeal.

6. NATIONAL STATES agrees that the failure to adhere to one or more of the terms and conditions of this Consent Order shall constitute a violation of a lawful order of the OFFICE, and shall subject NATIONAL STATES to such administrative action as the OFFICE may deem appropriate.

7. NATIONAL STATES agrees that upon the execution of this Consent Order, it shall be subject to the following terms and conditions:

a. NATIONAL STATES shall pay an administrative penalty of \$10,000 and administrative costs of \$1,000 on or before the 30th day after this Consent Order is executed.

b. NATIONAL STATES shall monitor all pending Florida claims to make certain that in those cases where the policy provides for a waiver of premium benefit, that premiums were not withdrawn from policyholder's bank accounts while the benefit was in effect. The company shall review all future Florida claims in the same manner.

c. NATIONAL STATES shall file a copy of its procedures to monitor the conduct of its agents with the Department within ninety (90) days of the execution of the Consent Order.

d. NATIONAL STATES shall henceforth comply with all of the provisions of the Florida Insurance Code and Florida Statutes.

e. NATIONAL STATES is hereby placed on notice of the requirements of the above referenced sections of law and agrees that any future violations of these sections by NATIONAL STATES may subject NATIONAL STATES to appropriate penalties.

8. Except as noted above, each party to this action shall bear its own costs and attorney's fees.

9. THEREFORE, the agreement between NATIONAL STATES and the OFFICE, the terms and conditions of which are set forth above, is approved.

FURTHER, all terms and conditions above are hereby ORDERED.

DONE AND ORDERED this 1st day of December, 2003.



[Redacted signature area]

KEVIN M. McCARTY, Director
Office of Insurance Regulation

By execution hereof NATIONAL STATES INSURANCE COMPANY consents to entry of this Order, agrees without reservation to all of the above terms and conditions, and shall be bound by all provisions herein. I am authorized to execute this document.

NATIONAL STATES INSURANCE COMPANY

By: _____

WILLIAM R MORRISON
(Typed or Printed Name)

Title: V.P. ADMINISTRATION

Date: 10/31/03

COPIES FURNISHED TO:

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