

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

RECEIVED
INSURANCE DEPARTMENT
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ADMINISTRATIVE OFFICE

IN RE: : VIOLATIONS:
: :
Cincinnati Life Insurance Company, : Section 353 of the Insurance Company
: Law, Act of May 17, 1921, P.L. 682,
Respondent : No. 284 (40 P.S. §477a)
: :
: Section 5(a)(7)(ii) of the Unfair Insurance
: Practices Act, Act of July 22, 1974, P.L. 589,
: No. 205 (40 P.S. §1171.5(a)(7))
: :
: Docket No. MS04-02-001
: :

SETTLEMENT AGREEMENT

THIS AGREEMENT is made as of this 19th day of MAY 2004 between the Insurance Department of the Commonwealth of Pennsylvania ("Department") and Cincinnati Life Insurance Company ("Respondent") (this Agreement referred to herein as the "Pennsylvania Settlement Agreement").¹

BACKGROUND

WHEREAS, Respondent is a licensed insurer in the Commonwealth of Pennsylvania;

WHEREAS, Respondent is entering into a regulatory settlement with the Ohio Department

¹ All capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Ohio Consent Order between Cincinnati Life Insurance Company and the Ohio Department of Insurance in In the Matter of: Cincinnati Life Insurance Company Market Conduct Examination, attached hereto as Exhibit 1. The Ohio Consent Order, including the class action Stipulation of Settlement Agreement attached thereto as Exhibit A, is hereinafter referred to as the "Regulatory Consent Order."

of Insurance, in its capacity as Primary Regulatory Negotiator², resolving multi-state issues resulting from allegations of racially discriminatory practices by Respondent relating to the sale of ordinary and industrial life insurance policies;

WHEREAS, the States of Ohio, Illinois, Indiana and Michigan and the Commonwealth of Pennsylvania (the "Lead States") conducted a multi-state examination of the Respondent, as referenced in the Regulatory Consent Order, with Ohio functioning as the "Primary Regulatory Negotiator" in its capacity as the domestic state for Respondent and upon agreement of the Lead States;

WHEREAS, the Regulatory Consent Order and this Pennsylvania Settlement Agreement will take effect as of the dates of signature thereof;

WHEREAS, according to the Ohio Targeted Market Conduct Examination Report of The Cincinnati Life Insurance Company ("Examination Report"), at page 1, there were an estimated 308,729 in-force ordinary and industrial life policies nationwide as of December 31, 2000;

WHEREAS, Pennsylvania had approximately an 8.7% market share of Respondent's in-force ordinary and industrial life insurance business as of December 31, 2000;

WHEREAS, this Pennsylvania Settlement Agreement constitutes Pennsylvania's joinder in the Regulatory Consent Order, such that Pennsylvania is a Participating State under the terms of the Regulatory Consent Order (as contemplated by paragraph G thereof);

WHEREAS Respondent and the Ohio Department of Insurance have agreed that distribution of the administrative fines referenced in paragraph (G) of the Regulatory Consent Order will be made promptly following the joinder of states in the Settlement Agreement; and

WHEREAS, Respondent and the Ohio Department of Insurance, in its capacity as Primary

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Regulatory Negotiator, and the Pennsylvania Insurance Department as a Lead State and through this Pennsylvania Settlement Agreement, are entering into a regulatory settlement, whereby the Pennsylvania Insurance Department expressly adopts the terms of the Regulatory Consent Order to resolve any and all claims that it may have against Respondent related to the alleged racially discriminatory practices involving the sale or servicing of life insurance policies in Pennsylvania.

AGREEMENTS

NOW, THEREFORE, the Parties hereto, intending to be legally bound, hereby agree as follows:

1. The Regulatory Consent Order, attached hereto as Exhibit 1, is incorporated herein by reference in its entirety.
2. The Parties to this Pennsylvania Settlement Agreement expressly adopt and agree to the terms of the Regulatory Consent Order, and nothing herein alters or modifies or otherwise affects the terms described therein.
3. This Pennsylvania Settlement Agreement is made solely for the purpose of resolving the differences between the Parties addressed herein, and nothing in this Pennsylvania Settlement Agreement shall be construed as or constitutes an admission by Respondent of wrongdoing or violation of any insurance law or regulation of Pennsylvania or of any other state.
4. For and in consideration of a release and discharge of the Pennsylvania Insurance Department by the Respondent from any action, claim, or demand arising out of the issues that are the subject matter of this Pennsylvania Settlement Agreement and the Regulatory Consent Order, the Pennsylvania Insurance Department hereby releases and discharges Respondent from any action, claim, or demand that the Pennsylvania Insurance Department has or may have arising out of the issues that are the subject matter of this Pennsylvania Settlement Agreement and the Regulatory

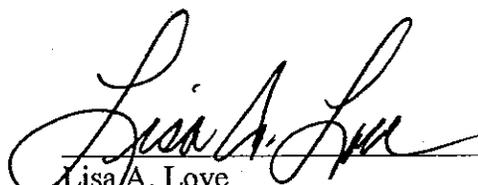
Consent Order, as more fully set forth in the Regulatory Consent Order at paragraph K. It is agreed and understood that the aforementioned releases and discharges include any claim, action, or demand for costs and attorneys' fees arising out of this matter.

5. This Pennsylvania Settlement Agreement shall be binding upon, and inure to the benefit of, the Parties hereto and their respective predecessors, successors and assigns, and, in addition hereto, shall be binding upon any receiver, liquidator, rehabilitator, conservator, supervisor and any other person or entity governmental or non-governmental, exercising or seeking to exercise the powers of the persons named above.

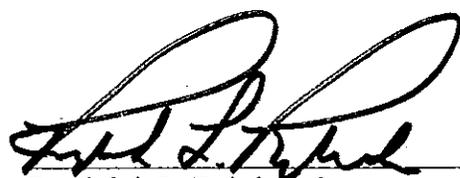
6. This Pennsylvania Settlement Agreement, subject to and in conjunction with the terms and conditions of the Regulatory Consent Order, contains the entire agreement of the Parties respecting the subject matter herein and supersedes all previous communications, representations, or agreements, either verbal or written, among the Parties.

7. The undersigned represent and warrant that they are authorized to enter into this Pennsylvania Settlement Agreement on behalf of the parties.

Executed as of this day and year first above written.



Lisa A. Love
Senior Counsel
Cincinnati Life Insurance Company



Randolph L. Rohrbaugh
Deputy Insurance Commissioner
Insurance Product Regulation
and Market Enforcement
Commonwealth of Pennsylvania
Insurance Department