

Before the Insurance Commissioner  
Of the State of Arkansas

IN THE MATTER OF AMERICAN TRADE ASSOCIATION,  
REAL BENEFITS ASSOCIATION, SMART DATA SOLUTIONS,  
SERVE AMERICA ASSURANCE, LTD., BEEMA-PAKISTAN  
COMPANY LTD., BART POSEY, RICHARD BACHMAN, OBED  
KIRKPATRICK, ASSOCIATION OF FRANCHISE AND  
INDEPENDENT DISTRIBUTORS, LLC, INSURANCE RESOURCE  
GROUP, INC., ASSOCIATION OF INDEPENDENT  
MANAGERS, INC.

RESPONDENTS

AID NO. 2010- 013

EMERGENCY CEASE AND DESIST ORDER & ORDER TO SHOW CAUSE

Now on this day the matter of American Trade Association, Real Benefits Association, Smart Data Solutions, Serve America Assurance, LTD., Beema-Pakistan Company LTD., Bart Posey, Richard Bachman, Obed Kirkpatrick, Association of Franchise and Independent Distributors, LLC, Insurance Resource Group, Inc., and Association of Independent Managers, Inc. ("Respondents") is taken under consideration by Jay Bradford, Insurance Commissioner for the State of Arkansas ("Commissioner"), with the Arkansas Insurance Department (the "Department") appearing through Chief Counsel, Booth Rand, and from the facts, matters and other items before him, the Commissioner finds as follows:

1. The Commissioner has jurisdiction to prohibit persons or entities engaging in unauthorized insurance transactions with residents in this state under Ark. Code Ann. § 23-65-101(a). No person shall act as an insurer or transact insurance in this state

unless authorized by a subsisting certificate of authority issued to it by the Commissioner under Ark. Code Ann. § 23-63-201. Under Ark. Code Ann. § 23-65-101(b)(1)(A), the Commissioner may summarily order a person to cease and desist from an act or practice if there is reason to believe that a person or entity has not complied with Ark. Code Ann. § 23-65-101 or any other provision of the Arkansas Insurance Code. Pursuant to Ark. Code Ann. § 23-61-503, any person or entity which provides coverage in this state for medical benefits shall be presumed subject to the jurisdiction of the State Insurance Department and shall also be subject to all other applicable provisions of the Arkansas Insurance Code.

2. Respondents American Trade Association (“ATA”), Real Benefits Association (“RBA”), Smart Data Solutions (“SDS”), Serve America Assurance, LTD, (“Serve America”), Beema-Pakistan Company LTD (“Beema”), Obed Kirkpatrick, Bart Posey and Richard Bachman were issued a Cease and Desist Order by the Oklahoma Insurance Department (“OID”) on or about November 9, 2009 in Oklahoma Insurance Department Order # 09-1544. On January 8, 2010, such Respondents were also issued a Notice of a Violation of the Cease and Desist Order. OID determined that such Respondents were transacting or selling health plans in that state without a required license or licenses in Oklahoma.

3. Respondents RBA, ATA, Serve America, and Beema were issued a Cease and Desist Order by the Connecticut Insurance Department on August 27, 2009 in Connecticut Insurance Department (“CID”) Order # CA-09-72. CID determined that such Respondents were transacting or selling health plans in that state without a license or required licenses in Connecticut.

4. Respondents RBA, ATA and Serve America were issued a Cease and Desist Order by the Indiana Insurance Commissioner on November 7, 2008 in Indiana Insurance Department Order # 7543-AG08-1031-272. The Indiana Insurance Commissioner determined that such Respondents were transacting or selling health plans in that state without a license or required licenses in Indiana.

5. Respondents ATA and Serve America were issued a Cease and Desist Order by the Michigan Office of Financial and Insurance Regulation ("OFIR") on December 14, 2009 in OFIR Enforcement Case # 09-7518. OFIR determined that such Respondents were transacting or selling health plans in that state without a license or required licenses in Michigan.

6. Respondents Bart Posey, Richard Bachman, Obed Kirkpatrick & SDS were issued a Cease and Desist Order by the North Carolina Insurance Department ("NCID") on May 16, 2008 in Order # D1417. NCID determined that such Respondents were transacting or selling health plans in that state without a license or required licenses in North Carolina.

7. Respondents Serve America, Beema, ATA, SDS and Real Benefits were issued a Cease and Desist Order by the Washington Insurance Commissioner on or about January 7, 2010 in Washington Insurance Commissioner Order # 10-0001. The Washington Insurance Commissioner determined that such Respondents were transacting or selling health plans in that state without a license or required licenses in Washington.

8. Respondents Association of Franchise and Independent Distributors, LLC. ("AFID") and Beema were issued a Cease and Desist Order by the Ohio Insurance

Department on or about May 18, 2009. The Ohio Insurance Commissioner determined that such Respondents were transacting insurance in that state without a license or required licenses in Ohio. On June 2, 2009, the Ohio Insurance Department entered a final Order of Cease and Desist against AFID as well as other parties for unauthorized practice of insurance in Ohio Insurance Department Order # LGL 000-2013-H.

Similarly, Respondent AFID was named as a Respondent in a North Carolina Insurance Department Consent Cease and Desist Order entered in North Carolina Insurance Department Order # 1417 in October of 2008. In this Order, the North Carolina Insurance Department determined that, inter alia: (1) AFID is a limited liability company located in Springfield, Ohio; (2) AFID is a purported membership association that markets and sells major medical, limited medical indemnity, vision, dental, life, and disability insurance through independent insurance agents with which AFID has brokerage agreements; (3) AFID's health insurance plans have been marketed under various names, including the One Advantage Plan, One Advantage Program, Privilege Care, Per4mance Health Plan, "Per4mance Plan, Per4mance Plan Plus, and similar names; (4) AFID has jointly offered major medical insurance benefits with the Real Benefits Association; (5) Real Benefits is purportedly an association located in Basking Ridge, New Jersey. Individuals who applied for major medical insurance benefits through AFID were required to elect membership in the RBA on their benefits applications; and (6) AFID has represented that its insurance plans are backed by contracts issued by multiple insurance companies, no licensed insurer has issued an insurance policy covering AFID members.

9. As a result of the nationwide state insurance department alerts and activity including cease and desist orders issued against the above Respondents, on December 17, 2009, the Arkansas Insurance Department (“Department”) issued a news release warning Arkansas residents from purchasing health insurance with associations to Respondents Real Benefits, ATA, Serve America, SDS and Beema. Based upon investigation, the Department has determined that at least thirty-nine (39) Arkansas residents have purchased health insurance associated with such entities.

10. During the course of an ongoing investigation into the above entities, the Department became aware that a Mr. Hubert Reed and his wife of Pulaski County, Arkansas purchased two medical insurance policies beginning on or about January 1, 2008 and October 31, 2008, by, with or through the following associations, AFID, the Insurance Resource Group Inc. (“IRG”), RBA, and the Association of Independent Managers, Inc. (“AIM”). According to investigative materials submitted to the Department, Mr. Reed regularly paid premium on the policies. According to investigative materials submitted to the Department, the Reeds incurred over \$150,000.00 in medical bills which were denied by one or more of the above described entities, or their administrator(s), because of a “pre-existing condition” of Ms. Reed. Materials submitted to the Department indicate that Respondents SDS and Richard Bachman responded to Mr. Reed as to the coverage issues with the Reeds; in addition, materials submitted to the Department by the Reeds referenced Respondent Beema as providing insurance coverage on the policies.

11. Respondent Serve America holds itself out as the underwriting insurer for the American Trade Association and Real Benefits Association health products.

12. Respondent Beema is believed to be a corporation organized under the laws of Pakistan with a principal place of business in Karachi, Pakistan.

13. Respondent ATA is an Arkansas limited liability company with a principal place of business in Springfield, Tennessee. Respondent Obed Kirkpatrick is the president of ATA. Respondent Richard Bachman is the vice president of ATA.

14. Respondent SDS is a Tennessee limited liability company with a principal place of business also in Springfield, Tennessee. Respondent Bart Posey is an officer of SDS. Respondent Bachman has held himself out as working for or on behalf of SDS. Respondent Bachman has been issued a non-resident insurance producer's license by this Department. Respondent SDS was licensed by this Department as third party administrator on or about January of 2010.

15. Real Benefits Association is a New Jersey limited liability company with an address in New York, NY. Respondent David Clark is president of Real Benefits Association.

16. None of the Respondents have been granted a certificate of authority to act as an insurer in Arkansas.

17. According to the other issued state insurance department cease and desist orders on Respondents, none of the Respondent member associations are qualified by the Department of Labor as unions under a collective bargaining agreement exempt from state insurance department regulation.

18. Respondents have acted in concert to sell unauthorized health insurance in violation of Ark. Code Ann. § 23-65-101(a)(1) which states: "No person or entity in this state shall act as an agent or broker or otherwise represent or aid any insurer,

health maintenance organization, multiple employer trust, association, or any other person or entity in the solicitation, negotiation, or effectuation of insurance, inspection of risks, fixing of rates, investigation or adjustment of losses, collection of premiums, or in any other manner in the transaction of insurance with respect to subjects of insurance resident, located or to be performed in this state if that entity or person is not authorized to licensed by the State Insurance Department for those purposes. "

19. The Commissioner finds that a public emergency exists for the issuance of an emergency order.

The Commissioner hereby Orders the following:

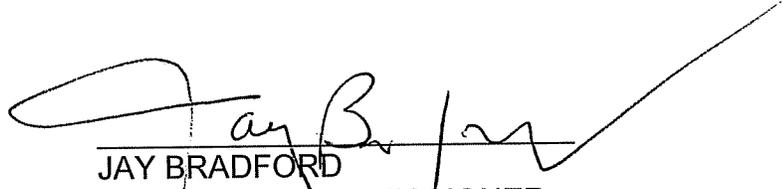
1. Pursuant to Ark., Code Ann. § 23-65-101(b)(1)(A), Respondents ATA, Serve America, Real Benefits, Beema, Bart Posey, SDS, Richard Bachman, Obed Kirkpatrick, Association of Franchise and Independent Distributors, LLC, Insurance Resource Group, Inc., and Association of Independent Managers, Inc. are hereby Ordered to immediately cease and desist from the sale, solicitation and administration of any health plans or medical insurance in this state. Pursuant to Ark., Code Ann. § 23-65-101(b)(2)(A), the Respondents are hereby ordered to appear at an administrative hearing and to show cause why a final Order should not be permanently issued. The notice setting the time and date of the hearing shall be described in a separate administrative notice.

2. Respondents ATA, Serve America, Real Benefits, Beema, Bart Posey, SDS, Richard Bachman, Obed Kirkpatrick, SDS, Association of Franchise and

Independent Distributors, LLC, Insurance Resource Group, Inc., and Association of Independent Managers, Inc. are further ordered to produce at the Arkansas Insurance Department, within fifteen (15) days of receipt of this Order, a complete listing of the names and addresses of all Arkansas consumers who have enrolled in any health insurance plans or discount plans issued through or by Respondents ATA, Real Benefits, AFID, Insurance Resource Group, or Beema, or administered by SDS, as well as provide a detailed accounting of the amount of premium collected by Respondents from Arkansas residents for health plans offered by or through Respondents. Respondents ATA, Real Benefits, AFID, Insurance Resource Group or Beema, or administered by SDS are further ordered to provide to the Department, within fifteen (15) days of receipt of this Order, a complete listing of all of its books, records and accounts for examination by the Department.

3. Respondent SDS third party administrator's license issued by this Department on or about January 1, 2010 is revoked on an emergency basis for violating Ark. Code Ann. § 23-65-101(a)(1) for administrating or aiding unauthorized health insurance programs. Respondent SDS shall be entitled to an administrative hearing as set out in a separate administrative notice.

IT IS SO ORDERED this 28<sup>th</sup> day of January, 2010.

A handwritten signature in black ink, appearing to read "Jay Bradford", written over a horizontal line. The signature is stylized and extends to the right of the line.

JAY BRADFORD  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS