IN THE MATTER OF THE

MULTI-STATE EXAMINATION OF MONUMENTAL LIFE INSURANCE COMPANY (NAIC #66281)

CONSENT ORDER: MIA-2003-06-001

*

AND NOW, this 12th day of June, 2003, (the "Effective Date") this Consent Order is hereby issued by the Maryland Insurance Commissioner in disposition of the matter captioned above.

FINDINGS OF FACT

1 Respondent is Monumental Life Insurance Company, which maintains its address as 2 East Chase Street, Baltimore, MD 21202

2. At all relevant times herein, Respondent has been a licensed insurer domesticated in the State of Maryland.

3. On or about August 4, 2000, the Maryland Insurance Administration (the "Administration") initiated a survey of all Maryland domiciled insurers inquiring as to whether any such company issued life insurance policies utilizing race as a factor.

4. In its response, Respondent acknowledged that certain companies, from which Respondent acquired blocks of business or which were subsequently acquired by Respondent, may have sold life insurance policies charging certain policyholders a higher premium based upon their race.

5. Commencing on January 9, 2001, the States of Maryland and Florida and the Commonwealths of Pennsylvania and Virginia (the "Lead States") conducted a multi-state examination (the "Examination") of the Respondent with regards to life policies in-force on or after July 1, 1974 which charged higher premiums based on race (the "Affected Policies"). As the domestic state for Respondent, and upon agreement of the Lead States, the Administration coordinated the Examination, as well as the negotiation and finalization of this Consent Order.

6. During the Examination, Respondent notified the Lead States that it had commenced a broad-based adjustment effort to increase death benefits and cash values on in-force Affected Policies identified by Respondent to ensure that white and non-white policyholders are treated the same. In making the adjustments, the Respondent increased death benefits and cash values for Affected Policies in force on the date of adjustment. Respondent stated it has adjusted its electronic business records to reflect the increased death benefits and cash values for those in-force Affected Policies adjusted as part of the Respondent's adjustment effort. Throughout both the self-audit and the Examination, the Respondent diligently sought to identify as best it could those companies listed in Exhibit A and agreed to the adjustments resulting from the Examination.

7. The Examination confirmed that some companies subsequently acquired by Respondent and some companies from which Respondent acquired blocks of business engaged in the practice of pricing life insurance policies at rates that were based on a different premium rate attributable to race. In some cases non-whites received a reduced death benefit compared to white policyholders paying the same premium, and in other cases non-white policyholders were charged a higher premium for the same death benefit as a white policyholder. A list of those companies confirmed in the Examination is attached hereto, and incorporated in its entirety by reference herein, as Exhibit A.

8. The Examination, the details of which are provided in Examination Report #789-00 (the "Report"), concluded that the activities described in paragraph 7 above constitute unfair discrimination between individuals of the same class and hazard. This conclusion is directed exclusively at those companies listed in Exhibit A.

ORDER

WHEREAS it is stipulated and agreed upon by and between the several states and Respondent and **ORDERED** as follows:

A. Respondent agrees to accept the Report as a final report and waives any and all rights to a hearing on the report. Respondent does not admit any wrongdoing or violation of any insurance law or regulation, but is foregoing its right to a hearing and is entering into this Consent Order in exchange for releases granted herein. The Administration acknowledges that the Respondent's practices

at issue did not constitute intentional or willful violations of any state insurance code.

B. Respondent shall complete its adjustment effort as described herein and shall not make or permit any unfair discrimination between individuals of the same class and hazard by reason of race.

C. The Respondent shall, within 90 days of the Effective Date, adjust and increase death benefits and cash values on all Affected Policies in-force as of the Effective Date, except those Affected Policies that have been adjusted by the Respondent prior to the Effective Date or will be adjusted by the Respondent at the time of claim. The increased death benefits and cash values shall be in an amount to ensure that white and non-white policyholders are treated the same. All electronic records of the Respondent shall be adjusted to reflect the increased death benefits and cash values for the Affected Policies in-force as of the Effective Date.

D. Consistent with the records retained by the Respondent, Respondent shall, within 120 days from the Effective Date, provide written notice, in a form acceptable to the Administration, at the last known address of record to all policyholders of in-force Affected Policies adjusted by the Respondent, except those Affected Policies that will be adjusted by the Respondent at the time of claim, informing them of the increased death benefit.

E. Within 180 days of the Effective Date, Respondent shall pay an increased death benefit for claims made on Affected Policies, which terminated by reason of death claim between July 1, 1974 and the Effective Date and for which the Respondent has complete records, except those Affected Policies that have been adjusted by the Respondent prior to the Effective Date or will be adjusted by the Respondent at the time of claim. The increased death benefit shall be an amount to ensure that white and non-white policyholders are treated the same. Respondent shall provide written notice of the increased death benefit, in a form acceptable to the Administration, at the last known address of record to all policyholders, or beneficiaries where applicable, of Affected Policies, which terminated by reason of death claim between July 1, 1974 and the Effective Date and for which the Respondent has complete records, except those Affected Policies that have been adjusted by the Respondent prior to the Effective Date or will be adjusted by the Respondent at the time of claim. Respondent shall make the payment upon verification of the beneficiaries' address. Evidence of payment, satisfactory to the

Lead States, shall be submitted to the Administration no later than 270 days after the Effective Date.

F. In order to locate those individuals who are no longer at the address of record maintained by Respondent, Respondent shall develop and implement an internal locator plan satisfactory to the Administration. In the event Respondent is unable, following the implementation of the internal locator plan, to locate individuals who are due monies, said monies shall be escheated to the applicable state in accordance with that state's applicable law. With respect to funds submitted to a state escheat program, at the time such funds are submitted, the Company will provide to the state agency to which the funds are being submitted, as well as to the insurance regulator for the state, the following information: (1) the policy number and issue date, (2) the name and last known address of the policyholder and (3) the escheat amount both, to the extent practicable, in the aggregate and as to each policy.

G. Respondent acknowledges that it does not have complete records regarding Affected Policies. Therefore, Respondent is unable to identify or locate all individuals who are due monies based on its records. Respondent shall issue a public notice, in a form approved by the Administration, notifying individuals who may be due monies under Affected Policies of their potential right to an increased death benefit. The notice shall be published once a week for four (4) consecutive weeks in the publications approved by the Administration. Respondent shall submit the form of public notice for approval by the Administration within thirty (30) days from the Effective Date. Publication shall commence within 120 days from the Effective Date of this Order.

H. In the event Respondent is unable to determine an actual ratio for increasing benefits for Affected Policies to ensure non-whites are not charged more than whites, Respondent agrees to increase the benefits by 33%, which is within the range of actual ratios used by the Respondent to adjust Affected Policies.

Respondent shall provide any necessary reports and documentation to the Administration, in a manner and form acceptable to the Administration, evidencing that the notices and adjustment efforts as described herein have been made.

J. For a period of 12 months from the date on which the Respondent issues the public notice described in paragraph G, Respondent shall honor all legitimate claims, providing the appropriate level of increased coverage, for Affected Policies terminated by reason of

a death claim between July 1, 1974 and the Effective Date. Respondent shall pay all such legitimate claims within 30 days from the date of the receipt of satisfactory proof thereof.

K. Respondent shall, on the 15th day of each month, provide to the Administration, in a format approved by the Administration, a report detailing the total amount of adjustment made on a state-by-state level as of the last day of the prior month.

L. Respondent shall establish an additional adjustment fund in the amount of $5,000,000. This is the estimated amount of money necessary to cover the adjustments due to those individuals who are entitled to adjustment but for whom Respondent no longer has records. Respondent agrees that this money is owed to individuals, some of whom may be identified as a result of the requirements in paragraph G. Those monies not paid out at the end of the timeframe provided in paragraph J of this Order shall be paid to the States, which are a party to this Order. Payment shall be made as directed by the Lead States.

M. Unless otherwise directed by a State as to its portion, Respondent agrees to pay an aggregate sum of $2,000,000 to the states in accordance with the State Allocation Formula Chart to be provided by the Lead States. The monies may be used in a manner directed by the states, including but not limited to contributions to charities serving the needs or interests of African-Americans or in accordance with applicable state laws. This amount shall be paid within 15 business days after demand by the States after allocation by the Lead States but no later than January 15, 2004.

N. This Consent Order shall be binding on Respondent and on the respective states executing this Consent Order. Any State that wishes to become a party to this Order shall execute a State Amendment page within 60 days from the Effective Date.

O. As to any state that does not execute this Consent Order, the Respondent shall not be obligated to make a contribution to a charity in that state or otherwise pay the state, or its insurance regulator. Rather, that State's portion shall be allocated among the participating States by the Lead States.

P Each of the signatories to this Consent Order, on behalf of his/her State, hereby gives express assurance that under their applicable state laws, regulations and judicial rulings, they have the authority to enter into this Consent Order and bind that party now and in the

future. By execution of this Consent Order with the Respondent, each signatory acknowledges that he/she has reviewed and agrees with the terms and conditions as set forth herein.

Q. If Respondent defaults with any respect to any obligation under the Consent Order and such default is not remedied within thirty (30) business days following personal delivery or delivery by facsimile of written notice specifying such default (during which period the Lead States and Respondent shall make reasonable efforts to resolve any disputes regarding the default), the Lead States may seek judicial enforcement of this Consent Order.

R. This Consent Order was negotiated in an effort to conclude with finality all regulatory allegations involving the impact of race on life insurance underwriting, sales, pricing, or policy benefits on policies that were issued, assumed, acquired, or administered by the Respondent prior to the date of this Consent Order. With respect to all matters addressed by the Report or this Consent Order, the States executing this Consent Order release and forever discharge the Respondent from all civil, administrative, criminal, or quasi-criminal causes, actions, claims, damages, fines, sanctions, losses, demands, or other liability that the Insurance Department of the States could pursue or seek based upon distinctions in the terms or benefits of insurance policies based upon the race of the insured where such liability arises under the insurance and anti-discrimination laws and regulations of each state related or applicable to the marketing, solicitation, application, underwriting, benefit payment, acceptance, sale, purchase, operation, retention, or administration of all life, insurance policies sold, issued, assumed or administered by the Respondent prior to the date that this Consent Order is signed.

S. This Consent Order and its attachments constitute the entire agreement of the parties with respect to the matters referenced herein, and may not be amended or modified except by an amended order signed by all parties hereto, however, the Lead States and the Respondent may mutually agree to any reasonable extensions of time that might become necessary to carry out the provisions of this Consent Order.

IN WITNESS WHEREOF, the several states and Respondent have executed this Consent Order. Changes in the language of this Consent Order required by any participating state to satisfy that state's particular statutory and/or regulatory requirements shall be attached as amendments hereto and incorporated herein as to that state's requirements upon acknowledgment and agreement thereto by Respondent. Those amendments shall have an effect only for the amended state and shall have no other effect on any other participating state.

Consented to in form and content:

MONUMENTAL LIFE INSUANCE COMPANY

BY: _____
Signature

HENRY B. HAGAN

PRESIDENT, C.E.O.
Title

MARYLAND INSURANCE ADMINISTRATION

BY: _____
Alfred W. Redmer, Jr.
Insurance Commissioner

Exhibit A

Companies For Which Designated Plan Codes Will Be Adjusted

Carrier
All American Insurance Company
All States Life Insurance Company
Allied Security Insurance Company
American Bankers Insurance Company
American Family Life Insurance Company
American National Insurance Company
Atlantic Life Insurance Company
Atlas Life Insurance Company
Banner Life Insurance Company
Business Men's Insurance Company
Calhoun Life Insurance Company
Capital City Life Insurance Company
Coastal States Life Insurance Company
College Education Insurance Company
Columbian National Life Insurance Company
Columbus National Life Insurance Company
Commercial Life Insurance Company
Commercial State Life Insurance Company
Commonwealth Life & Accident Insurance Company
Dixie Life Insurance Company
Druid Life Insurance Company
Durham Life Insurance Company
Empire Life And Accident Insurance Company
Farmers National Life Insurance Company
First National Life Insurance Company
Franklin National Life Insurance Company
Freedom Life Insurance Company
Guaranty Life Insurance Company
Home Security Life Insurance Company
Immediate Benefit Life Insurance Company
Life Insurance Company of Florida

Lincoln Life Insurance Company
National Equity Life Insurance Company
National Standard Life Insurance Company
Newberry Life And Health Insurance Company
Orange State Life Insurance Company
Palmetto State Life Insurance Company
Peninsular
Peoples Life And Accident Insurance Company
Peoples Life Insurance Company
Peoples Mutual Benefit Insurance Company
Peoples Protective Life Insurance Company
Progressive Life Insurance Company
Provident Indemnity Life Insurance Company
Public Savings Life Insurance Company
Reliable Life Insurance Company
Rockford Life Insurance Company
Security Life Insurance Company of Georgia
Seminole American
Seminole Life Insurance Company
Southeastern National Insurance Company
Southern Security Life Insurance Company
Southern Standard Life Insurance Company
Southwestern Life Insurance Company
Standard American Life Insurance Company
State Capital Life Insurance Company
Superior Life Insurance Company
Sureway Life Insurance Company
United States National Life And Casualty Company
Universal Life And Accident Insurance Company
Universal Life Insurance Company
Washington Fidelity National Insurance Company
Washington National Insurance Company
World Service Life Insurance Company