In the Matter of:	)	
	)	
Liberty Life Insurance Company of Greenville, S.C.	)	
2000 Wade Hampton Blvd.	)	
Greenville, South Carolina 29615.	)	
	)	
	)	A.I.D. No. 2006 - 010

REGULATORY SETTLEMENT AGREEMENT

This is a settlement agreement (the "Regulatory Settlement Agreement") between Liberty Life Insurance Company ("Liberty Life") and the South Carolina Department of Insurance ("the Primary Regulatory Negotiator") for and on behalf of each of the Insurance Regulators adopting this Regulatory Settlement Agreement.

I. DEFINITIONS

A. Examination Team: South Carolina, Illinois, Pennsylvania, Florida and the Insurance Regulators for those states.

B. Interested State: A state in which Liberty Life Insurance Company marketed and sold the Program.

C. Insurance Regulator: The individual or agency having primary responsibility for the regulation of the business of insurance for a particular state. The term Insurance Regulator shall be understood to be co-extensive with the state represented by the Insurance Regulator, including all offices and agencies of that state.

D. Liberty Life Insurance Company: The term Liberty Life Insurance Company or Liberty Life shall be liberally construed to include Liberty Life Insurance Company, its parent, affiliates, subsidiaries, and successors, any company acquired by Liberty Life Insurance Company, and any present or former officer, director, manager, employee, agent, representative, or attorney of any of these companies.

E. Participating State: An Interested State that executes the Adoption of Regulatory Settlement Agreement or other document acceptable to Liberty Life that reflects that the state has adopted and become a party to the Regulatory Settlement Agreement.

F. Primary Regulatory Negotiator: The Director of Insurance for the South Carolina Department of Insurance.

G. Lead States: This term refers to the states comprising the Examination Team: South Carolina, Illinois, Pennsylvania, and Florida.

H. Program: This term refers to the Liberty Life Insurance Company Complimentary Accidental Death Insurance Program.

II. BACKGROUND AND RECITALS

A. Pursuant to S.C. Code Ann. § 38-13-10 (as amended) and the examination authority of other states, the practices and procedures of the National Association of Insurance Commissioners (NAIC), the Primary Regulatory Negotiator and the Liberty Life Multi-State Examination Team (Examination Team), a multi-state target examination as to market conduct affairs was conducted as of December 31, 2002, of certain practices of Liberty Life at its home office at 2000 Wade Hampton Boulevard, Greenville, South Carolina.

B. Liberty Life was incorporated November 3, 1905, and commenced business January 1, 1906. Liberty Life was originally incorporated as Southeastern Life Insurance Company in 1905. The current corporate name was adopted in 1941.

Liberty Life is a wholly owned subsidiary of RBC Insurance Holdings (USA) Inc., a Delaware corporation. It is licensed to write life, accident and health and annuity insurance products in the District of Columbia and forty-nine (49) states.

C. Around April 2003, Liberty Life requested the Primary Regulatory Negotiator conduct a multi-state target market conduct examination into its

Complimentary Accidental Death Insurance Program to address concerns of various state insurance departments.

D. Liberty Life's Program is described in more detail in the Report on Multi-State Target Examination (the "Report"). In general, the Program offered accidental death coverage to mortgage loan customers of certain participating financial institutions. The coverage, which was offered by direct mail solicitations with a telephone follow-up, was made available at no cost to the insured for an initial complimentary period.

E. A request dated April 24, 2003 was mailed to Liberty Life by the Primary Regulatory Negotiator requesting information regarding the Program. As part of this request, Liberty Life was requested to provide the Primary Regulatory Negotiator a detailed listing of all complimentary accidental death benefit policies issued in all states that were originally issued as new business for the years 1998, 1999, 2000, 2001 and 2002. This listing was used to obtain samples of policies issued for review. Examiners reviewed approximately two thousand one hundred (2,100) certificates issued using sampling techniques developed to ensure a valid statistical sampling. A detailed review was made of certificates/policies issued, complaints received, claims processed/denied, and premium tax reporting for the six (6) states selected for review. The states selected were California, Florida, Illinois, Pennsylvania, South Carolina and Texas. These states, with the exception of South Carolina, had the largest premium volume written as of December 31, 2002. One hundred (100) files from each of the states selected were reviewed from the years 2001 and 2002, and fifty (50) files were reviewed from each state for the years 1998, 1999 and 2000. The sample files for review were obtained by

using Audit Command Language (ACL) software on the database provided by Chartered Benefit Services, Inc. (CBSI), which maintained that database.

F. The Examination Team conducting the on-site examination consisted of the domestic regulator, South Carolina, and regulators from the states of Florida, Illinois and Pennsylvania. The on-site examination commenced May 27, 2003, and was completed on or about October 1, 2003, when the Examination Team met to finalize the examination and to conduct the exit conference with Liberty Life.

G. With the exception of two states, Liberty Life did not remit premium taxes to Interested States on the value of the premiums not paid by the individual insured during the complimentary period.

H. Liberty Life provided a database calculating premiums for in-force and closed complimentary premium certificates for the five (5) year period of 1998 through 2002. Based on this information, it appears that the total value of premiums that would have been collected for complimentary coverage for this period, which Liberty Life did not collect and on which it did not pay premium taxes, was one hundred sixty two million eight hundred four thousand dollars ($162,804,000), as reflected in the chart on page 13 of the Report.

I. Liberty Life informed the Primary Regulatory Negotiator that the solicitation of the Program has been discontinued. By letter dated March 31, 2003, Liberty Life directed its agent, Charter Benefits Services, Inc. ("CBSI") that on or before September 2003, solicitation of the Program should be terminated.

J. All states that participated in the Multi-State Target Market Conduct Examination on an active, passive or "interested" basis are reflected in the chart on page three of the Report.

III. CONDITIONS OF SETTLEMENT

A. This Regulatory Settlement Agreement (Agreement) was negotiated in an effort to conclude with finality all regulatory allegations involving the Program for all Participating States.

B. This Regulatory Settlement Agreement is expressly conditioned upon the adoption of this Agreement as Participating States by both (a) at least 27 of the states defined under Section II. J. above eligible for compensation under this settlement and (b) states representing at least 66% of the unpaid premium taxes as calculated in the Report. For the purposes of this agreement, Maryland's and South Carolina's premium taxes with respect to the complimentary period shall be included in the calculation of the 66% trigger, notwithstanding any prior settlement, payment, or other resolution, between Liberty Life and those states. In the event that either of these thresholds is not met, Liberty Life shall have the option of (i) declaring the Regulatory Settlement Agreement void; or (ii) continuing the Regulatory Settlement Agreement with respect to Participating States only.

IV. PAYMENT TO PARTICIPATING STATES AND REMEDIAL ACTION REQUIRED

A. Subject to the terms of this Agreement, Liberty Life agrees to pay the total amount of three million seventy-five thousand nine hundred fifty dollars ($3,075,950), less the amount of the administrative payment allocated to any non-participating state

(i.e., a state that does not adopt the Regulatory Settlement Agreement) under the allocation methodology developed by the Lead States.

B. Liberty Life shall remit payment to each state adopting this Regulatory Settlement Agreement (a Participating State) in the amount of the administrative payment due that state under the allocation methodology developed by the Lead States. Liberty Life shall have no obligation hereunder to make payments to states that do not adopt this Regulatory Settlement Agreement, to make aggregate payments in excess of the total administrative payments due to the Participating States under the Lead States' allocation methodology, or to make aggregate payment in excess of the settlement amount set forth in subparagraph IV.A. above.

C. With respect to any Participating State that has adopted this Regulatory Settlement Agreement at or before the Effective Date of this Agreement (defined as the time at which either (i) both participation thresholds described in subparagraph III.B. are met; or (ii) Liberty Life elects to proceed with the Agreement despite the failure to reach one or both of those thresholds), Liberty Life shall remit payment to that Participating State within forty-five (45) days of the Effective Date.

D. With respect to any Participating State that adopts this Regulatory Settlement Agreement after the Effective Date, Liberty Life shall remit payment to that Participating State within forty-five (45) days of that state's adoption of the Agreement.

E. Liberty Life agrees to refrain from future violations of the type identified in the Report.

F. Liberty Life (including all affiliated persons and entities as set forth above) warrants that it no longer markets the Complimentary Accidental Death Insurance

Program and agrees that it will not market a program that offers complimentary coverage, without remitting appropriate premium tax on the value of the premium imputable to the complimentary coverage (unless the regulator in question provides express consent to the contrary). Moreover, Liberty Life agrees that when it uses any third party to administer any remaining aspect of the Program, it will ensure that such third party shall be licensed as required by applicable state law to carry out whatever functions that third party is performing with respect to the Program in the state in question. Within 45 calendar days of the execution of this Regulatory Settlement Agreement, Liberty Life shall ensure that any third party performing administrative functions for Liberty Life with respect to the Program has submitted a properly completed application for licensure in the states where licensure is required with respect to functions being performed for any insurance program of Liberty Life. Until such time that any required completed application is approved for licensure by the insurance regulatory department of the state, the third party shall not solicit or administer new insurance business (*i.e.*, any coverage not being administered by said third party as of the date of execution of this Regulatory Settlement Agreement) on behalf of Liberty Life in such state. With the exception of the terms of this Regulatory Settlement Agreement (including but not limited to its releases and the provisions of this subparagraph), this Regulatory Settlement Agreement shall not operate to remove any responsibility Liberty Life might otherwise have with respect to any third party performing functions on behalf of Liberty Life after the date of execution hereof.

V. REGULATORY RESOLUTION AND RELEASE

This Regulatory Settlement Agreement is intended to resolve and release with finality all state actions of any kind related in any way to Liberty Life's Complimentary

Accidental Death Program or to the matters addressed by the Report or this Regulatory Settlement Agreement with respect to each and every Participating State from the inception of the Program to the date hereof. Without loss of generality of the foregoing, this Regulatory Settlement Agreement resolves for each Participating State all premium tax claims and regulatory and other issues related to the Program, both for the period reflected in the chart on page 13 of the Report and for all other periods prior to execution of this Regulatory Settlement Agreement.

The Participating States release and forever discharge Liberty Life (including all affiliated persons and entities as set forth above) from all actions, claims, demands for taxes, damages, penalties, fines, sanctions, losses, demands, or other monetary or regulatory relief of any sort that the Participating States could pursue or seek based upon the Program and any matters discussed in the Report or this Agreement. This release is expressly extended to include Liberty Life's former parent, Liberty Corporation.

VI. ADOPTION OF REGULATORY SETTLEMENT AGREEMENT

Upon the execution by an Insurance Regulator of the Adoption of Regulatory Settlement Agreement or other document intended for that purpose and in a form acceptable to Liberty Life, Primary Regulatory Negotiator, and the state in question, that state shall be deemed a Participating State and a party to this Regulatory Settlement Agreement.

VII. GENERAL MATTERS AND REPRESENTATIONS

A. The Primary Regulatory Negotiator represents that it is authorized to negotiate this Regulatory Settlement Agreement on behalf of the State of South Carolina and the Insurance Regulators of each of the other Interested States and of the District of

Columbia. The Primary Regulatory Negotiator acknowledges that Liberty Life is entering this Regulatory Settlement Agreement in reliance on the fact the Primary Regulatory Negotiator is authorized to negotiate on behalf of the Insurance Regulators of each of the Interested States and the District of Columbia.

B. Robert D. Black represents that he is authorized to enter into this Regulatory Settlement Agreement on behalf of Liberty Life Insurance Company.

C. By executing the Adoption of Regulatory Settlement Agreement or other document intended for that purpose in accordance with Section VI hereof, the individual signing on behalf of the Insurance Regulator for each state represents that that individual is authorized to enter into this Regulatory Settlement Agreement on behalf of the Insurance Regulator for that state and for the state as a whole and each of its offices and agencies (including but not limited to any authority responsible for the collection of premium taxes).

D. This Regulatory Settlement Agreement, with its exhibits, sets forth the entire Regulatory Settlement Agreement among the parties with respect to its subject matter, and it may not be altered or modified except by written instruction executed by Liberty Life and by the Primary Regulatory Negotiator. The parties expressly acknowledge that no other agreements, arrangements, or understandings not expressed in the Regulatory Settlement Agreement exist among or between them which alters or affects the terms described herein.

E. Any action or proceeding to enforce the provisions of this Regulatory Settlement Agreement brought by any Participating State shall be governed by the laws and regulations of such Participating State. In all other respects, this Regulatory

Settlement Agreement shall be governed by, and interpreted in accordance with, the laws of the State of South Carolina, without regard to the law of any other state whose law might otherwise apply under South Carolina conflict or choice of laws principles.

F. The Parties, their successors and assigns, and their attorneys undertake to implement the terms of this Regulatory Settlement Agreement in good faith, and to use good faith in resolving any disputes that may arise in the implementation of the terms of this Regulatory Settlement Agreement.

G. This Regulatory Settlement Agreement may be signed in counterparts, each of which shall constitute a duplicate original, and all of which taken together shall constitute the Agreement.

H. Liberty Life enters into this Regulatory Settlement Agreement with the South Carolina Department of Insurance acting as Primary Regulatory Negotiator. The terms of this Regulatory Settlement Agreement shall be binding on Liberty Life, the Primary Regulatory Negotiator, and on the Insurance Regulator of any state, or the District of Columbia, that adopts the Regulatory Settlement Agreement.

I. The intent of the Parties is that this Regulatory Settlement Agreement, including its release language, shall be liberally construed to effectuate their remedial purposes.

J. This Regulatory Settlement Agreement is reached for purposes of compromise only, and does not constitute an admission of wrongdoing by Liberty Life.

Agreed to as of the 31st day of January, 2006.

AGREED TO BY AND ON BEHALF OF THE
SOUTH CAROLINA DEPARTMENT OF INSURANCE

By: _____
Honorable Eleanor Kitzman
Director of Insurance for the State of South Carolina
And Primary Regulatory Negotiator

AGREED TO BY AND ON BEHALF OF THE
LIBERTY LIFE INSURANCE COMPANY

By: _____
Robert D. Black
President, Liberty Life Insurance Company

ADOPTION OF REGULATORY SETTLEMENT AGREEMENT
TO BE ATTACHED IMMEDIATELY AFTER THIS PAGE

ADOPTION OF REGULATORY SETTLEMENT AGREEMENT

The undersigned Insurance Regulator adopts, ratifies, and agrees to all terms and conditions of this Regulatory Settlement Agreement, relating to the Multi-state Target Examination of Liberty Life Insurance Company conducted as of December 31, 2002, for and on behalf of the state and regulatory agency they represent.

State: Arkansas

Office: Insurance Department

Signature: Julie Benafield Bowman

Print Name: Julie Benafield Bowman

Title: Insurance Commissioner

Date: January 31, 2006