



CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street • Suite 810 • Boston, MA 02118-6200
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JAY ASH
SECRETARY OF HOUSING AND
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JOHN C. CHAPMAN
UNDERSECRETARY

GARY D. ANDERSON
COMMISSIONER OF INSURANCE

May 11, 2018

VIA E-MAIL (CZimmerman@nationallife.com)
AND U.S. MAIL POSTAGE PREPAID

Christopher Zimmerman
Senior Counsel
National Life Group
One National Life Drive
Montpelier, VT 05604

RE: Life Insurance Company of the Southwest
SIU Investigation Case No. 9495

Dear Mr. Zimmerman:

I represent the Massachusetts Division of Insurance ("Division") with regard to the above-captioned investigation. The Division has cause to believe that the Life Insurance Company of the Southwest ("LSW") violated the Massachusetts insurance laws as set forth below.

By means of background, the Division opened an investigation on September 16, 2016, after receiving several complaints concerning the conduct of former LSW Agent Maheshwar Pant ("Pant")¹. The complainants alleged that Pant sold Universal Life Insurance policies, all underwritten by LSW, which were unsuitable, without regard to the consumer's insurance needs, lifestyle, age, or income level; and made misrepresentations and/or inaccurate and misleading statements concerning the nature of the product. As a result, from 2013 to 2015, Pant sold 18 unsuitable policies, involving 28 insureds. During the time the policies were sold, Pant was an appointed agent of LSW. The Division alleges that LSW failed to properly supervise its agent. All insureds were immigrants from Nepal who had limited understanding of the English language – both written and spoken. Pant communicated with the insureds about these policies in Nepalese – their native language. All documentation generated in connection with the sale of these policies was in English.

¹ Pant was appointed to act as an agent of LSW, pursuant to M.G.L. c. 175, § 162S, on or about August 1, 2013. LSW terminated Pant's appointment with them on or about May 26, 2017.

Specifically, by issuing these unsuitable policies based on its agent's misrepresentations and/or inaccurate or misleading statements, the Division alleges that LSW is in violation of M.G.L. c. 176D, §2, which prohibits unfair or deceptive acts or practices in the business of insurance, and M.G.L. c. 176D, §§3(1)(a) and 3(2). Violations of M.G.L. c. 176D are punishable by a fine of up to one thousand dollars, and the commissioner may order that restitution be made pursuant to § 7 of that chapter.

The Division is authorized to issue an order requiring LSW to show cause why it should not be made to cease and desist from the above-alleged conduct. If, after a public hearing, the Commissioner of Insurance finds that LSW did commit the alleged violations, LSW may be liable for fines up to the amounts listed above, in addition to being ordered to make restitution.

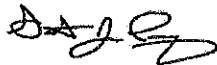
The Division proposes to resolve this matter through a settlement if LSW agrees to waive the right to a public hearing, agrees to cease and desist from the above-alleged conduct, and pays restitution of up to \$97,822.36, according to the schedule attached hereto to the policy owners who choose to terminate and surrender their respective policy. Additionally, should LSW or the Division become aware of other policyholders similarly affected by Pant's conduct, restitution shall be made to them on the same terms. If LSW chooses to accept the Division's offer, please have an authorized individual sign the enclosed settlement agreement where indicated below, and return it to my attention.

The Division considers the acceptance of this settlement to constitute a reportable administrative event. LSW also may be required to report this action in other jurisdictions where they are licensed. This Agreement shall be construed under and governed by the laws of the Commonwealth of Massachusetts.

If this matter is not resolved by May 21, 2018 the Division will file its Order to Show Cause and will notify LSW of the hearing date in accordance with applicable statutory notice requirements and procedures.

Thank you for your prompt attention to this matter. Should you have any questions or wish to discuss this matter further, please contact me at (617) 521-7471.

Sincerely,



Scott J. Peary | Chief Enforcement Counsel
Massachusetts Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200



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SETTLEMENT AGREEMENT
– SIU Investigation # 9495

This Settlement Agreement (“Agreement”) is made by and between the Commonwealth of Massachusetts Division of Insurance (“Division”), with offices at 1000 Washington Street, Boston, Massachusetts 02118-6200 and the Life Insurance Company of the Southwest (“LSW”), a foreign company admitted and authorized by the Division to transact Life, and Accident & Health business in the commonwealth, with a mailing address of 1 National Life Drive, Montpelier, VT 05604.

WHEREAS, LSW is currently admitted and authorized by the Division to transact Life, and Accident & Health business pursuant to M.G.L. c. 175, §151; and

WHEREAS, a foreign company authorized to transact business in the Commonwealth must comply with the Commonwealth’s insurance laws, including without limitation, those set forth in M.G.L. c. 175 & M.G.L. c. 176D; the Code of Massachusetts Regulations; and any other regulatory requirements; each of which give the Commissioner of Insurance (“Commissioner”) review, approval, and enforcement authority over licensees; and

WHEREAS, LSW appointed Maheshwar Pant to act as an agent of LSW pursuant to M.G.L. c. 175, §162S; and

WHEREAS, LSW acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Settlement Agreement; and

WHEREAS, the Division has conducted an investigation, Special Investigation Number 9495, concerning the conduct of former LSW Agent Maheshwar Pant (“Pant”)¹. The complainants alleged that Pant sold Universal Life Insurance policies, all underwritten by LSW, which were unsuitable, without regard to the consumer’s insurance needs, lifestyle, age, or income level; and made false representations and/or inaccurate and misleading statements

¹ Pant was appointed to act as an agent of LSW, pursuant to M.G.L. c. 175, § 162S, on or about August 1, 2013. LSW terminated Pant’s appointment with them on or about May 26, 2017.

concerning the nature of the product. As a result, from 2013 to 2015, Pant sold 18 unsuitable policies, involving 28 insureds. All insureds were immigrants from Nepal who had limited understanding of the English language – both written and spoken. Pant communicated with the insureds about these policies in Nepalese – their native language. All documentation generated in connection with the sale of these policies was in English.

During the time the policies were sold, Pant was an appointed agent of LSW. The Division alleges that LSW failed to properly supervise its agent. The Division further alleges by issuing these unsuitable policies based on its agent's misrepresentations and/or inaccurate statements, LSW is in violation of M.G.L. c. 176D, §2, and M.G.L. c. 176D, §§3(1)(a) and (3)(2); and

WHEREAS, if after a public hearing the Commissioner were to find sufficient evidence that LSW did commit the alleged violations, the Commissioner could order LSW to cease and desist from engaging in the conduct alleged, impose fines as well as order restitution to be made, pursuant to M.G.L. c. 176D, §7; and

WHEREAS, LSW is aware of its rights to notice and to a public administrative hearing with respect to the alleged violations of Massachusetts insurance laws in these matters, and hereby waives those rights; and


NOW THEREFORE, in consideration of the foregoing and the covenants, warranties, representations, and agreements contained herein, it is mutually agreed as follows:

1. LSW agrees, for the purposes of entering into a settlement with the Division, and without admitting or denying the allegations contained in the Agreement, to cease and desist from any conduct of the type alleged in the Division's May 11, 2018 correspondence, a copy of which is attached hereto and incorporated by reference.
2. LSW is voluntarily agreeing to the entry of this agreement in order to avoid the risks, burdens, and expense of further litigation. This agreement is a voluntary settlement and compromise of disputed claims, and LSW's acceptance of this Agreement is not an admission of wrongdoing, of liability, or of the truth of any of the disputed factual and legal allegations and claims asserted by the Division in this Agreement, as to which there are no admissions and there has been no adjudication.
3. LSW agrees to pay restitution to each policy holder who chooses to surrender and terminate their respective policy, in the amounts indicated in accordance with the names and amounts listed on Schedule A. A copy of Schedule A is attached hereto and incorporated by reference herein and made a part of this agreement. The total amount of potential restitution, as detailed in Schedule A, is Ninety Seven Thousand Eight Hundred Twenty Two Dollars and thirty-six cents (\$97,822.36).
4. LSW shall use reasonable due diligence to locate and pay affected policy holders who choose to terminate and surrender their policy, within thirty (30) days from the date LSW signs this Agreement. Additionally, LSW agrees to use reasonable due

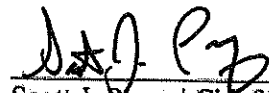
diligence to locate the current address for "missing" policyholders. LSW further agrees to provide the Division with an accounting of the names and addresses of all policyholders to whom LSW has made restitution. This accounting will be submitted to the Division within thirty (30) days from the date LSW signs this agreement, and, thereafter, every thirty (30) days until all policy holders are accounted for. Additionally, should LSW or the Division become aware of other policy holders similarly affected by Pant's conduct, restitution shall be made on the same terms. Any accounting submitted pursuant to this clause shall be accompanied by an affidavit from an appropriate officer of the company certifying the contents of such an accounting.

5. Except as expressly set forth in this Agreement, the failure of the Division at any time to require strict performance by LSW of any terms, provisions, or conditions hereof shall in no way affect the right thereafter to enforce the same, nor shall the waiver by the Division of any breach of any of the terms, provisions, and conditions hereof be construed or deemed a waiver of any succeeding breach of any term, provision, or condition thereof.
6. In the event the Division finds that there has been a breach of any provision of this Agreement, the Division may, in its discretion, pursue any and all legal remedies permitted by the Massachusetts insurance laws as well as any other appropriate law of the Commonwealth.
7. The provisions of this agreement may be amended, modified, or expanded solely in writing by joint consent of the Division and LSW.
8. Nothing in this Settlement Agreement shall be deemed to limit the Division's authority to investigate and pursue appropriate enforcement action in matters not related to SIU No(s). 9495 and 9310, or in matters not related to the subject of this Settlement Agreement.
9. This Agreement shall be construed under and governed by the laws of the Commonwealth of Massachusetts.

SIGNED:



Authorized Representative
Life Insurance Company of the Southwest



Scott J. Peary | Chief Enforcement Counsel
Massachusetts Division of Insurance
1000 Washington Street, 8th Floor
Boston, MA 02118

Dated: 5/21/2018

Dated: 5-22-2018

SCHEDULE A

Policy Number	Insured Full Name	Face Amount	Owner/Other Insured	Policy Status	Policy Issue Date	Total Premium Paid
LS0376907	Adhikari, Lal Krishna	150,000.00	Owner	Active	12/26/2013	3,807.00
LS0376907	Adhikari, Rama		Other Insured		12/26/2013	
LS0459614	Bhattarai, Raghu Nath	150,000.00	Owner	Lapsed, 3/21/17	6/15/2015	2,700.00
LS0459614	Bhattarai, Anita		Other Ins.		6/15/2015	
LS0391129	Karki, Prerana	300,000.00	Owner	Active	4/15/2014	5,292.00
LS0391129	Basnet, Raj		Other Ins.		4/15/2014	
LS0372805	Khanal, Krishna Raj	200,000.00	Owner	Active	11/20/2013	9,100.00
LS0372805	Khanal, Sabitri		Other Ins.		11/20/2013	
LS0448806	Pokharel, Khum	200,000.00	Owner	Lapsed, 7/25/17	4/15/2015	2,101.00
LS0448806	Khadkachhetri, Gayatri		Other Ins.		4/15/2015	
LS0378117	Pradhan, Azad	100,000.00	Owner	Active	1/23/2014	6,266.00
LS0431914	Paudelchhetri, M	250,000.00	Owner	Active	12/16/2014	2,535.00
LS0360753	Pun, Chandra	150,000.00	Owner	Active	8/29/2013	8,412.36
LS0360753	Pun, Deepika		Other Ins.		8/29/2013	
LS0400385	Sharma, Ramesh	100,000.00	Owner	Active	5/22/2014	8,000.00
LS0400385	Sharma, Nimlala		Other Ins.		5/22/2014	
LS0377974	Shrestha, Sujana	150,000.00	Owner	Active	12/26/2013	4,158.00
LS0382245	Subba, Karuna	200,000.00	Owner	Active	1/29/2014	6,500.00
LS0401970	Thapa, Biran	250,000.00	Owner	Active	6/11/2014	3,738.00
LS0401981	Thapa, Hari	50,000.00	Owner	Active	6/5/2014	4,366.00
LS0401981	Thapa, Bhairabi		Other Ins.		6/5/2014	
LS0391149	Tiwari, Ambika	150,000.00	Owner	Active	4/2/2014	5,642.00
LS0360133	Thapa, Krishna	300,000.00	Owner	Active	9/4/2013	7,634.00
LS0392930	Sunuwar, Tilak	100,000.00	Owner	Active	3/26/2014	5,859.00
LS0392930	Sunuwar, Tika		Other Ins.		3/26/2014	
LS0381147	Katuwal, Dipak	200,000.00	Owner	Active	2/6/2014	5,772.00
LS0462685	Chitrakar, Manju	100,000.00	Owner	Active	8/11/2015	5,940.00
LS0462685	Chettry, Dipak		Other Ins.		8/11/2015	
* 18 Policies						
* 10 Other Insureds						
					Total	97,822.36