



3. In 2012, the Participating States entered into a Regulatory Settlement Agreement (“2012 RSA”) to resolve the regulatory concerns of the Participating States. The 2012 RSA included an agreement for the Company to develop and adopt a Corrective Action Plan (“2012 CAP”). On May 30, 2012, the Director of the Idaho Department of Insurance, William W. Deal, entered an Order approving and adopting the 2012 RSA.

4. In 2015, the Participating States, in consultation with AFLAC, identified regulatory concerns relating to AFLAC’s compliance with the 2012 RSA and the 2012 CAP. In the process, the Participating States identified additional areas of regulatory concerns requiring corrective action.

5. In August 2018, after completing extensive discussions with AFLAC, the states of Idaho, Minnesota, and Missouri, entered into a current Regulatory Settlement Agreement (“2018 RSA”). The 2018 RSA is attached hereto and identified as “Exhibit A” and is incorporated herein by reference as if set forth in full.

6. To the extent this Order of Adoption of Regulatory Settlement Agreement affects Idaho insureds, it shall be governed by the laws of the state of Idaho, and the jurisdiction of any dispute arising under this Order of Adoption of Regulatory Settlement Agreement concerning an Idaho insured shall be in accordance with title 41, Idaho Code, vested in the Director or the courts of this state.

7. After carefully considering the recommendations of the parties and the terms of the incorporated Regulatory Settlement Agreement, the Director signed said Agreement on August 28, 2018; and, in further consideration of the premises;

**IT IS HEREBY ORDERED** that the attached and incorporated Regulatory Settlement Agreement is hereby **APPROVED** and **ADOPTED**, and AFLAC shall initiate compliance in accordance with the terms and conditions of said Regulatory Settlement Agreement.

**IT IS FURTHER ORDERED** that this is a **Final Order** of the Idaho Department of Insurance and, as defined by the Regulatory Settlement Agreement, the Effective Date of the 2018 Regulatory Settlement Act is August 28, 2018.

DATED THIS 27 DAY OF September, 2018.

IDAHO DEPARTMENT OF INSURANCE

By:   
DEAN L. CAMERON  
Director

#### **NOTIFICATION OF RIGHTS**

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for

reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.

### **CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on this 20<sup>th</sup> day of September, 2018, I caused a true and correct copy of the foregoing Order of Adoption of Regulatory Settlement to be served upon the following by the designated means:

American Family Life Assurance Co. of Columbus  
Thomas McDaniel, Jr., US Chief Compliance Officer  
1932 Wynnton Road  
Columbus, GA 31999

- ☒ first class mail
- ☐ certified mail
- ☐ hand delivery
- ☐ via facsimile
- ☐ via email

Missouri Department of Insurance  
Jim Mealer, Chief Market Conduct Examiner  
301 West High Street, Room 530  
Jefferson City, MO 65201

- ☒ first class mail
- ☐ certified mail
- ☐ hand delivery
- ☐ via facsimile
- ☐ via email

Minnesota Department of Commerce  
Paul Hanson, Chief Market Conduct Examiner  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101

- ☒ first class mail
- ☐ certified mail
- ☐ hand delivery
- ☐ via facsimile
- ☐ via email



Pamela Murray

**IN THE MATTER OF  
AMERICAN FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS  
NAIC # 60380**

**REGULATORY SETTLEMENT AGREEMENT**

This Regulatory Settlement Agreement ("Agreement") is entered into as of the date all parties have executed this Agreement (hereinafter "Execution Date"), by and between American Family Life Assurance Company of Columbus (hereinafter "Company"), the Department of Commerce, State of Minnesota; the Department of Insurance, Financial Institutions and Professional Registration, State of Missouri; and the Department of Insurance, State of Idaho (collectively, the "Participating States").

**A. Recitals**

1. At all relevant times, the Company has been a licensed insurance company domiciled in the State of Nebraska and authorized to do business in the Participating States.

2. In 2009, the Participating States initiated a market conduct examination of the Company for the purpose of reviewing the Company's underwriting, sales and marketing, producer licensing, complaint handling and claims practices.

3. As a result of this examination of the Company, the Participating States shared with the Company various areas of regulatory concern that were identified during the examination. The Participating States and the Company engaged in settlement discussions with respect to the examination.

4. The Participating States and the Company entered into a Regulatory Settlement Agreement (hereinafter "2012 RSA") to resolve the Participating States' regulatory concerns. The 2012 RSA is incorporated by reference herein.

5. The 2012 RSA included an agreement for the Company to develop and adopt a Corrective Action Plan (hereinafter "2012 CAP").



6. The 2012 RSA also included a three year monitoring period during which time the Participating States would monitor the Company's compliance with the 2012 RSA and the 2012 CAP.

7. The Participating States identified regulatory concerns relating to compliance with the 2012 RSA and the 2012 CAP. While working with the Company to review these concerns, the Participating States identified additional regulatory concerns requiring corrective action.

8. The Company hired Regulatory Insurance Advisors, LLC (RIA) to assist it in addressing the Participating States regulatory concerns and additional regulatory matters.

9. To resolve any regulatory concerns regarding compliance with the 2012 RSA and 2012 CAP and the identified additional regulatory concerns, the Participating States and the Company enter into this Agreement and stipulate and agree to the terms that follow.

#### **B. Remedial Actions**

1. To resolve the regulatory concerns identified by the Participating States, the Company agrees to develop a Corrective Action Plan (hereinafter "CAP") and implement corrective actions in the following areas of concern:

- Company Compliance Operations
- Claim Handling Procedures
- Producer Oversight, Training and Enforcement
- Producer Compensation Practices
- Sales, Marketing and Policy Services
- Mandatory Regulatory Reporting to States

2. Implementation of the corrective actions contained in the CAP will be made by the Company on a nationwide basis, and will not be limited to Missouri, Minnesota and Idaho, unless otherwise specified in the CAP or if contrary to the laws or regulations of a jurisdiction that is not a party to this Agreement.

3. The CAP is a part of the multistate examination workpapers generated by the Participating States during their continuing examination of the Company.



4. The CAP is subject to the approval of the Participating States. The Company will submit the proposed CAP to the Participating States no later than fifteen (15) days following the Execution Date.

5. The Company agrees to include timeframes in the CAP for completing and implementing each corrective action contained in the CAP. The Company further agrees to satisfy all requirements in the CAP within the timeframes specified in the CAP.

6. The Company agrees that the full Board of Directors of its holding company will pass a resolution within thirty (30) days after the Execution Date adopting the Agreement and the CAP.

**C. Monitoring and Reporting**

1. The Participating States will monitor and evaluate the Company's compliance with the Agreement and the CAP. The Monitoring Period will end five (5) years after the Execution Date if the Company has satisfied the requirements of Section C 5 of this Agreement or two (2) years from the date that the Company has satisfied the requirements Section C 5 of this Agreement whichever date is later. The Participating States' determination of the Company's satisfaction of its CAP obligations will not be unreasonably withheld. The Participating State's monitoring and evaluation will consist of the following:

- Review of Audit Reports generated by the Company's Internal Audit Department regarding the Company's implementation of and compliance with the Agreement and the CAP;
- Review of consumer complaint data relating to the Company;
- Review of reports to the Participating States generated by RIA;
- Review of reports to the Participating States generated by the Company's U.S. Compliance Department; and
- Review of other relevant data relating to the Company, including, if the Participating States deem necessary, on-site review of the Company's implementation of this Agreement and the CAP at the Company's Home Office.

2. The monitoring of the Company for compliance with the terms of this Agreement and the CAP constitutes an ongoing examination by each of the Participating States.

3. During the Monitoring Period, the reasonable costs and expenses of the Participating States related to the monitoring of the Company's compliance with this Agreement and the CAP, including the costs and expenses of conducting the ongoing examination referenced in Section C (2), shall be borne by the Company.

4. The Participating States may initiate and complete an Interim Review and Final Review of the Company focused on the Company's satisfaction of and compliance with the Agreement and the CAP. If initiated, the Participating States will not commence an Interim Review less than twelve (12) months after the Execution Date and will not commence a Final Review less than one (1) year from the end of the monitoring period. The Final Review, if timely commenced, may continue after the completion of the Monitoring Period. Any review by the Participating States shall be conducted pursuant to the following criteria:

- The process shall be consistent with the procedures, guidelines and standards established by the NAIC Market Regulation Handbook (2017) (hereinafter "Handbook") and be in conformity with the law of the Participating States;
- The maximum error rate applicable to the Company's obligations pursuant to the CAP shall be 3%;
- The scope of the examination of the Company shall include information, data, procedures and other Company materials relating to the corrective actions identified in the CAP and generated after the Execution Date;

5. The Company shall be deemed to have satisfied its obligations established by this Agreement when the results of a Final Review demonstrate that the Company did not exceed the maximum error rate, and all of the Company's obligations pursuant to the CAP have been completed to the Participating States' satisfaction. The Participating States' determination of the Company's satisfaction of its CAP obligations will not be unreasonably withheld.



6. In the event the results of a final review reveal that the Company exceeded the maximum error rate and/or the Participating States reasonably determine that the Company did not complete all of its obligations pursuant to the CAP to the Participating States' satisfaction, the Company's obligations under this Agreement shall continue. The Company's obligations under this Agreement shall continue until such time as a re-review by the Participating States or, with the consent of the Participating States, by RIA, demonstrates that the Company has satisfied the requirements of Section C 5 of this Agreement. In the event that the results of a Final Review reveal that the Company has not exceeded the maximum error rate, the Company is still required to take corrective action to address the errors found during the review.

7. The Company's Internal Audit Department (hereinafter "Internal Audit") shall audit the Company's obligations established by the CAP at six (6) month intervals starting twelve (12) months after the Execution Date and ending with a final audit six (6) months prior to the end of the monitoring period. Internal Audit shall finalize and issue a report of each audit period and provide the report to the Company's Chief U.S. Compliance Officer, RIA, and the Participating States within forty-five (45) calendar days after the audit period. The Participating States may provide feedback to the Company regarding the Internal Audit process at any time during the monitoring period. The Participating States may accept (but are not required to accept) the interim and final audit reports issued by Internal Audit in lieu of the Participating States conducting their own interim and/or final review pursuant to this Agreement. The audit methodology and audit plans followed by Internal Audit shall be submitted to the Participating States for approval at least 90 days prior to the first semi-annual audit commencing. The audit methodology applied by Internal Audit shall be consistent with procedures, guidelines, and standards established by the Handbook.

8. The Company will submit quarterly reports to the Participating States from the Company's Chief U.S. Compliance Officer advising of the implementation status of each corrective action identified in the CAP. Reporting shall include, but not be limited to, implementation progress, delays that may affect timely completion, instances of non-compliance, and overall status of all CAP requirements. The Company shall provide quarterly reports no later than forty-five (45) calendar days after the end of the quarterly reporting period. Quarterly

reporting will be required until the Company has satisfied the requirements of Section C 5 of this Agreement.

9. The Company's external regulatory consultant, RIA, will submit monthly reports to the Participating States advising of the implementation status of corrective actions identified in the CAP and the Company's overall progress relating to compliance with the Agreement and the CAP. These reports will be written and submitted within ten (10) calendar days after the end of the prior month, unless the Participating States and the Company agree to a different reporting duration. Monthly reporting will be required until the Company has satisfied the requirements of Section C 5 of this Agreement.

10. During the Monitoring Period, the Participating States may request access to the Board of Directors of the Company's holding company if the Participating States have a reasonable concern that the Company is not complying with the terms of the Agreement or the CAP or is not cooperating with the Participating States ongoing review. The Company shall provide such access within 30 days of the request unless the Company requests an extension for good cause, and such extension is approved by the Participating States.

#### **D. Other Provisions**

1. Authority to Execute. The Parties represent and warrant that the person(s) executing this Agreement on behalf of each Party has the legal authority to bind the Party to the terms of this Agreement.

2. Authority of RIA. The Company acknowledges that any actions undertaken by RIA in connection with this Agreement are undertaken at the direction of and on behalf of the Company. If the Company wishes to terminate its relationship with RIA, it will first provide notice to the Participating States and must obtain Participating State approval for the termination, which approval shall not be unreasonably withheld.

3. Full and Final Agreement. This Agreement represents the entire understanding between the Company and the Participating States with respect to the subject matter contained herein and supersedes any and all prior or existing understandings, agreements, plans and negotiations, whether written or oral, between the Company and any Participating State, except

that all provisions of the 2012 RSA and 2012 CAP not inconsistent with the provisions of this Agreement and CAP shall continue in full force and effect. By entering into this Agreement, the Participating States and the Company intend to resolve all regulatory concerns involving the Company that are known by the Participating States on the Execution Date. The Company's satisfaction of the terms and conditions of this Agreement and the CAP fully and finally satisfy the Company's obligations pursuant to this Agreement.

4. Scope of Agreement. The Agreement and the CAP do not sunset, other than the Company's obligations and agreements pursuant to Section C and Section D(11) of this Agreement.

5. Monetary Penalty. Company agrees that it shall pay a monetary penalty of \$2,500,000 (U.S. currency) resulting from the additional regulatory concerns identified by the Participating States and described in Section B of this Agreement. The monetary penalty shall be distributed among the Participating States in a manner to be determined by the Participating States. Within 10 business days after the Execution Date, the Participating States will provide the Company with an allocation table specifying the percentage and payment amount payable to each Participating State. Payment shall be made by the Company to each Participating State within 20 business days of receipt of the allocation table.

6. Enforcement. The execution of this Agreement by the Participating States constitutes the entry of an Order by each Participating State in accordance with the laws of each Participating State. If a Participating State believes that the Company has breached a provision of this Agreement or the CAP, the Participating State shall provide written notice of the alleged breach to the Company. Company shall have the opportunity within fifteen (15) business days to present evidence before the Participating State in an attempt to rebut the allegation(s). Company shall then have a period of forty five (45) business days from the date of receipt of the notice of alleged breach to cure the alleged breach. A Participating State shall not pursue any enforcement action against the Company for breach of this Agreement until the forty-five (45) day cure period has expired, but may then seek, without limitation, to enforce the provisions of this Agreement through administrative or legal enforcement actions and may seek penalties for violations of this Agreement. A Participating State may pursue an enforcement action against the Company for

breach of this Agreement before the cure period has expired if the Participating State reasonably believes that a delay may result in substantial consumer harm. Any enforcement action brought by any Participating State shall be governed by the laws and regulations of that Participating State. If a breach of this Agreement is found through an administrative or legal enforcement action, said breach shall constitute the violation of an Order in the Participating State in which the breach was found to have occurred. The failure of the Participating States at any time to require the Company's strict performance of any of the terms, provisions or conditions of this Agreement or the CAP shall in no way constitute a waiver or affect the right thereafter to enforce the same.

6. Governing Law. This Agreement shall be governed by, and interpreted in accordance with each Participating State's law.

7. Non-Admission. The Company does not admit any violation of law or regulation of the Participating States or of federal law or regulations, and does not admit that entering into this Agreement implies its prior non-compliance with the laws and regulations of the Participating States. The Participating States shall not offer this Agreement or the CAP to any person or entity or in any proceeding as evidence of an admission of any liability or wrongdoing by the Company, except in an action brought by any of the Participating States to enforce the provisions of this Agreement.

8. Subsequent Law. If a Participating State adopts a law or regulation conflicting with any provision of this Agreement or the CAP, then application of such provision of this Agreement or the CAP shall be superseded by such law as it applies in that Participating State (and that state only). All other unaffected terms and conditions of the Agreement shall remain in full force and affect.

9. Request for Modification. The Company may request modifications to this Agreement or the CAP predicated upon a change of circumstances or if a provision of the Agreement places the Company at a competitive disadvantage. The Participating States will consider such requests in good faith and may agree to the modification if it will not result in consumer harm or a violation of applicable law.

10. Waiver of Procedural Requirements. Company, after being advised by legal counsel, does hereby voluntarily and knowingly waive any and all rights for procedural requirements, including notice and an opportunity for a hearing and for review or appeal by any trial or appellate court, which may have otherwise been available to the Company regarding the regulatory concerns initially identified by the Participating States in the 2012 RSA or regarding the additional regulatory concerns identified by the Participating States that are the subject of this Agreement.

11. Retention of Documents. The Company shall retain documents and other materials relating to this Agreement for five (5) years from the date the last corrective action is implemented under the terms of the Agreement and the CAP or seven (7) years from the Execution Date, whichever retention period is longer.

12. Extensions. The Participating States and the Company may mutually agree, in writing, to any reasonable extensions of time that might become necessary to carry out the provisions of this Agreement.

13. Amendments. No changes or amendments to this Agreement or the CAP, including appendices, shall be effective unless made in writing and signed by all parties to this Agreement. If the Company requests changes to the appendices, the Participating States' approval for those changes shall not be unreasonably withheld.

14. Notices. All notices permitted or required to be delivered pursuant to this Agreement shall be in writing, addressed to the parties to this Agreement at the following addresses:

- American Family Life Assurance Company of Columbus  
Attn: Thomas McDaniel, Jr., U.S. Chief Compliance Officer  
Address: 1932 Wynnton Road  
Columbus, WA 31999  
Telephone: (706) 243-8020  
E-Mail: [Tmcdaniel@aflac.com](mailto:Tmcdaniel@aflac.com)

- Missouri Department of Insurance, Financial Institutions and Professional Registration

Attn: Jim Mealer, Chief Market Conduct Examiner

Address: 301 West High Street, Room 530  
Jefferson City, MO 65201

Telephone: (573) 526-2933

E-Mail: Jim.mealer@insurance.mo.gov

- Minnesota Department of Commerce

Attn: Paul Hanson, Chief Market Conduct Examiner

Address: 85 7<sup>th</sup> Place East, Suite 280  
St. Paul, MN 55101

Telephone: (651) 539-1641

Email: Paul.hanson@state.mn.us

- Idaho Department of Insurance

Attn: October Nickel, Senior Market Analyst

Address: 700 West State Street  
Boise, ID 83720

Telephone: (208) 334-4216

E-Mail: October.nickel@doi.idaho.gov

Notices shall be deemed delivered: a) one (1) business day after transmission by electronic mail or other electronic system; b) five (5) business days after being placed in the hands of a commercial courier service for express delivery, or c) ten (10) business days after placement in the U.S. mail by registered or certified mail, return receipt requested, postage prepaid.

15. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be deemed an original and all of which, when taken together, shall constitute one and

the same Agreement. Execution and delivery of this Agreement may be performed by e-mail or facsimile transmission.

16. Headings. The section headings herein are intended for reference and shall not by themselves determine the construction or interpretation of this Agreement.

17. Severability. If any term or provision of this Agreement is determined by any court, regulatory or governmental agency to be illegal, unenforceable or invalid in whole or in part for any reason, such illegal, unenforceable or invalid provision or part thereof shall be deemed stricken from this Agreement, and such provision shall not affect the legality, enforceability or validity of the remainder of this Agreement.

18. No Third Party Rights. The Company and the Participating States are the only parties to this Agreement. This Agreement is entered into between the Participating States and the Company exclusively and not between any other party, individual or insured. This Agreement and/or any part thereof is only enforceable by the Participating States against the Company and by the Company against the Participating States. This Agreement, or any part thereof, does not create a legal, equitable or other cause of action for any third party or parties, individuals or insureds.

**SIGNATURE PAGE IMMEDIATELY FOLLOWS**



IN WITNESS WHEREOF, THE PARTIES HAVE EXECUTED THIS AGREEMENT AS OF THE DATE SET FORTH AFTER EACH OF THEIR NAMES:

**American Family Life Assurance Company of Columbus**

By: Teresa L. White

Title: President, Aflac U.S

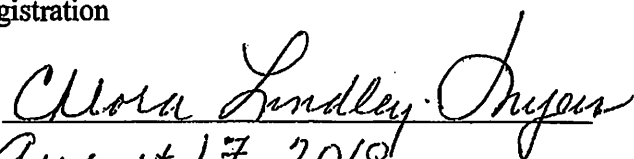
Signature: 

Date: August 2, 2018

**Missouri Department of Insurance, Financial Institutions and Professional Registration**

By: Chlora Lindley-Myers

Title: Director, Missouri Department of Insurance, Financial Institutions and Professional Registration

Signature: 

Date: August 17, 2018

**Minnesota Department of Commerce**

By: Jessica Looman

Title: Commissioner, Minnesota Department of Commerce

Signature: 

Date: Aug. 27, 2018

**Idaho Department of Insurance**

By: Dean Cameron

Title: Director, Idaho Department of Insurance

Signature: 

Date: August 28, 2018