

COPY

CAUSE NO. D-1-GV-06-002198

STATE OF TEXAS,
Plaintiff,

v.

SERVICE LIFE AND CASUALTY
INSURANCE COMPANY,
Defendant.

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IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

353rd JUDICIAL DISTRICT

Filed in The District Court
of Travis County, Texas

OCT 11 2007
At 9:34 AM
Amalia Rodriguez-Mendoza, Clerk

ASSURANCE OF VOLUNTARY COMPLIANCE

This Assurance of Voluntary Compliance ("AVC") is made and entered into this day by and between the State of Texas, acting through its Attorney General Greg Abbott, and Service Life and Casualty Insurance Company ("Service Life"), as follows:

**1.0
RECITALS**

1.1 Service Life writes credit life and credit accident and health insurance policies in Texas, pursuant to TEX. INS. CODE § 1153, through a network of motor vehicle dealers it has appointed as agents, pursuant to TEX. INS. CODE § 4055.104. With few exceptions, all policies sold by Defendant to motor vehicle buyers are "single premium policies" where the entire period of insurance coverage, which can be as much as six years, is paid for up front in one payment and the sum is financed as part of the insured's retail installment loan.

1.2 The Consumer Protection and Public Health Division of the Office of the Attorney General ("CPD") is authorized to investigate and bring actions on behalf of the state of Texas for possible violations of the Deceptive Trade Practices - Consumer Protection Act ("DTPA"), TEX. BUS. & COM. CODE ANN. § 17.41, *et seq.*, TEX. INS. CODE ANN. § 541, *et seq.* (formerly TEX. INS. CODE ANN. Art. 21.21, *et seq.*) and the rules and regulations promulgated thereunder ("Section 541").

1.3 On October 21, 2004, CPD initiated an investigation of Service Life regarding the company's practices and procedures relating to the refund of unearned premiums for single premium policies sold in the State of Texas. CPD issued Civil Investigative Demands ("CIDs") to Service Life, pursuant to § 17.61 of the DTPA, and sent related CIDs to companies providing financing to purchase motor vehicles, requesting information about retail installment loans—protected by credit life and credit health insurance policies--that were paid off prior to the scheduled maturity date. Further, pursuant to §17.60 of the DTPA, CPD took sworn statements from Service Life employees about Service Life's refund policies and procedures.

1.4 Comparing common points between the data provided by Service Life with the data provided by the major automobile finance companies, the Attorney General's Office tentatively identified at least _____ Service Life insureds whose retail installment loans had terminated early at some point between the years 2002 through 2006 but who have not received refunds of unearned premiums. The average amount of the refunds that may be owed to these presently identified insureds is estimated to be _____.

1.5 This lawsuit was commenced by the State of Texas on November 1, 2006, with Plaintiff's Original Petition complaining of Service Life, and alleging violations of the DTPA and TEX. INS. CODE Chapter 541.

2.0 ATTORNEY GENERAL'S ALLEGATIONS

2.1 With regard to the typical single premium credit insurance policy, the insurance company fully earns the premium upon completion of the policy term, assuming no claim is made and accepted on the policy; however, if the policy is canceled by the insured or if the underlying debt is paid off prior to the expiration of the term, a portion of the premium is

“unearned,” and a refund of that unearned premium is due the insured.

2.2 In relevant part, regarding the refund of unearned premiums, Service Life’s policy for single premium credit insurance states:

This insurance stops when: Beginning from the Effective Date in the Schedule, the number of months in the Term has passed; or, when your debt is paid off, renewed refinanced or otherwise stops, which happens first. However, the termination must be without prejudice to any claim that began before termination. If your insurance stops before the Term has passed, you will be given a refund or a credit on your debt of unearned premium.

SERVICE LIFE POLICY TX 692 (3.53)

2.3 Regarding the refund of unearned premiums, the Texas Insurance Code states that each individual or group policy issued in Texas “shall provide that if the underlying debt or the insurance terminates before the scheduled maturity date of the debt, including the termination of a debt by renewing or refinancing the debt, the refund of any amount paid by or charged to the debtor for insurance shall be paid or credited to the person entitled to the refund.” TEX. INS. CODE §1153.202.

2.4 The Attorney General alleges that the Texas Insurance Code and Texas Administrative Code provisions relating to credit insurance require Service Life to: (a) promptly refund any unearned credit insurance premiums due their insureds upon the early termination of their insureds’ underlying debts; (b) establish procedures to determine when their insureds have terminated their motor vehicle contracts prior to their scheduled maturity date, and (c) distribute refund schedules to creditors who hold the retail installment contracts of Service Life insureds. The Attorney General further alleges that the provisions of the Texas Insurance Code and Texas Administrative Code applying to credit life and credit health policies for retail instalment loans terminated between 2002 and 2006 did not require any affirmative act on the part of insureds,

including providing notice to the credit insurance company of the early termination of their underlying retail installment loans as a condition precedent to a premium refund. Effective September 1, 2007, the Texas Insurance Code will require that a holder of an underlying retail installment loan submit a notice to an insurer when an underlying debt or the credit insurance terminates before originally scheduled.

2.5 The Attorney General alleges that Service Life has not made refunds of unearned credit insurance premiums due to all eligible insureds, pursuant to the requirements of the Texas Insurance Code and the Texas Administrative Code, and has retained these premiums in violation §17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541.

2.6 The Attorney General alleges that Service Life makes statements that imply to insureds that certain actions must be taken before refunds of unearned credit insurance premiums will be made when such actions are not required by their insurance policies or applicable law, in violation of §17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541 (formerly TEX. INS. CODE art. 21.21).

2.7 The Attorney General alleges that Service Life has failed to establish procedures to make certain that it will be timely informed by creditors holding the motor vehicle retail installment loans of its insureds, that the insureds' motor vehicle retail installment loans have been paid off early, in violation of §17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541 (formerly TEX. INS. CODE art. 21.21).

2.8 The Attorney General alleges that Service Life has failed to adequately supervise the performance of their agents in making premium refunds, in violation of §17.46 (a) and (b) of the DTPA and TEX. INS. CODE Chapter 541 (formerly TEX. INS. CODE art. 21.21).

3.0

SERVICE LIFE'S DENIAL

3.1 Service Life has denied and continues to deny the Attorney General's allegations, but in the interest of avoiding the time, expense, and uncertainty of litigation, desires to settle and compromise its disputes and differences regarding the Attorney General's allegations. This is a compromise of a disputed claim and Service Life enters into this AVC without admitting any liability, which liability is expressly denied, and without agreement by any party to any of the allegations or defenses made by another party. Nothing contained herein shall be deemed an admission of liability or wrongdoing of any kind.

4.0 PARTIES' AGREEMENT

4.1 In consideration of the mutual promises and covenants herein contained, the State of Texas and Service Life agree as follows:

WAIVER OF RELEASE IN ANY SUBSEQUENT CLASS ACTION

4.2 Service Life shall waive enforcement of any release contained in any class action settlement agreement related to Service Life's unearned credit insurance premium refund practices approved by any state or federal court after the effective date of the AVC, but solely as to Service Life insureds who purchased credit insurance in the State of Texas, but who did not receive refunds of unearned credit insurance premiums. Said waiver shall be solely and exclusively for the limited, express purpose of carrying out the provisions of this AVC. Service Life does not waive enforcement of the release set forth in any class action settlement regarding unearned credit insurance premiums to any other extent or for any other purpose.

PREMIUM REFUNDS TO KNOWN INDIVIDUALS

4.3 Contemporaneous with the execution of this AVC, the Attorney General shall

provide Service Life with a report (hereafter referred to as “the Report”), in electronic format, listing certain Service Life insureds who purchased credit insurance in the State of Texas and whose retail installment loans terminated early between January 1, 2002, and December 31, 2006, but who did not receive refunds of unearned credit insurance premiums. The Attorney General’s Legal Technical Support Division developed the Report using data provided by Service Life and data provided by motor vehicle creditors in response to CIDs and/or subpoenas.

Apart from Service Life’s specific obligations under protective orders entered in this case with regard to the handling of data provided by the major motor vehicle creditors in response to CIDs and/or subpoenas, Service Life shall maintain the information contained in the reports in confidence under proper safeguards and will use it solely for the purpose of complying with this AVC. Distribution of the information contained in the reports within Service Life will be limited to those individuals involved in carrying out Service Life’s duties under this AVC. Service Life shall inform these individuals that the information may not be disclosed other than to Service Life employees or agents participating in the carrying out of the terms of the AVC and with respect to information pertaining to a specific customer, to that customer.

4.4 Data in the Report will be grouped by creditor and year of payoff and shall include the following information: name and address of the insured, name of the auto dealer who sold the policy, the effective or contract date of the loan, the scheduled maturity date of the loan, the Service Life policy number, and the estimated refund amount, which represents the original premium refund owed by Service Life plus seven percent (7%) simple interest on that amount, calculated on an annual basis, beginning sixty (60) days from the date the insured’s retail installment loan was paid off and ending with the effective date of this AVC. All estimated premium refund amounts calculated by the Attorney General will be calculated taking the

average of the Rule of 78 and the Pro-Rata methods.

4.5 Service Life shall have ninety (90) days from the effective date of this AVC to review the Report and research its records to determine if the insureds listed in the report have already received premium refunds from Service Life or its agents, or if the insureds were not due refunds pursuant to 28 TAC §§3.5901-3.5906, and §3.5104. Not later than ninety one (91) days following the effective date of the AVC, Service Life shall submit to the Attorney General proposed revisions to the report, if any, including a list of insureds that Service Life contends have already received premium refunds or did not qualify for refunds and evidence supporting those contentions. Evidence shall consist of the documents described below, each of which may be produced in electronic format, provided the Attorney General agrees to that format:

- (a) receipts evidencing cash payment of a refund;
- (b) documents, including spread sheet compilations, that evidence the premium refund check number, date of the check, bank name, and insured to whom the premium refund check was mailed;
- (c) documents evidencing that an insured's premium refund was credited to the insured's indebtedness, provided that such credit was applied to the indebtedness to which the insurance charges were attributable;
- (d) documents evidencing that a credit life benefit was paid on the insured's policy;
- (e) documents evidencing that credit accident and health benefits were used to pay off the indebtedness of an insured in a single payment;
- (f) documents evidencing that an insured's loan terminated because the insured's automobile was repossessed, and that a premium refund check or credit was sent to the insured or the insured's creditor;

- (g) Service Life electronic records evidencing cancellation and a life or accident and health premium refund to the insured or the insured's creditor; or
- (h) records that show the original premium refund owed, excluding interest, was \$3 or less.

All proof submitted that an insured or the insured's creditor has already received a refund or was not qualified to receive a refund should reference the specific policy number and type of insurance (*e.g.*, credit life or credit accident and health) to which it applies and be accompanied by a brief narrative explanation.

4.6 The Attorney General shall review the information submitted by Service Life for each insured Service Life contends does not qualify under this AVC to receive a refund and shall make a good faith determination on whether the insured is or is not entitled to the refund. All decisions on whether an insured is entitled to a refund will be completed within one hundred fifteen (115) days of the effective date of the AVC. The Attorney General shall exercise independent judgment and good faith to determine whether the submitted evidence indicates that a given insured is entitled to a refund. The Attorney General's and Service Life's determinations shall not be binding upon individual insureds and any right or cause of action that they may assert in any other proceeding.

4.7 Within one hundred fifteen (115) days from the effective date of the AVC, the Attorney General shall present a revised report ("the Revised Report") in electronic format to Service Life with the names of those insureds who shall receive premium refunds, omitting the names of insureds who the Attorney General believes are not entitled to premium refunds based on its review of material submitted by Service Life.

4.8 Within sixty (60) days of the receipt of the Revised Report, Service Life shall

issue a refund check or draft to each individual listed on the Revised Report. The amount of this refund will be in an amount required by the terms of each insured's policy and relevant law, plus seven percent (7%) interest calculated on an annual basis beginning sixty (60) days from the date the policy was effectively canceled and ending on the effective date of the AVC.

4.9 Each check or draft sent to insureds listed in the Revised Report shall be mailed by first class mail with address correction requested to the address listed for the insured in the Revised Report. All payments returned to Service Life with a corrected address shall be forwarded to such corrected address. Any checks or drafts returned to Service Life that are undeliverable shall be maintained by Service Life for a period of three (3) years from the issue date of the check and subject to TEX. PROP. CODE ANN. §§72.001-74.710. Service Life shall pay all of its own costs in connection with issuing refunds under this AVC; however, Service Life shall not be prohibited from seeking reimbursement from its reinsurers, agents or dealers.

4.10 Each refund check or draft issued to insureds listed in the Revised Report shall be accompanied by a letter in the form attached hereto as **Exhibit A**. The letter and check and/or draft shall be mailed in a standard Service Life business envelope, displaying the name and logo for Service Life, which shall also state prominently on the outside, "IMPORTANT INFORMATION REGARDING YOUR PREMIUM REFUND."

**NOTICE AND CLAIM PROCEDURE FOR INSUREDS
ENTITLED TO PREMIUM REFUND BUT NOT YET IDENTIFIED**

4.11 Service Life shall maintain a claims website (the "Claims Website") beginning ninety (90) days from the execution of the AVC and continuing until the three hundredth (300th) day following the execution of the AVC. The Claims Website will inform potential claimants of their right to file a claim for premium refunds pursuant to this AVC and to request a claims

package (the “Claims Package”) which shall consist of **Exhibits B, C, and D**, attached hereto. A link to the Claims website entitled, “Service Life’s Agreement With Texas Attorney General” shall be maintained and conspicuously displayed at Service Life’s main corporate website beginning ninety (90) days from the execution of the AVC and continuing for a period of three hundred (300) days following the execution of the AVC.

4.12 The Claims website shall include the content of the attached **Exhibit E**, a link to a form for ordering a “Claims Package,” and a section for “Frequently Asked Questions.” Visitors to the website may request the “claims package” referenced in paragraph 4.13, *supra*, by entering their name and address in the website form. Service Life shall mail the “Claims Package” no later than three business days from the date a request is submitted online.

4.13 Service Life shall also mail a Claims Package to any individual requesting it by telephone, or by mail, no later than three days after such request. Service Life shall begin mailing the Claims Package beginning on the effective date of the AVC and continuing for a period of three hundred (300) days from the effective date of the AVC. Individuals making a claim need provide only their name and address, either orally, or in writing, to receive a Claims Package.

4.14 Service Life shall maintain a log of all requests for Claims Packages whether made online, by telephone or by mail that includes the name and address of the individual making the request and the date on which the Claims Package was sent. All Claims Packages sent pursuant to this AVC shall be mailed in a standard Service Life business envelope which shall display the name and logo for Service Life and which shall also state prominently on the outside of the envelope, “IMPORTANT INFORMATION REGARDING PREMIUM REFUND CLAIMS.” Each Claims Package shall be mailed by first class mail with address correction

requested and shall be accompanied by a postage pre-paid return envelope addressed to Service Life. All Claims Packages returned because of an incorrect address shall be mailed once to the corrected address. Every sixty (60) days from the effective date of the AVC up to three hundred (300) days after the effective date of the AVC, Service Life shall present to the Attorney General, in electronic and paper format, a list of individuals requesting a claims package, a list of individuals (including their addresses) to who claims packages were sent and the date of the mailing, a list of individuals to whom claims packages were sent to corrected addresses, and a list of individuals to whom claims packages were sent but were undeliverable.

4.15 Service Life shall accept claims submitted on the form attached as **Exhibit C** (the "Claim Form") for a period of up to thirty (30) days from the date that Service Life mailed the Claims Package. The Claim Form provides two options for individuals making a claim. For any claim form on which the insured has selected Option One, Service Life shall have up to sixty (60) days from receipt of the claim to make a good faith determination if a refund should be made to the claimant in accordance with the requirements of 28 TAC §§3.5901-3.5906, and §3.5104. If Service Life has failed to make a determination within this time period, then the presumption shall be that the insured is entitled to a refund and payment shall be made to the insureds according to the procedures set out in section 4.18 *infra*. For each Option One claim form submitted, the following documents shall be accepted as *prima facie* proof of a loan payoff by Service Life: (1) a copy of a pay off notice from a motor vehicle creditor, (2) copy of a motor vehicle title showing a lien release date that is earlier in time than the scheduled maturity date of the motor vehicle retail installment loan, (3) a copy of a cover letter showing the transmittal to the insured of a clear motor vehicle title, and (4) any other document from a motor vehicle creditor that provides information on the date that a customer's motor vehicle retail installment

loan was paid off. Failure by any of Service Life's insureds to submit a claim form within thirty (30) days shall in no way limit individual insureds from asserting any private right or cause of action that they may assert in any other proceeding.

4.16 If Service Life determines that the documents providing proof of payoff are insufficient and fail to provide the customers name, address, and payoff date, Service Life shall treat the claim as being made under Option Two of **Exhibit C**, and proceed according to the procedures for Option Two claims set out in section 4.17 *infra* of the AVC.

4.17 For each of the claim forms received by Service Life where the insured selected Option Two, as described in **Exhibit C**, Service Life or its agents/automobile dealers shall make a good faith effort through a search of its records, and those of its agents, to determine if the claimants' retail installment loans terminated prior to their scheduled termination date and whether they are owed a premium refund, completing that research no later than sixty (60) days after receiving the claim. This research shall at a minimum involve contacting the insured's original motor vehicle dealer and the holder of the insureds motor vehicle retail installment loan by telephone, or in writing, to determine when the insured's retail installment loan was terminated, using **Exhibit D**, if necessary.

4.18 After completing its review of Option One and Option Two claims, Service Life shall issue refund checks for the full amount of unearned credit insurance premiums to each and every insured it has determined to have paid off his or her motor vehicle retail installment loan prior to its maturity date and to be owed a refund of unearned credit insurance premium in accordance with the requirements of 28 TAC §§ 3.5901-3.5906 and 3.6101(b). These refunds shall be processed no later than (a) sixty five (65) days after receipt of a claim for refund under Option One; or ninety-five (95) days after receiving an Option One claim treated as Option Two

claim pursuant to section 4.16 of this AVC. The amount of the refund shall include simple interest in the amount of seven percent (7%) calculated annually, beginning sixty (60) days from the date the insureds retail installment loan was paid off and ending with the effective date of the AVC. Such refunds will be accompanied by a letter in the form attached as **Exhibit F** and mailed in the type of envelope described in sections 4.9 and 4.10. Any checks or drafts returned to Service Life that are undeliverable shall be maintained by Service Life for a period of three (3) years from the issue date of the check or draft and subject to TEX. PROP. CODE ANN. §72.001-74.710. Service Life shall pay all of its costs incurred in connection with the issuing of refunds under this AVC; however, Service Life shall not be prohibited from seeking reimbursement from its reinsurers, agents, or dealers.

4.19 If a claimant selecting either Option One or Option Two does not qualify for a premium refund under the terms of this AVC or has already received a premium refund, Service Life shall send the claimant the letter attached as **Exhibit G**, identifying the reason for the denial no later than (a) sixty-five (65) days from the receipt of an Option One claim or (b) ninety-five (95) days if the claim is an Option One claim being treated as an Option Two claim. Such letter will also be mailed in the type of envelope described in 4.10 *infra*. Service Life's determination that a claimant is not owed a refund under the terms of this AVC is not binding as to any individual right or cause of action that may be asserted any other proceeding or cause of action.

4.20 Twelve (12) months after the effective date of this AVC Service Life shall file with the Attorney General a verified report under oath which shall state:

- (a) the total dollar amount of premium refunds, including interest, mailed to insureds pursuant to this AVC;
- (b) the total number of claims for refunds submitted, the number of claims

where refunds were owed, and the number of claims where no refunds were owed;

- (c) the total number of insureds to whom checks or drafts were mailed;
- (d) the total number and dollar amount of negotiated (cashed) checks or drafts;
- (e) the total number and dollar amount of returned checks or drafts;
- (f) a list of insureds to whom premium checks were sent, including the addresses of the individual insureds and the amount of interest paid to each individual insured as part of their refund;
- (g) a list of claimants who were determined not be owed premium refunds, including their names and addresses, and a short explanation of why they were not entitled to a refund;
- (h) a list of insureds to whom checks or drafts were mailed and the checks or drafts were returned;
- (i) a list of insureds to whom checks or drafts were mailed but the checks or drafts were not cashed;
- (j) a list of individuals to whom claims packages were mailed but the claims packages were returned;
- (k) the total number and dollar amount of premium refund checks turned over to the abandoned property fund pursuant to TEX. PROP. CODE ANN. §72.001 if they remain unclaimed.

RELEASE

4.21 Each check or draft issued pursuant to the terms of this AVC may also include on the back of the check or draft a release as follows: "I release Service Life and Casualty Insurance Company and its agents from any and all liability related to or arising out of any failure to previously pay this premium refund."

CHANGES TO PREMIUM REFUND PROCEDURES

4.22 From the effective date of this AVC forward, Service Life shall conform its current procedures to comply with TEX. INS. CODE Chapter 1153 (and any subsequent re-codification or re-numbering of this Chapter) and all rules and regulations promulgated under Chapter 1153 by the Texas Department of Insurance, including any amendments or modifications to those regulations made after the effective date of this AVC, and any rules not yet promulgated by the Texas Department of Insurance as of the effective date of this AVC.

4.23 Before January 1, 2008, Service Life shall send to each of its insureds, who, between February 1, 2007 and August 31, 2007, purchased from a Texas motor vehicle dealer credit insurance covering a motor vehicle retail installment loan—with the exception of those insureds who already received refunds of unearned credit insurance premiums or whose policies are no longer active, a letter in the form attached hereto as **Exhibit H**.

CONTACT INFORMATION

4.24 To the extent that the terms or context of this AVC, or the exhibits attached hereto, require that Service Life provide a toll-free number or an address to receive inquiries or requests for information, Service Life shall take all necessary steps to establish and maintain the number or address in order to effectuate this AVC, including providing sufficient staff and resources to efficiently receive and process information and respond to inquiries and requests.

ATTORNEY'S FEES AND COSTS OF INVESTIGATION

4.25 No later than sixty (60 days) after the court approves this AVC, Service Life shall pay \$235,000 to the Office of the Attorney General as its attorneys' fees, expenses, and costs of investigation, in full and final settlement of all financial obligations to the State of Texas under this AVC. Failure to pay within the designated time period shall be a material breach of this agreement.

5.0 COURT APPROVAL

5.1 The parties agree that they will submit this AVC to a court of competent jurisdiction in Travis County and request that the court approve and enter this AVC pursuant to the terms set forth in this AVC and TEX. BUS. & COM. CODE § 17.58.

5.2 The "effective date" of the AVC shall be the day it is approved by the District Court. If the court does not approve this AVC, this AVC shall become null and void.

5.3 If any federal or Texas law, rule or regulation creates a new statutory or regulatory provision that materially conflicts with the terms of this AVC, then this AVC shall be automatically modified to reflect and incorporate that law, rule, or regulation prospectively from the date the new provision becomes effective. For the purposes of this AVC, a material conflict exists if conduct prohibited by the AVC is required by such Texas or federal law, or if conduct required by the AVC is prohibited by such Texas or federal law. This AVC does not preclude Service Life from submitting requests to the Texas Department of Insurance to allow Service Life to modify any of its forms to conform with Texas law.

5.4 The parties hereto agree that this is a compromise of a disputed claim, and that this AVC is entered into without admitting any liability, which liability is expressly denied, and without agreement by any party to any of the allegations or defenses made by another party.

Nothing contained herein shall be deemed an admission of liability or wrongdoing of any kind.

5.5 Nothing in the AVC shall be construed as a waiver of any private rights, causes of action or remedies of any person against Service Life with respect to their practices alleged herein.

5.6 The parties hereto release and discharge each other and Service Life's past and present agents, employees, affiliates, officers, representatives, successors, parents, subsidiaries and divisions, from any and all claims for damages or other relief arising out of Service Life's failure to refund unearned premiums due to its insureds which may have accrued on or before December 31, 2006, whether or not asserted by the parties, in their pleadings in this case or otherwise.

5.7 The parties represent and warrant, each to the other, that each has the authority to enter into and make this AVC, and to bind themselves to this AVC. Service Life and the Attorney General agree that nothing in this AVC shall create any private rights, causes of action or remedies of any other individual or entity against Service Life.

5.8 This AVC shall be governed by TEX. BUS. & COM. CODE §17.58.

5.9 Any and all taxable costs of court are taxed against Service Life.

6.0

MISCELLANEOUS PROVISIONS

6.1 To seek a modification or termination of this AVC for any reason, Service Life shall send a written request to the Attorney General. The Attorney General shall make a good faith evaluation of the then existing circumstances, and after collecting information the Attorney General deems necessary, make a prompt decision as to whether to agree to the modification or termination of this AVC. In the event the Attorney General timely denies the

modification or termination, Service Life reserves all rights to pursue any legal or equitable remedies available to it. No waiver, termination, modification, or amendment of the terms of this AVC shall be binding unless made by order of the Court; provided, however, the parties may agree to an extension of any time periods in this AVC without a court order.

6.2 This AVC may be executed in any number of counterparts and each of which when so executed shall be deemed an original and all of which taken together shall constitute one and the same AVC.

6.3 Service Life's execution of this AVC shall not be construed to release, and Service Life expressly does not intend to release, any claim or cause of action Service Life may make against any insurer, reinsurer, producer, dealer, and/or agent for any cost or expense incurred in connection with this AVC, including, without limitation, commissions, attorney's fees and costs.

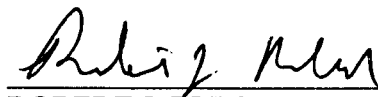
EXECUTED this 10th day of OCTOBER, 2007.

GREG ABBOTT
Attorney General of Texas

KENT C. SULLIVAN
First Assistant Attorney General

JEFF L. ROSE
Deputy First Assistant Attorney General

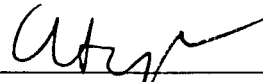
PAUL CARMONA
Chief, Consumer Protection Division



ROBERT J. BLECH
State Bar No. 00790320
RAYMOND G. OLAH
State Bar No. 00794391
Assistant Attorney General

Consumer Protection and Public health Division
Insurance Practices Section
Office of the Attorney General of Texas
P.O. Box 12548 Capitol Station
Austin, Texas 78711-2548
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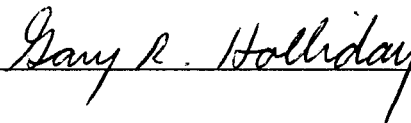
ATTORNEY FOR THE STATE OF TEXAS

By: 

Mr. Anthony Icenogle
De Leon, Boggins & Icenogle
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Austin, Texas 78701
(512) 478-5308 / FAX (512) 482-8628

ATTORNEY FOR DEFENDANT SERVICE
LIFE AND CASUALTY INSURANCE
COMPANY

Service Life and Casualty Insurance Company

By: 

Title: Senior Vice President

THE STATE OF TEXAS §
 §
COUNTY OF §

On this ____ day of _____ 2007, before me, the undersigned authority, personally appeared _____, who is personally known to me and acknowledged himself/herself to be an agent for Service Life and Casualty Insurance Company, and he/she, as such an agent, being authorized to do so, executed the foregoing instrument for the purpose and consideration therein contained by signing for the Service Life and Casualty Insurance Company by himself/herself as an agent for such.

In witness whereof, I hereunto set my hand and official seal.

/S/

Notary Public, State of Texas

My Commission Expires: _____

EXHIBIT A

[CUSTOMER NAME]
[Service Life Certificate #]
[Effective Date of Certificate]

NOTICE OF SETTLEMENT

Service Life and Casualty Insurance Company, (“Service Life”) and the Texas Attorney General, Greg Abbott, have recently reached an agreement regarding Service Life’s practices in refunding unearned credit insurance premiums. Service Life has agreed to refund unearned premiums to eligible policyholders who paid off their automobile loans early. Service Life has additionally agreed to pay interest on the refund in the amount of seven percent (7%) simple interest per annum, starting sixty (60) days from the date the auto loan ended and ending on date of the agreement between the Attorney General and Service Life.

With the assistance of the Attorney General’s Office, it has been determined that your motor vehicle loan ended early and that you are entitled to a refund of unearned credit insurance premium from Service Life. Enclosed please find a check or draft for your refund. This check or draft reflects the amount of unearned credit insurance premium refund that is due plus interest at 7% per annum.

If you have any questions about the enclosed check, please call Service Life at [insert phone number].

Enclosure: Check#

EXHIBIT B

[CUSTOMER NAME]
[Service Life Certificate #]
[Effective Date of the Certificate]

NOTICE OF SETTLEMENT AND CLAIM PROCEDURES FOR SERVICE LIFE AND CASUALTY COMPANY INSURANCE INSURED

Service Life and Casualty Insurance Company, ("Service Life") and the Texas Attorney General, Greg Abbott, have recently reached an agreement regarding Service Life's procedures for handling unearned credit insurance premiums. Service Life has agreed to refund to eligible policyholders the unearned premiums due to them because their motor vehicle loans **were paid off early between January 1, 2002 and December 31, 2006.** Service Life has additionally agreed to pay interest on the refunds in the amount of seven percent (7%) per annum, starting sixty (60) days from the date the auto loan was paid off and ending on the date of the agreement between the Attorney General and Service Life. **You may be an eligible insured if your automobile loan insured by Service Life was paid off early between January 1, 2002 and December 31, 2006.**

If you believe that you are eligible for a refund of your credit insurance premium, please fill out and mail the attached claim form to Service Life. If possible, attach to your claim form documents showing proof that your loan was paid off early. **Claimants attaching such proof may receive their refunds more quickly.** The following documents are acceptable: (1) a copy of a payoff notice from a motor vehicle creditor; (2) a clear motor vehicle title showing a date that is earlier than the scheduled maturity date of your motor vehicle loan; (3) a copy of a cover letter showing the transmittal to the policyholder of a clear motor vehicle title; and (4) any document or letter from a motor vehicle creditor that provides information on the date that a customer's motor vehicle loan was paid off. This form also includes an authorization that will allow your creditor to share proof of your motor loan contract with Service Life and Casualty Insurance Company for the purpose of determining your eligibility for a refund.

**YOU MUST FILL OUT AND MAIL THE ATTACHED CLAIM FORM WITHIN
THIRTY (30) DAYS OF THE DATE YOU RECEIVE IT**

If you have any questions concerning the settlement between the Attorney General and Service Life and the claim procedure describe above, please contact the Attorney General at 1-800-621-0508.

EXHIBIT C

**CLAIM FORM FOR SERVICE LIFE AND CASUALTY INSURANCE
COMPANY CREDIT INSURANCE PREMIUM REFUND**
Read the following options, and check the one that applies to your circumstances.

OPTION ONE

_____ I believe that my motor vehicle loan that was insured by a Service Life credit insurance policy was paid off early between January 1, 2002 and December 31, 2006, and that I have not received a refund of any unearned premium. I am attaching one of the following as proof of the loan payoff: a copy of a document sent by my creditor informing me of the payoff and listing the payoff date; a copy of my auto title with a date that shows the loan was paid off early; or any other type of document that demonstrates that the loan was paid off. I am requesting that Service Life evaluate the enclosed documentation and is files to determine whether I am entitled to a refund of unearned premium and, if so, to issue a premium refund check. I agree that if Service Life determines that the documentation I have provided is insufficient, I request that Service Life perform the research described in Option Two and have included a signed Insured's Authorization permitting Service Life to do so.

OPTION TWO

_____ I believe that my auto loan insured by an Service Life credit insurance policy was paid off early between January 1, 2002 and December 31, 2006, but do not have any documents in my possession that show this payoff. I am requesting that Service Life do research to determine if my loan was paid off early, and will sign the attached Insured's Authorization authorizing the holder of my automobile retail installment loan to provide information as to the payoff date of the loan to Service Life or its authorized agent. **You must the sign Insured's Authorization to qualify for a refund under Option Two.**

PLEASE PRINT LEGIBLY

Insured's Name:	Policy Number (if available):
Insured's Current Address:	Date Auto Loan Commenced (if available):
Insured's Address at Time Policy Was Purchased (if different from address above):	Date Auto Loan Terminated (if available):
Insured's Telephone Number:	Place Where Policy was Purchased (e.g. Name and Location of Car Dealership, if available):
Insured's Date of Birth:	
Insured's Signature:	Signed this DATE:

[For Option One claims, please attach copies of documents showing early loan pay off. If you need more space, please attach a separate sheet of paper.]

EXHIBIT D

INSURED'S AUTHORIZATION

I hereby authorize any company or entity that held and serviced my retail installment motor vehicle loan to disclose non-public information to Service Life and Casualty Insurance Company or its authorized agents regarding the date the loan or retail installment loan was paid off for the sole purpose of determining my eligibility for a premium refund. This authorization is intended to serve as a consent to disclose non-public information pursuant to the Graham-Leach-Bliley Act, 15 U.S.C. §6802 (e)(2).

This request for information by Service Life is made pursuant to its Assurance of Voluntary Compliance Agreement with the Texas Attorney General's Office which settled the Attorney General's lawsuit captioned, *State of Texas v. Service Life and Casualty Insurance Co.*, Cause No. D-1-GV-06-002198, in the 353rd Judicial District Court of Travis County, Texas, a lawsuit regarding Service Life's credit insurance premium refund practices.

In making these authorizations, I understand that I waive all federal, state, and local privacy laws, statutes, and regulations as to any and all authorized actions taken by Service Life in confirming my eligibility for a refund.

Signed this _____, day of _____, 2007.

Name

Phone Number

Current Address

EXHIBIT E

**NOTICE OF SETTLEMENT AND CLAIM PROCEDURES
FOR SERVICE LIFE AND CASUALTY INSURANCE COMPANY INSUREDS**

Service Life and Casualty Insurance Company, (“Service Life”) and the Texas Attorney General, Greg Abbott, have recently reached an agreement regarding Service Life’s handling of unearned credit insurance premiums. Service Life has agreed to refund to eligible insureds the unearned premiums due to them because their motor vehicle loans **were paid off early between January 1, 2002 and December 31, 2006.** Service Life has additionally agreed to pay interest on the refunds in the amount of seven percent (7%) per annum, starting sixty (60) days from the date the auto loan was paid off and ending on the date of the agreement between the Service Life and the Attorney General. **You may be an eligible policyholder under the terms of this agreement if your motor vehicle loan insured by Service Life was paid off early between January 1, 2002 and December 31, 2006.**

If you believe that you are eligible for a refund of your credit insurance premium you may order a claim form by clicking on the “claim form link” and entering your name and address, and, at your option, your phone number. Service Life will mail a claim form within three (3) business days. You must fill out and sign the claim form within thirty (30) days of the postmarked date on the claim form envelope.

If you prefer to request the claim form by mail, please send a letter to [Insert Service Life Address] stating, “Please send me a claim form for State of Texas v. Service Life and Casualty Insurance Company, providing your name and address. You may also request a claim form by calling 1-800-_____ and providing your name and address over the phone.

If you have any questions concerning the settlement between the Attorney General and Service Life and the claim procedure describe above, you may view the Frequently Asked Questions about Claim Procedure Link , or contact _____, at 1-800 _____.

EXHIBIT F

[CUSTOMER NAME]
[Service Life Certificate #]
[Effective Date of the Certificate]

NOTICE OF PREMIUM REFUND

You recently filed a claim for a premium refund in connection with the agreement between Service Life and Casualty Insurance Company and the Texas Attorney General, Greg Abbott, regarding Service Life's premium refund practices. Enclosed please find a check from Service Life and Casualty Insurance Company for a refund of unearned credit insurance premiums on the policy listed above. The amount in the check reflects the original amount of the premium refund owed, plus 7% simple interest calculated beginning sixty days after your loan was terminated through the effective date of the Agreement between Service Life and the Texas Attorney General.

If you have any questions about this settlement check, please contact Service Life and Casualty Insurance Company at 1-800 _____.

EXHIBIT G

Date

[Customer Name and Address]

Re: Claim for Premium Refund

Dear Claimant:

You filed a claim for a claim for a premium refund pursuant to the agreement between Service Life and Casualty Insurance Company and the Texas Attorney General Greg Abbott regarding Service Life's premium refund practices. After researching your claim, Service Life regrets to inform you that you are not owed a premium refund due to one of the reasons listed below:

- _____ 1. Service Life records show that you, or your creditor were already issued a premium refund check(s).

- _____ 2. You were not entitled to a premium refund because the refund amount was less than three (3) dollars.

- _____ 3. Your automobile contract was not terminated early.

- _____ 4. Creditor records indicate that your refund was applied to the payoff amount of your loan.

- _____ 5. Other: _____

Service Life's determination that you are not owed a refund under Service Life's agreement with the Attorney General is not binding as to any right or cause of action that you may assert in any other proceeding or cause of action regarding your claim for a premium refund. If you have any questions about the claim, please call 1-800-_____

EXHIBIT H

[Current Date]

Dear Mr/Ms [Insert Name]:

Re: Policy # [Insert Certificate Number] Dated [Insert Date]
Expiring [Insert Date]

Thank you for being our valued policyholder! We trust that we have served your needs to the fullest. If you paid off or refinanced your automobile loan prior to its original maturity date of [insert maturity date] you may be due a refund of unearned premium. You may, at your option, contact our office at 1-800- _____ if your loan was paid off early and you have not received a refund of unearned premium. Proof of an early loan payoff may be provided by the pay off notice or any document showing that your motor vehicle loan was paid off early.

If you do not know if your loan was paid off early, you may sign the attached Authorization to Disclose Non-Public Information, giving us permission to contact your motor vehicle lender to determine if the loan was paid off early.

Sincerely,

Service Life and Casualty Insurance Company
Credit Insurance Division

**INSURED'S AUTHORIZATION TO DISCLOSE
NON-PUBLIC INFORMATION**

I hereby authorize any company or entity that held and serviced my retail installment automobile loan to disclose non-public information to Service Life and Casualty Insurance Company or its authorized agents regarding the date the loan or retail installment loan was terminated for the sole purpose of determining my eligibility for a premium refund. This authorization is intended to serve as a consent to disclose non-public information pursuant to the Graham-Leach-Bliley Act, 15 U.S.C. §6802 (e)(2).

Signed this _____, day of _____, 2007.

Name

Phone Number

Current Address