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**SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES**

THE PEOPLE OF THE STATE OF CALIFORNIA,

Plaintiff,

v.

FAMILY FIRST ADVANCED ESTATE PLANNING, a California corporation; FAMILY FIRST INSURANCE SERVICES, a California corporation; AMERICAN INVESTORS LIFE INSURANCE COMPANY, INC., a Kansas corporation; GROUP LEGAL SERVICES, INC., a California corporation; SENIOR LAW PRACTICE GROUP, A PROFESSIONAL CORPORATION, formerly known as Thomas R. Lee, a Professional Corporation, a California corporation; NICK A. MICHAELS; JOHN OWEN; THOMAS R. LEE; and DOES 1 through 200, inclusive,

Defendants.

Case No.: BC328584

STIPULATED PERMANENT INJUNCTION AND FINAL JUDGMENT AGAINST DEFENDANTS FAMILY FIRST ADVANCED ESTATE PLANNING, FAMILY FIRST INSURANCE SERVICES, AMERICAN INVESTORS LIFE INSURANCE COMPANY, INC., AND JOHN OWEN

Department: 308
Judge: Hon. Emilie H. Elias

Plaintiff, the People of the State of California on the complaint of Edmund G. Brown Jr.,

1 Attorney General, and Steve Poizner, Insurance Commissioner (“People” or “Plaintiff”), through
2 its attorney, Attorney General Edmund G. Brown Jr., by Deputy Attorney General Benjamin G.
3 Diehl and Defendants Family First Advanced Estate Planning, Family First Insurance Services,
4 American Investors Life Insurance Company, Inc., and John Owen, appearing personally and
5 through their respective counsel, Donald Randolph, Skadden, Arps, Slate, Meagher and Flom by
6 Thomas Nolan, and Pillsbury, Winthrop, Shaw, Pittman LLP, by Anthony Delling, having
7 stipulated that this Stipulated Permanent Injunction and Final Judgment (hereafter “Stipulated
8 Judgment”) may be entered without the taking of evidence, without trial or adjudication of any
9 issue of fact or law or any adjudication of or decision regarding the substantive merits of any
10 claim or defense in this case, and Family First Insurance Services and John Owen having further
11 agreed to resolve administrative claims against them in separate proceedings to be commenced
12 by the Insurance Commissioner, and good cause appearing therefor,

13 IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

- 14 1. This Court has jurisdiction of the subject matter hereof and the parties hereto.
- 15 2. Venue is proper in this Court.
- 16 3. For purposes of this Stipulated Judgment:
 - 17 i. "Clearly and Conspicuously" means placed and printed such that the
18 printed information will attract the reader's attention, and that such
19 information is stated precisely and understandably, in words that are part
20 of the working vocabulary of the average layperson; and
 - 21 ii. "Estate Planning Document" means:
 - 22 (a) any will (including any codicil or any pour-over will); living will;
23 trust (including any revocable or irrevocable living trust, which
24 may also be known as an inter vivos trust, testamentary trust,
25 abstract or certificate of trust); revocation or modification of any
26 trust; trust amendment; power of attorney (whether durable or not,

1 whether for health care, asset management or other purpose);
2 transfer of title documents connected with the funding or
3 administration of any trust, the avoidance of probate, or any
4 probate proceeding; or conservatorship;

5 (b) any written instruction, summary or explanation concerning any
6 document identified in part (a) of this definition;

7 (c) any amendment to or revision of any document identified in part
8 (a) of this definition; and

9 (d) any document needed to carry out the funding or administration of
10 any trust, probate avoidance mechanism or probate proceeding.

11 However, the term "Estate Planning Document" excludes any annuity or other insurance product,
12 as well as any documents relating to the terms, use, conditions, exclusions, transfer, ownership,
13 administration, beneficiary designations or funding of an annuity or insurance contract, provided
14 that such documents are not used to offer or sell documents identified in subparagraphs (a) or (c)
15 above.

16 4. Pursuant to Sections 17203 and 17535 of the Business and Professions Code and
17 sections 789 and 12928.6 of the Insurance Code, Defendant John Owen, and his successors,
18 assigns, agents, employees and representatives (except that persons enjoined as agents,
19 employees and representatives are enjoined solely in those capacities and not in their individual
20 capacities) who have actual or constructive knowledge of this Stipulated Judgment, are hereby
21 permanently enjoined and restrained from directly or indirectly engaging in or performing, any of
22 the following with respect to California consumers:

23 A. Engaging in any conduct that violates Sections 6125 or 6126 of the Business and
24 Professions Code, or constitutes the unauthorized practice of law.

1 B. Acting as a runner or capper, as those terms are defined in Section 6151 of the
2 Business and Professions Code, or engaging in any conduct that violates Section 6152 of the
3 Business and Professions Code.

4 C. Engaging in any conduct that constitutes a violation of Section 25230 of the
5 California Corporations Code, including acting as an Investment Adviser as that term is defined
6 by Section 25009 of the California Corporations Code, without obtaining a license required by
7 Section 25230 of the California Corporations Code.

8 D. Directing to consumers aged 65 years of age or older advertisements or other
9 devices designed to produce leads based on a response from a potential insured without clearly
10 and conspicuously disclosing in the advertisements or other devices designed to produce leads
11 that recipients may be contacted by an insurance agent, if in fact that is the case. The
12 “advertisements or other devices” covered under this provision include solicitations or
13 advertisements promoting Estate Planning Documents or events where Estate Planning
14 Documents will be marketed.

15 E. Offering or entering into a home solicitation contract, which shall include any
16 contract for group or pre-paid legal services, without fully complying with Civil Code sections
17 1689.5 through 1689.7.

18 F. Engaging in fiduciary abuse as defined in Welfare and Institutions Code section
19 15610.30.

20 G. Discouraging any individual from taking a reasonable amount of time to consider
21 or review, either in private or with another person not then present, each document an individual
22 is requested to sign or signs in connection with any Estate Planning Document; any document
23 relating to the terms, use, conditions, exclusions, transfer, ownership, administration, beneficiary
24 designations or funding of an annuity or insurance contract; or any insurance product including
25 any annuity offered or sold, before the individual is requested to sign such document(s).

1 H. Using the terms "seminar," "class," "informational meeting," or substantially
2 equivalent terms to characterize the purpose of a public gathering or an event where insurance
3 products will be marketed or offered for sale unless the advertisement adds the words "and
4 insurance sales presentation" immediately following those terms in the same type size and font as
5 those terms.

6 I. Failing to provide any individual, at the time the document is signed, a retainable
7 and legible copy of each document the individual signs in connection with the sale or transfer of
8 any assets, if the funds from that transfer or sale will be used, in whole or in part, to fund an
9 annuity.

10 J. Failing to provide retainable and legible copies of any other documents the
11 consumer signs in connection with any annuity or other insurance product as soon as required by
12 law, but in no event later than the time the annuity or other insurance policy is delivered.

13 K. Making or disseminating untrue or misleading statements, or causing untrue or
14 misleading statements to be made or disseminated, with the intent to induce a consumer to
15 purchase any Estate Planning Documents, any services related to Estate Planning Documents;
16 any pre-paid legal service plan; any insurance product including any annuity; or any documents
17 relating to the terms, use, conditions, exclusions, transfer, ownership, administration, beneficiary
18 designations or funding of any insurance product.

19 L. Requesting or requiring any individual to sign any disclosure or acknowledgment
20 (regardless of how titled) that is inconsistent with any statements made to that individual, in
21 connection with the solicitation, offering, or sale of Estate Planning Documents or insurance
22 products.

23 M. Offering or selling any insurance product, including any annuity in the same home
24 visit to a consumer 65 years old or older in which any Estate Planning Document is offered, sold,
25 delivered, executed or reviewed.

1 N. Meeting with a consumer 65 years old or older at the person's home, for the
2 purpose of marketing or selling annuities or other insurance, without first complying with all
3 provisions of Section 789.10 of the Insurance Code, including but not limited to giving all
4 notices required under subdivision (b) of Section 789.10.

5 O. Engaging in any conduct that violates Sections 780, 781, 785(a), 787, 789.10,
6 790.02, or 790.03 of the Insurance Code.

7 P. Offering for sale or selling any annuity to any consumer without disclosing orally,
8 clearly and conspicuously, each of the following, prior to the consumer signing any application to
9 purchase an annuity or any document authorizing transfer of any assets to an annuity, unless the
10 annuity does not contain such terms:

- 11 i. the terms and timing of any bonus that may be credited to the annuity;
- 12 ii. the interest rate the annuity will earn in the second and later years may be
13 lower than the rate the annuity will earn in the first year;
- 14 iii. the minimum annual interest rate for the first year and each subsequent
15 year of the annuity contract; and
- 16 iv. the penalties or charges applicable if the purchaser withdraws funds in
17 excess of any free withdrawal amount from the annuity before the end of
18 the surrender period, the percentage assessed for such penalties or charges,
19 and the base amount on which the percentage would be assessed.

20 5. The entity sued herein as Family First Advanced Estate Planning, now known as
21 California Advanced Estate Planning, Inc., has agreed to cease operations and, pursuant to
22 Sections 17203 and 17535 of the Business and Professions Code, is permanently enjoined from
23 engaging in any operations, including without limitation offering for sale or selling any Estate
24 Planning Documents, services relating to Estate Planning Documents, annuities or other
25 insurance products. Provided that Family First Advanced Estate Planning does not sell, offer or
26 market any goods or services whatsoever, this paragraph shall not be construed as barring Family
27

1 First Advanced Estate Planning from carrying out those operations necessary to close its
2 business, including conducting or resolving litigation or filing tax returns, or as requiring Family
3 First Advanced Estate Planning to breach any contracts that exist as of the date this Stipulated
4 Judgment is entered.

5 6. Family First Insurance Services has agreed to cease operations and, pursuant to
6 Sections 17203 and 17535 of the Business and Professions Code and sections 789 and 12928.6
7 of the Insurance Code, is permanently enjoined from engaging in any operations, including
8 without limitation offering for sale or selling any Estate Planning Documents, services relating to
9 Estate Planning Documents, annuities or other insurance products. Provided that Family First
10 Insurance Services does not sell, offer or market any goods or services whatsoever, this
11 paragraph shall not be construed as barring Family First Insurance Services from carrying out
12 those operations necessary to close its business, including conducting or resolving litigation or
13 filing tax returns, or as requiring Family First Insurance Services to breach any contracts that
14 exist as of the date this Stipulated Judgment is entered.

15 7. Pursuant to Sections 17203 and 17535 of the Business and Professions Code and
16 sections 789 and 12928.6 of the Insurance Code, but subject to paragraph 18, below, Defendants
17 American Investors Life Insurance Company ("AILI"), Family First Advanced Estate Planning
18 ("FFAEP"), and Family First Insurance Services ("FFIS"), and their respective successors and
19 assigns, are hereby permanently enjoined and restrained from conspiring to engage, or engaging
20 in or performing, any of the following with respect to California consumers:

21 A. Engaging in any conduct that violates Sections 6125 or 6126 of the Business and
22 Professions Code, or constitutes the unauthorized practice of law.

23 B. Acting as a runner or capper, as those terms are defined in Section 6151 of the
24 Business and Professions Code, or engaging in any conduct that violates Section 6152 of the
25 Business and Professions Code.

1 C. Engaging in any conduct that constitutes a violation of Section 25230 of the
2 California Corporations Code, including acting as an "investment adviser" as that term is defined
3 by Section 25009 of the California Corporations Code, without obtaining a license required by
4 Section 25230 of the California Corporations Code.

5 D. Directing to consumers aged 65 years of age or older advertisements or other
6 devices designed to produce leads based on a response from a potential insured without clearly
7 and conspicuously disclosing in the advertisements or other devices designed to produce leads
8 that recipients may be contacted by an insurance agent, if in fact that is the case. The
9 "advertisements or other devices" covered under this provision include solicitations or
10 advertisements promoting Estate Planning Documents or events where Estate Planning
11 Documents will be marketed.

12 E. Offering or entering into a home solicitation contract, which shall include any
13 contract for group or pre-paid legal services, without fully complying with Civil Code sections
14 1689.5 through 1689.7.

15 F. Engaging in fiduciary abuse as defined in Welfare and Institutions Code section
16 15610.30.

17 G. Making or disseminating untrue or misleading statements, or causing untrue or
18 misleading statements to be made or disseminated, with the intent to induce a consumer to
19 purchase either: (i) any annuities or other insurance products, or (ii) any other goods or services
20 sold or offered to a person also offered, marketed or solicited to purchase annuities or other
21 insurance products.

22 H. Using the terms "seminar," "class," "informational meeting," or substantially
23 equivalent terms to characterize the purpose of a public gathering or an event where insurance
24 products will be marketed or offered for sale unless the advertisement adds the words "and
25 insurance sales presentation" immediately following those terms in the same type size and font as
26 those terms.

1 I. Meeting with a consumer 65 years old or older at the person's home, for the
2 purpose of marketing or selling annuities or other insurance, without first complying with all
3 provisions of Section 789.10 of the Insurance Code, including but not limited to giving all
4 notices required under subdivision (b) of Section 789.10.

5 J. Failing to include in all disclosures and information provided to consumers
6 pursuant to Section 10127.13 of the Insurance Code references to all page numbers that refer to,
7 describe, or disclose any surrender charge that may be assessed upon the full or partial surrender
8 of the annuity, regardless of the circumstances of the surrender. AILI shall have 60 days from
9 the date this Stipulated Judgment is entered to comply with the provisions of this subparagraph.

10 K. Engaging in any conduct that violates Sections 780, 781, 785(a), 787, 789.10,
11 790.02, or 790.03 of the Insurance Code.

12 L. Issuing any annuity to any consumer without Clearly and Conspicuously
13 disclosing each of the following in writing prior to the issuance of the annuity, unless the annuity
14 does not contain such terms:

- 15 i. the terms and timing of any bonus that may be credited to the annuity;
- 16 ii. that the interest rate the annuity will earn in the second and later years may
17 be lower than the rate the annuity will earn in the first year;
- 18 iii. the minimum annual interest rate for the first year and each subsequent
19 year of the annuity contract; and
- 20 iv. the penalties or charges applicable if the purchaser withdraws funds in
21 excess of any free withdrawal amount from the annuity before the end of
22 the surrender period, the percentage assessed for such penalties or charges,
23 and the base amount on which the percentage would be assessed.

24 AILI shall have 60 days after entry of this Stipulated Judgment to comply with this subparagraph.

25 8. A. Pursuant to Sections 17203 and 17535 of the Business and Professions
26 Code and Sections 789 and 12928.6 of the Insurance Code, AILI, and its successors or assigns,

1 are permanently enjoined and restrained from appointing new agents to sell life insurance in
2 California, or permitting agents currently appointed to sell life insurance in California to continue
3 to do so, unless within 60 days after the date this Stipulated Judgment is entered AILI revises the
4 guidelines and procedures it provides all such current and future agents to include Clearly and
5 Conspicuously the provisions of paragraph 7 above; provides copies of those guidelines and
6 procedures as so amended to each current and future appointed agent; informs each such agent
7 that AILI agreed to these changes to its guidelines and procedures as part of a Stipulated
8 Judgment; and agrees to take remedial action against and, for a period of three years from the
9 date this Stipulated Judgment is entered, refer to the DOI any agent found, either by AILI or in
10 any judicial or administrative proceeding, to have violated any provision of paragraph 7 or any
11 other provision of AILI's guidelines and procedures, as amended pursuant to this Stipulated
12 Judgment. An appointed agent's denial of misconduct cannot by itself serve as a sufficient basis
13 for AILI to determine that the agent did not violate AILI's guidelines and procedures. As used in
14 this paragraph, "appropriate remedial action" shall mean (i) for an initial violation, AILI shall
15 provide the agent with another copy of its policies and procedures and require the agent to sign a
16 written acknowledgment that any further violations shall result in immediate revocation of the
17 agent's appointment and (ii) for any subsequent violation, AILI shall immediately revoke the
18 agent's appointment.

19 B. In addition to including the provisions of paragraph 7, AILI shall also amend its
20 guidelines and procedures to state Clearly and Conspicuously that each agent:

- 21 i. is required to disclose Clearly and Conspicuously the information specified in
22 subparagraph 7(L), above, prior to the consumer having signed any application to
23 purchase an annuity or transfer assets to an annuity, unless the annuity does not
24 contain such terms;

- 1 ii. is barred from preventing or discouraging California consumers from taking a
- 2 reasonable amount of time to review a document before the consumer is requested
- 3 to sign it;
- 4 iii. shall provide any individual, at the time the document is signed, a retainable and
- 5 legible copy of each document the individual signs in connection with the sale or
- 6 transfer of any assets, where the funds from that transfer or sale will be used to
- 7 fund an annuity;
- 8 iv. shall provide retainable and legible copies of any other documents the consumer
- 9 signs in connection with the purchase of any annuity or other insurance product as
- 10 soon as required by law but in no event later than the time the annuity or other
- 11 insurance policy is delivered; and
- 12 v. may not request or require any individual to sign any disclosure or other document
- 13 inconsistent with statements made to that consumer.

14 9. With respect to AILI annuity policies issued in California before entry of this
15 Stipulated Judgment and sold by FFIS or sales agents for FFIS that have not yet been fully
16 surrendered ("Subject Annuity" or "Subject Annuities"), AILI shall follow the following
17 procedures:

18 A. If any person withdrawing or seeking to withdraw from a Subject Annuity any
19 amount that would be subject to a surrender charge under the annuity contract provisions
20 ("Surrendering Party") demonstrates a hardship in accordance with the procedures and criteria
21 specified below ("Qualifying Event"), AILI will not assess any surrender charge, as provided
22 below:

- 23 i. A Surrendering Party may make a hardship request as provided for under this
- 24 Stipulated Judgment by submitting a "Hardship Request Form" (the text of which
- 25 shall be agreed to by the Office of the Attorney General, the Department of
- 26 Insurance, and AILI) or other writing and appropriate documentation establishing
- 27

1 the Qualifying Event ("Hardship Request"). If the request is not submitted on the
2 Hardship Request Form, AILI shall, within four business days of receiving the
3 request, provide the Surrendering Party a copy of the Hardship Request Form via
4 first class mail to be signed and returned to AILI, along with a postage paid return
5 envelope. AILI shall also send by first class mail a Hardship Request Form and a
6 postage paid return envelope to any person who owns a Subject Annuity either
7 requests a copy of the form or requests a waiver of a surrender penalty, within
8 four business days of receiving the request. If the Surrendering Party is
9 incapacitated or otherwise unable to prepare the hardship request, a person with
10 the authority to act for the Surrendering Party may submit the request on his or her
11 behalf, along with documents showing that the Surrendering Party is not able to
12 complete the hardship request form him or herself and that the person submitting
13 the form has authority to act for the Surrendering Party.

14 ii. Appropriate documentation in support of a Hardship Request can include medical
15 records, a note or other writing from a doctor, other record(s) indicating that a
16 Qualifying Event has happened or will happen, or estimates, receipts,
17 documentation demonstrating financial circumstances, invoices, contracts, or any
18 other records establishing that the Surrendering Party satisfies the requirements
19 for a Qualifying Event.

20 iii. For the first ninety days after entry of this Stipulated Judgment, AILI shall review
21 and either grant or deny the Hardship Request within 45 days of receipt, and shall
22 immediately notify the Surrendering Party in writing of its decision to grant or
23 deny the request. Thereafter, AILI shall review and either grant or deny the
24 Hardship Request within 15 days of receipt, and shall immediately notify the
25 Surrendering Party in writing of its decision to grant or deny the request. Notices
26 AILI sends to consumers pursuant to this subparagraph shall be sent by first class

1 U.S. mail, or any other means of mailing calculated to reach the consumer more
2 quickly than first class U.S. mail. If AILI contends that the Hardship Request
3 should be denied, AILI shall, concurrently with informing the Surrendering Party
4 of that fact and that the Hardship Request is being forwarded to the Department of
5 Insurance, forward to the Consumer Services Division of the Department of
6 Insurance a copy of the Hardship Request, all documentation submitted to AILI by
7 the Surrendering Party and any statement of the reasons why AILI believes that
8 the Hardship Request should not be approved. The Consumer Services Division
9 of the Department of Insurance shall then make an independent determination of
10 whether the Hardship Request should be approved, and notify both AILI and the
11 Surrendering Party of its position. If the Consumer Services Division of the
12 Department of Insurance disagrees with the determination made by AILI, it shall
13 send a written statement of reasons to AILI, along with any supporting
14 documentation. Within fifteen (15) days of receipt of the written statement of
15 reasons sent by the Consumer Services Division of the Department of Insurance,
16 AILI shall send a response stating whether it accepts the determination made by
17 the Consumer Services Division of the Department of Insurance. If AILI does not
18 accept the determination, it shall provide DOI with a written explanation of its
19 position. The Consumer Services Division of the Department of Insurance shall
20 then make a further review of the Hardship Request, including any additional
21 materials provided by AILI, and notify AILI whether it is still of the position that
22 the Hardship Request should be granted. If the Consumer Services Division of
23 the Department of Insurance and AILI cannot reach agreement as to whether the
24 Hardship Request should be granted, then any such disagreement shall be resolved
25 via ex parte application to the Court, as provided under paragraph 17 below.
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1 or (ii) equity in a home. In no event shall the fact that a person may qualify for a loan or other
2 extension of credit or be able to obtain funds by selling property be the basis for denying a
3 Hardship Request. A consumer may establish Demonstrated Financial Need by providing copies
4 of financial statements or other records in his or her possession that show a lack of funds
5 necessary to cover expenses associated with the Qualifying Event.

6 D. Materials AILI sends to the Consumer Services Division of the Department of
7 Insurance in connection with a Hardship Request determination shall be sent via overnight mail,
8 to the following address:

9 Attn: American Investors Hardship Request
10 Rating & Underwriting Services Bureau
11 California Department of Insurance
12 300 South Spring Street, 11th Floor
Los Angeles, CA 90013

13 E. Once a Hardship Request is approved, AILI shall immediately pay the amounts
14 needed by the Surrendering Party to cover the costs associated with the Qualifying Event,
15 without applying any surrender charge.

16 F. AILI shall maintain copies of all records received from consumers or prepared
17 internally (including electronic records) regarding Hardship Requests for a period of at least five
18 years from the date of receipt or date the record is generated. Copies of documents relied on by
19 AILI in evaluating Hardship Requests may be requested by the Office of the Attorney General or
20 Department of Insurance pursuant to paragraph 13 of this Stipulated Judgment.

21 G. Consumers shall be given notice that they may make a Hardship Request for a
22 Subject Annuity as follows: within forty (40) days after entry of this Stipulated Judgment, AILI
23 shall send to the owner of each Subject Annuity a letter notifying the consumer of the
24 opportunity to make a Hardship Request (“Hardship Request Notice Letter”). The form and
25 content of the Hardship Request Notice Letter shall be agreed to by the Department of Insurance,
26 the Attorney General and AILI. Within three business days after the date of mailing, AILI shall

1 provide a statement under penalty of perjury to the Attorney General and Insurance
2 Commissioner identifying the date the Hardship Request Notice Letters were sent (“Hardship
3 Letter Mailing Date”). The Hardship Request Notice Letter shall be sent by regular, first class
4 U.S. mail, postage prepaid, to the last known address for each owner of a Subject Annuity. On
5 the outside of the envelope on the same side as the recipient's address, the following statement
6 shall appear in a bold-face, easily legible font which is not smaller than 14 points: “COURT
7 APPROVED NOTIFICATION. PLEASE CAREFULLY READ ALL CONTENTS.” The
8 envelope shall reflect AILI's return address, or another address agreed to in advance by AILI and
9 the People.

10 H. Thirty days after the Hardship Letter Mailing Date and every forty-five (45) days
11 thereafter, AILI shall send to Plaintiff a list with the first, middle and last name, old address, and
12 date of birth, and any other identifying information known to AILI regarding each consumer
13 whose Hardship Request Notice Letter was returned to sender. Plaintiff, at its option, may try to
14 locate such consumers and supply AILI with updated addresses for such consumers. Within
15 thirty days from the date Plaintiff supplies AILI an updated address for any Consumer whose
16 Hardship Request Notice Letter was returned, or from the date AILI otherwise learns of an
17 updated address for any such consumer, a second Hardship Request Notice Letter shall be sent to
18 the consumer at the updated address, at AILI's expense.

19 10. For those Subject Annuities for which AILI has not already agreed to make a
20 settlement payment of at least 55% of any surrender penalty that has been or may be assessed on
21 the Subject Annuity ("Qualifying Subject Annuity" or "Qualifying Subject Annuities"), AILI
22 shall provide the owner of the Qualifying Subject Annuity with the option to receive the
23 accumulated value of the Qualifying Subject Annuity (and the applicable bonus described below)
24 in the form of monthly payments (referred to hereafter as "Monthly Settlement Payments"), as
25 follows:

1 A. If fewer than six years remain on the surrender charge schedule of the Qualifying
2 Subject Annuity, the owner of the Qualifying Subject Annuity may elect to receive the
3 accumulated value of the Qualifying Subject Annuity in the form of equal Monthly Settlement
4 Payments paid over thirty-six (36) months, with such equal monthly payments beginning no later
5 than forty-five (45) days after the owner returns the Monthly Payment Offer Response Form
6 described below ("36-Month Settlement Payments"). The amount of the 36-Month Settlement
7 Payments shall be determined based on the accumulated value of the Qualifying Subject Annuity
8 as of the date AILI receives the Response Form, plus a bonus equal to 1% of the accumulated
9 value as of that date, which amount shall be credited to the accumulated value ("1% Bonus
10 Payment"). Interest shall continue to accrue on the remaining balance (including the 1% Bonus
11 Payment) from the time AILI receives the Response Form until the time of the final Monthly
12 Settlement Payment, and shall be paid monthly. The method of calculating interest shall be the
13 same method used nationally to calculate interest for policies of the same policy form as the
14 Qualifying Subject Annuity and the interest rate used to calculate the amounts payable for the 36-
15 Month Settlement Payments shall be, (i) for traditional fixed rate annuities, no less than the
16 interest rate being credited on policies of the same policy form and policy issue date, as of the
17 date AILI receives the Response Form, and, (ii) for indexed policies, the fixed interest rate being
18 credited on funds not subject to an interest crediting formula linked to an index, as of the date
19 AILI receives the Response Form, for annuities of the same policy form and policy issue date. In
20 the event that the provisions of this subparagraph would ordinarily call for the 36-Month
21 Settlement Payments to extend beyond the end date of the surrender charge schedule for the
22 Qualifying Subject Annuity, then the duration of the 36-Month-Settlement Payments (and,
23 correspondingly, the number and amount of the equal monthly payments) shall be shortened such
24 that the last Monthly Settlement Payment will be made no later than the last date of the surrender
25 charge schedule of the Qualifying Subject Annuity.

1 B. If six or more years remain on the surrender charge schedule of the Qualifying
2 Subject Annuity, the owner of the Qualifying Subject Annuity may elect to receive the
3 accumulated value of the Qualifying Subject Annuity in the form of equal Monthly Settlement
4 Payments paid over forty-eight (48) months, with such equal payments beginning no later than
5 forty-five (45) days after the owner returns the Monthly Settlement Payment Response Form
6 described below ("48-Month Settlement Payments"). The amount of the 48-Month Settlement
7 Payments shall be determined based on the accumulated value of the Qualifying Subject Annuity
8 as of the date AILI receives the Response Form, plus a bonus equal to 1.25% of the accumulated
9 value as of that date, which amount AILI shall credit to the accumulated value ("1.25% Bonus
10 Payment"). Interest shall continue to accrue on the remaining balance (including the 1.25%
11 Bonus Payment) from the time AILI receives the Response Form until the time of the final
12 Monthly Settlement Payment, and shall be paid monthly. The method of calculating interest
13 shall be the same method used nationally to calculate interest for policies of the same policy form
14 as the Qualifying Subject Annuity and the interest rate used to calculate the amounts payable for
15 the 48 Month Settlement Payments shall be, (i) for traditional fixed rate annuities, no less than
16 the interest rate being credited on policies of the same policy form and policy issue date, as of the
17 date AILI receives the Response Form, and, (ii) for indexed policies, the fixed interest rate being
18 credited on funds not subject to an interest crediting formula linked to an index, as of the date
19 AILI receives the Response Form, for annuities of the same policy form and policy issue date. In
20 the event that the provisions of this subparagraph would ordinarily call for the 48-Month
21 Settlement Payments to extend beyond the end date of the surrender charge schedule for the
22 Qualifying Subject Annuity, then the duration of the 48-Month Settlement Payments (and,
23 correspondingly, the number and amount of the equal monthly payments) shall be shortened such
24 that the last Monthly Settlement Payment will be made no later than the last date of the surrender
25 charge schedule of the Qualifying Subject Annuity.

1 C. Within 30 days after entry of this Stipulated Judgment, AILI shall provide to the
2 Attorney General and Department of Insurance the first, middle and last name, last known
3 address and date of birth of each owner of a Qualifying Subject Annuity to the extent this
4 information is known to AILI.

5 D. Consumers shall be given notice of their eligibility to receive Monthly Settlement
6 Payments at AILI's expense, as follows:

7 i. Within fifty days (50) days after entry of this Stipulated Judgment and at least ten
8 days after the Hardship Letter Mailing Date, AILI shall send to each consumer
9 eligible to receive a Monthly Settlement Payment a letter notifying the consumer
10 that he or she is eligible for Monthly Settlement Payments, under the terms set
11 forth above (hereafter referred to as "Monthly Payment Offer Letter," the form of
12 which shall be agreed to by the Attorney General, Department of Insurance, and
13 AILI). The Monthly Payment Offer Letter shall be sent by first class U.S. mail,
14 postage prepaid, to the last known address for each person eligible to participate
15 in this program, and the color of the envelope shall be a different color than the
16 color of envelopes used to mail the notices sent pursuant to paragraph 9, above.
17 On the outside of the envelope on the same side as the recipient's address, the
18 following statement shall appear in a bold-face, easily legible font which is not
19 smaller than 14 points: "COURT APPROVED NOTICE. PLEASE
20 CAREFULLY READ ALL CONTENTS." The envelope shall reflect AILI's
21 return address, or another address agreed to in advance by AILI and the People.
22 Within three business days after the date of mailing, AILI shall provide a
23 statement under penalty of perjury to the Attorney General and Insurance
24 Commissioner identifying the date the Monthly Payment Offer Letters were sent
25 (the "Monthly Payment Offer Mailing Date").
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1 amount of that person's Qualifying Subject Annuity, and (2) the amount of the
2 bonus awarded to each such owner.

3 E. Consumers shall have one hundred eighty days (180) from the Monthly Payment
4 Offer Mailing Date to elect to receive Monthly Settlement Payments, except that consumers
5 whose Monthly Payment Offer Letters are returned to sender shall have six months from the date
6 notice is mailed to them at their correct address. Consumers who do not return the Monthly
7 Payment Offer Response Form by the applicable 180 day deadline shall be deemed to have
8 declined to receive a Monthly Settlement Payment. AILI shall have no obligation to make
9 Monthly Settlement Payments to any consumer who declines or is deemed to have declined to
10 receive Monthly Settlement Payments.

11 F. If a consumer contacts AILI by phone or in writing with questions regarding a
12 Qualifying Subject Annuity, AILI shall notify that consumer the amount of time remaining on the
13 surrender penalty, the amount of the surrender charge that would be assessed if the consumer
14 surrendered on that date, and the number and amount of the monthly payments the consumer
15 would receive under the terms of this Stipulated Judgment. Nothing in this Stipulated Judgment
16 shall restrict AILI from providing to those consumers who contact AILI after receiving the
17 Monthly Settlement Payment Offer Letter truthful and non-misleading information regarding the
18 terms and conditions of their Qualifying Subject Annuity or the terms of the Monthly Settlement
19 Payments they would receive. AILI shall not, however, make statements designed to induce
20 consumers to opt in to or to opt out of receiving Monthly Settlement Payments.

21 G. The Attorney General and Insurance Commissioner shall have the right to inspect
22 and request copies of all records pertaining to AILI's compliance with paragraph 10 of the
23 Stipulated Judgment, pursuant to paragraph 13 of this Stipulated Judgment.

24 11. All funds paid pursuant to this paragraph, and paragraph 12 below, shall be
25 delivered to the Office of the Attorney General via wire transfer, to be allocated as set forth
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1 below and in paragraph 12. Pursuant to the terms of the Stipulation for Entry of this Stipulated
2 Judgment:

3 A. Defendants Family First Insurance Services, Family First Advanced Estate
4 Planning and John Owen shall jointly and severally pay Plaintiff the sum of \$250,000
5 (Two Hundred and Fifty Thousand Dollars) as a civil penalty;

6 B. Family First Insurance Services and Family First Advanced Estate
7 Planning shall pay Plaintiff an additional civil penalty of \$750,000 (Seven Hundred and
8 Fifty Thousand Dollars); and

9 C. Defendants American Investors Life Insurance, Family First Advanced
10 Estate Planning, and Family First Insurance Services shall jointly and severally pay to the
11 Office of the Attorney General the sum of \$200,000 (Two Hundred Thousand Dollars)
12 and the Department of Insurance the sum of \$500,000 (Five Hundred Thousand Dollars)
13 to cover their respective costs of investigating and prosecuting this matter.

14 All civil penalties paid under the terms of this paragraph shall be paid pursuant to Section 17206
15 of the Business and Professions Code.

16 12. Also pursuant to the terms of the Stipulation for Entry of this Stipulated
17 Judgment, Defendants AILI, Family First Advanced Estate Planning and Family First Insurance
18 Services shall send by wire transfer the sum of \$5,500,000 (Five Million, Five Hundred
19 Thousand Dollars) (“the Settlement Fund”) to the Office of the Attorney General. The
20 Settlement Fund will then be transferred to a bank or other financial institution to be agreed upon
21 by the parties. Neither AILI, Family First Advanced Estate Planning, nor Family First Insurance
22 Services shall have any property right, interest, claim or title to the Settlement Fund or any
23 interest earned thereon. The Settlement Fund, and any net, post-tax interest thereon, shall be held
24 in trust to be distributed to California consumers who (i) purchased AILI annuities through
25 Family First Insurance Services and (ii), as of the date this judgment is entered had surrendered
26 those annuities in a fashion that caused AILI to assess a surrender penalty or surrender charge.

1 AILI shall bear the cost of distributing these funds to such California consumers. Plaintiff shall
2 develop the method to be used for determining those consumers eligible to receive funds
3 pursuant to this paragraph, and the amounts to be paid to such consumers. Plaintiff shall obtain
4 the court's approval of the method by which these funds shall be distributed to California
5 consumers, and may seek such approval via an ex parte application, with no personal appearance
6 required. Any funds associated with non-negotiated checks sent pursuant to this paragraph shall
7 not revert back to any of the Defendants and shall instead be distributed as follows:

8 a. Fifty percent of such funds shall be deposited into the Life and Annuity Consumer
9 Protection Fund that is maintained by the California Department of Insurance.
10 Pursuant to Insurance Code section 12926.1(c)(5), some or all of said monies may
11 be spent on educating consumers in all aspects of life insurance and annuity
12 products, consumer protection, purchasing and using insurance and annuity
13 products, claim filing, benefit delivery, and dispute resolution.

14 b. Fifty percent of such funds shall be deposited into the Consumer Protection
15 Prosecution Trust Fund previously created by the Stipulated Final Judgment and
16 Permanent Injunction, filed on September 21, 1989, in the case of *People v. ITT*
17 *Consumer Financial Corporation* (Alameda County Superior Court case number
18 656038-0).

19 13. Upon 20 days prior written notice, any duly authorized representative of the
20 Attorney General or Department of Insurance shall be permitted to inspect and copy such records
21 as may be reasonably necessary to determine whether the parties subject to this Stipulated
22 Judgment are in compliance with its provisions.

23 14. A. This Stipulated Judgment constitutes a full resolution and complete
24 settlement of all, and only, those civil claims and causes of action the Attorney General and
25 Insurance Commissioner had against AILI, Family First Advanced Estate Planning, Family First
26 Insurance Services and John Owen (and their respective past or present officers, directors or
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1 employees who were not named as individual defendants to this action) that were specifically
2 alleged in the complaint on file in this matter, for conduct occurring before entry of this
3 Stipulated Judgment, except that this Stipulated Judgment shall not be construed as releasing any
4 antitrust, charitable trust, or tax claims.

5 B. This Stipulated Judgment also constitutes a full resolution and complete
6 settlement of all administrative or regulatory claims the Insurance Commissioner may have
7 against AILI regarding all matters that are resolved civilly as to AILI pursuant to subparagraph
8 (A), above, of which the Department of Insurance is aware at the time it consents to entry of this
9 Stipulated Judgment. Provided AILI is not alleged to have violated the Insurance Code in any
10 proceeding conducted subsequent to the entry of this Stipulated Judgment and that AILI complies
11 with its terms, this Stipulated Judgment shall neither have any impact on any licenses or
12 approvals issued by the California Department of Insurance, nor disqualify AILI or any of its
13 agents from offering insurance, including annuities, in California.

14 C. This Stipulated Judgment does not resolve and shall not be construed as resolving
15 any claims (whether civil, administrative, or regulatory) against any person or entity not a party
16 to this Stipulated Judgment who AILI appointed as a life agent in California, or any other person
17 or entity not expressly identified in subparagraph (A) above.

18 D. The Attorney General and Insurance Commissioner agree that before seeking any
19 relief from any court against any Defendant for any alleged violation of this Stipulated Judgment,
20 they will give that Defendant twenty (20) business days written notice of the alleged violation.
21 That Defendant shall be provided the opportunity to respond to Office of the Attorney General
22 and Department of Insurance regarding the alleged violation within the twenty (20) business day
23 period. However, nothing in this paragraph shall bar the Office of the Attorney General or
24 Department of Insurance from seeking a preliminary injunction or temporary restraining order
25 prior to the expiration of that 20 day period if, in their discretion, they believe such action is
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1 necessary due to the violation posing a threat to the health, safety or welfare of the citizens of the
2 State of California.

3 E. Except as expressly provided by its terms, this Stipulated Judgment shall not
4 impact the terms of or benefits offered under any annuity policy already issued by AILI, and shall
5 not otherwise impact the rights of any party as to any annuity policy already issued by AILI.

6 15. Nothing in this Stipulated Judgment shall be construed as relieving any of the
7 parties subject to this Stipulated Judgment of their obligation to comply, or as prohibiting any of
8 those parties from complying, with all applicable state and federal laws, regulations or rules, nor
9 shall any of the provisions of this Stipulated Judgment be deemed to be permission to engage in
10 any acts or practices prohibited by such laws, regulations, or rules.

11 16. This Court shall retain jurisdiction over this matter for the purposes of (i)
12 approving the methods of distributing funds to consumers pursuant to paragraph 12, above; (ii)
13 resolving disputes over whether a particular Hardship Request should be granted, upon ex parte
14 application by either AILI, the Attorney General, or the Insurance Commissioner; (iii) enabling
15 the Attorney General or Insurance Commissioner to apply, at any time, for enforcement of any
16 provisions of this Stipulated Judgment and for sanctions or other punishment for any violation of
17 this Stipulated Judgment; and (iv) enabling any party to this Stipulated Judgment to apply, upon
18 giving 45 days written notice to all other parties, for such further orders and directions as might
19 be necessary or appropriate either for the construction or carrying out of this Stipulated Judgment
20 or for the modification or termination of one or more injunctive provisions of this Stipulated
21 Judgment.

22 17. In the event that any statute or regulation pertaining to the subject matter of this
23 Stipulated Judgment is modified, enacted, promulgated or interpreted by the highest Court of the
24 State or by a person with the authority to bind the Department of Insurance in a manner such that
25 any of the Defendants contend the statute or regulation is in conflict with any provision of this
26 Stipulated Judgment and therefore that the parties subject to this Stipulated Judgment cannot

1 comply with both the statute or regulation and the provision of this Stipulated Judgment, the
2 Defendant or Defendants making such a contention shall provide advance written notice of at
3 least forty-five days to the Attorney General and Insurance Commissioner of the inconsistent
4 provision of the statute or regulation with which the Defendant(s) making the contention intend
5 to comply and of the counterpart provision of this Stipulated Judgment that the Defendant or
6 Defendants contend is in conflict with the statute or regulation. If the Attorney General or
7 Insurance Commissioner disagree, he or she shall within 30 days of receipt of the notice notify
8 the Defendant or Defendants that the Attorney General or Insurance Commissioner, as
9 applicable, does not agree there is a conflict between the requirements of the Stipulated Judgment
10 and the newly enacted statute or regulation. If the Defendant or Defendants disagree with any
11 such contention that there is no conflict, the parties subject to this Stipulated Judgment shall
12 comply with the terms of the Stipulated Judgment until such time as the Defendant or Defendants
13 obtain a court order modifying the Stipulated Judgment.

14 18. AILI and its successors or assigns shall not be in violation of this Stipulated
15 Judgment or subject to a finding of contempt under this Stipulated Judgment unless the
16 underlying violation was committed by an officer, director, or direct employee of AILI, or its
17 successors or assigns. For AILI and its successors or assigns to be in violation of this Stipulated
18 Judgment based on the acts of an insurance agent who engages in conduct prohibited by this
19 Stipulated Judgment, an officer, director, or direct employee of AILI, or its successors or assigns,
20 needs to have acted in concert with or conspired in the commission of the agent's conduct. The
21 mere act of either appointing as an agent or compensating a person who subsequently engages in
22 conduct that is prohibited under either paragraph 7 of this Stipulated Judgment or under AILI's
23 guidelines and procedures, as required to be amended under paragraph 8 of this Stipulated
24 Judgment, shall not, by itself, be the basis for a claim that AILI (or its successors or assigns)
25 conspired to violate or violated this Stipulated Judgment. However, AILI (or its successors or
26 assigns) shall (a) for five years from the date this Stipulated Judgment is entered, forward to the

1 Department of Insurance any complaints it receives from any source that any of its agents doing
2 business in California are engaging in any conduct prohibited under AILI's guidelines and
3 procedures as amended pursuant to this Stipulated Judgment and (b) cooperate with the
4 Department of Insurance in any investigation as to whether any life agent who (i) is licensed by
5 the California Department of Insurance and (ii) has been appointed by AILI as its agent may have
6 engaged in any of the conduct prohibited under AILI's guidelines and procedures. This paragraph
7 shall not be construed as limiting whatever other liability AILI or its successors or assigns might
8 have under applicable law for misconduct committed by agents.

9 19. The parties have stipulated to the entry of this Stipulated Judgment without the
10 adjudication of any claims made or defenses raised by any party and with the understanding that
11 neither Plaintiff on the one hand, nor any of the Defendants on the other hand, are agreeing or
12 conceding that any claims, allegations or defenses asserted by the other have merit. Defendants'
13 agreement to enter into this Stipulated Judgment is not an admission of wrongdoing by any of the
14 Defendants or an admission, concession, or evidence of any alleged fault, misrepresentation, act
15 or omission or any other alleged violation of the law, and does not represent and shall not be
16 interpreted as representing any finding of fact or conclusion of law.

17 20. Notices to be given to any party under this Stipulated Judgment are sufficient if
18 given by nationally recognized overnight courier service or certified mail (return receipt
19 requested), or personal delivery to the named party at the address below:

20 A. If to Family First Insurance Services or Family First Advanced Estate
21 Planning:
22 Family First Insurance Services/Family First Advanced Estate Planning
23 c/o Amerus Annuity Group
24 attn: Chris Conroy
25 555 South Kansas Avenue
26 Topeka, KS 66603

1 B. If to American Investors Life Insurance Company, Inc:

2 American Investors Life Insurance Company, Inc.
3 attn: Chris Conroy
4 555 South Kansas Avenue
5 Topeka, KS 66603

6 C. If to John Owen:

7 John Owen
8 2665 Cashmere Canyon Road
9 Acton, CA 93510

10 D. If to the Attorney General:

11 Benjamin G. Diehl, Esq.
12 Office of the California Attorney General
13 300 S. Spring St.
14 Los Angeles, CA 90013

15 E. If to the Insurance Commissioner:

16 Jodi S. Lerner
17 Senior Staff Counsel
18 California Department of Insurance
19 45 Fremont Street, 21st Floor
20 San Francisco, CA 94105

21 Notice is effective when delivered personally, or five (5) days after it is sent by certified
22 mail, or on the business day after it is sent by nationally recognized courier service for next day
23 delivery. Any party may change its notice address, or the person to whom notices shall be
24 directed, by giving notice in accordance with this paragraph.

25 21. Defendants shall pay any fee for the filing of the Stipulation for Entry of
26 Permanent Injunction and Stipulated Judgment. Except as otherwise set forth in this Stipulated
27 Judgment, Plaintiff on the one hand and Defendants on the other hand shall bear their respective
28 costs and expenses of litigation.

29 22. Nothing in this Stipulated Judgment shall be interpreted as invalidating or
30 superseding any separate agreement one or more of the Defendants may have between or among

1 themselves regarding responsibility for fees or costs incurred in defending this litigation, as
2 waiving or limiting any right to indemnification any Defendant may have as to any other
3 Defendant under the Labor Code or any other applicable law, or as or as requiring or permitting
4 any Defendant to breach any contracts or legal obligation that it may owe to any other Defendant
5 to this matter.

6 23. This Stipulated Judgment shall take effect immediately upon entry by the clerk,
7 and the clerk is ordered to enter it forthwith.

8 24. Leave is granted for Plaintiffs to proceed against Group Legal Services, Inc., and
9 Does 1-200.

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13 Date:

14 Hon. Emilie Elias
15 Judge, California Superior Court
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