

## JOINT STIPULATION

The following joint stipulation is entered into between the Louisiana Department of Insurance ("LDI") and Direct General Life Insurance Company ("Direct General Life")

1.

A Notice of Civil Fine ("Notice") was issued by the LDI to Direct General Life on October 27, 2016. This notice is attached as Exhibit "A".

2.

The LDI's findings in this notice were that Direct General Life violated La.R.S.22:1558(B)(1) and La.R.S.22:1558(C), prohibitory laws of Louisiana, by failing to properly appoint insurance producers licensed by the LDI to act on its behalf in the business of insurance, and by paying commissions to these producers.

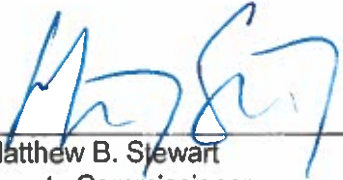
3.

Pursuant to La.R.S.22:1969(A), the LDI imposed a fine of twenty thousand dollars (\$20,000.00) for these violations.

4.

Direct General Life agrees to waive its right to an administrative hearing on this Notice. In consideration of this waiver, the LDI agrees to reduce the fine to five thousand dollars (\$5,000.00), payable on or before thirty days after this Joint Stipulation is signed.

For the Louisiana Department of Insurance:

  
\_\_\_\_\_  
Matthew B. Stewart  
Deputy Commissioner  
Fraud and Enforcement

12.6.16  
\_\_\_\_\_  
Date

For Direct General Life Insurance Company:

  
\_\_\_\_\_  
Jeffrey Weissmann  
General Counsel & Secretary

12.6.16  
\_\_\_\_\_  
Date

NOTICE OF CIVIL FINE

October 27, 2016

TO: Direct General Life Insurance Company  
ATTN: Constance Collins, Senior Counsel  
1281 Murfreesboro Road  
Nashville, TN 37217-2432

NAIC No. 97705  
LDI License No. 869

WHEREAS, IT HAS COME TO MY ATTENTION, as Commissioner of Insurance ("Commissioner") of the Louisiana Department of Insurance ("LDI"), that Direct General Life Insurance Company has violated certain provisions of the Louisiana Insurance Code, Title 22, La.R.S.22:1 *et seq.* As used hereinafter, "Direct General Life", "you" and "your" refer to Direct General Life Insurance Company.

1.

On May 20, 2016, the LDI sent you a "Directive and Notice of Allegations of Misconduct", attached to this Notice as Exhibit "A", which constitutes a notice of wrongful conduct describing the unfair trade practice(s) and citing the law which is deemed by the commissioner of insurance ("commissioner") to be violated.

2.

On July 13, 2016, the LDI received Direct General Life's answer to the aforementioned Directive and Notice of Allegations and Misconduct.

3.

The commissioner has determined that Direct General Life has engaged in an unfair method of competition or an unfair or deceptive act or practice.

FINDINGS

4.

You are an insurance company with a certificate of authority issued by the State of Louisiana to act as an insurance company within Louisiana.



5.

Between 2014 and 2016, you failed to properly appoint producer(s) and producer agency or agencies, accepted business from unappointed producer(s), and producer agency or agencies, and paid commissions on that business to the unappointed producer(s) and producer agency or agencies; specifically, Direct General Insurance Agency and/or licensed insurance producers employed or affiliated with Direct General Insurance Agency.

6.

Between 2014 and 2016, you made approximately 22,930 commission payments in the approximate aggregate amount of \$84,168.64 to unappointed producer(s) and produce agency or agencies; specifically, Direct General Insurance Agency and/or licensed insurance producers employed or affiliated with Direct General Insurance Agency.

#### VIOLETIONS OF THE LOUISIANA INSURANCE CODE

7.

You have violated La.R.S.22:1964, which states

The following are declared to be unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(12) Any violation of any prohibitory law of this state; to wit:

La.R.S.22:1558(B)(1), which states:

An insurer lawfully authorized to transact business in this state shall appoint as its agent any person or persons holding a license issued under the provisions of this Subpart. To appoint a producer as its agent, the appointing insurer shall file, in a manner prescribed by the commissioner of insurance, a notice of appointment within fifteen days from the date the agency contract is executed. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request.

and

La.R.S.22:1558(C), which states:

Any insurance producer, unless otherwise prohibited by contract, licensed in this state, may solicit, negotiate, or effect applications for policies of insurance with any insurer lawfully doing business in this state, other than an insurer such producer is appointed to represent, if such producer is under contract with such insurer. However, no commissions shall be paid by such insurer to the producer until the appointment has been recorded by the commissioner.

### PENALTIES

8.

Because you have committed these violations, you are subject to the following penalties:

La.R.S.22:1969(A), which states:

If, after receiving the person's answer or response or if no answer or response is received within twenty days of receipt of mailing, faxing, or delivery of the notice, the commissioner shall determine that the person charged has engaged in an unfair method of competition or an unfair or deceptive act or practice, he shall reduce his findings to writing and shall issue and cause to be served upon the person charged with the violation a copy of such findings and an order requiring such person to cease and desist from engaging in such method of competition, act, or practice and order any one or more of the following:

(1) Payment of a monetary penalty of not more than one thousand dollars for each and every act or violation, but not to exceed an aggregate penalty of one hundred thousand dollars unless the person knew or reasonably should have known he was in violation of this Part, in which case the penalty shall be not more than twenty-five thousand dollars for each and every act or violation, but not to exceed an aggregate penalty of two hundred fifty thousand dollars in any six-month period.

(2) Suspension or revocation of the license of the person if he knew or reasonably should have known he was in violation of this Part.

### CEASE AND DESIST ORDER

9.

You are ordered to cease and desist the practice of accepting business and paying commission to unappointed insurance producers.

## IMPOSITION OF CIVIL FINE

10.

It is the finding of the Commissioner that you have committed these violations of the Louisiana Insurance Code as detailed above. Therefore, pursuant to the authority of the Commissioner found in La.R.S.22:1554(A), you are fined the sum of twenty thousand dollars (\$20,000.00), payable to the State of Louisiana – Department of Insurance, on or before thirty days of the date of this letter.

## NOTICE OF APPEAL

11.

You have the right to appeal this civil fine and to be granted an administrative hearing before the Division of Administrative Law. If you wish to appeal, you must make a written demand for an appeal within thirty (30) days from the date you receive this Notice of Civil Fine. Failure to file a written demand for an appeal within thirty (30) days from the date you receive this Notice of Civil Fine will preclude your right to an administrative hearing before the Division of Administrative Law. The actions in this letter to be taken by the Commissioner of Insurance against you, should you fail to timely request a hearing, will then become permanent and not subject to further appeal. Pursuant to La.R.S.22:2191(B) your written demand for an appeal (1) shall reference the particular sections of the statutes and rules involved; (2) shall provide a short and plain statement of the matters asserted for review; and (3) shall attach a copy of the order or decision that you are appealing. Your written demand for an appeal shall be filed with BOTH the Division of Administrative Law and the Louisiana Department of Insurance at the addresses below:

Division of Administrative Law  
Attn: Clerk of Court  
P. O. Box 44033  
Baton Rouge, LA 70804-4033  
Telephone: (225) 342-1800  
Fax: (225) 342-1812

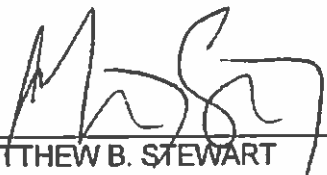
File in Person at:  
654 Main Street  
Baton Rouge, LA 70802

Louisiana Department of Insurance  
Attn: Barry James Ingram, Attorney  
P. O. Box 94214  
Baton Rouge, LA 70804-9214  
Telephone: (225) 342-4483  
Fax: (225) 342-1632

File in Person at:  
1702 N. Third Street  
Baton Rouge, LA 70802

JAMES J. DONELON  
COMMISSIONER OF INSURANCE  
LOUISIANA DEPARTMENT OF INSURANCE

BY:

  
\_\_\_\_\_  
MATTHEW B. STEWART  
DEPUTY COMMISSIONER  
FRAUD AND ENFORCEMENT