

**STATE OF OHIO  
DEPARTMENT OF INSURANCE**

IN THE MATTER OF: :  
CINCINNATI LIFE INSURANCE COMPANY : CONSENT ORDER  
MARKET CONDUCT EXAMINATION :

The Superintendent of the Ohio Department of Insurance (hereinafter "Superintendent") is responsible for administering the insurance laws in the state of Ohio pursuant to Ohio Revised Code (hereinafter "ORC") § 3901.011. The Cincinnati Life Insurance Company (hereinafter "Company") is domiciled in Ohio, is authorized to engage in the business of insurance in Ohio, and as such, is under the jurisdiction of the Superintendent. On June 12, 2000, as a part of a national review, the National Association of Insurance Commissioners (hereinafter "NAIC") adopted a resolution, in which the members of the NAIC agreed to work cooperatively, to determine if individual insurance companies had engaged in race-based discriminatory practices, and to jointly seek a multi-state settlement with each of the affected insurance companies. Pursuant to this resolution, the Superintendent, as primary examiner and negotiator, and in consultation with regulators in Illinois, Indiana, Michigan, and Pennsylvania, conducted a market conduct examination on the Company related to the sale of industrial life and certain other life insurance policies. As a result of this examination, the Superintendent has entered into this Consent Order with the Company.

**Section I**

- (A) In 1973, the Company's predecessor corporation, Inter-Ocean Life Insurance Company (hereinafter "Inter-Ocean"), was acquired by Cincinnati Financial Corporation. In 1988, Inter-Ocean merged with another life insurance subsidiary, Life Insurance Company of Cincinnati, to form the Company.
- (B) On May 31, 2001, the Ohio Department of Insurance (hereinafter "Department") began a targeted, multi-state market conduct examination to investigate possible race-based underwriting practices of the Company. The Company fully cooperated in the investigation, giving full access to its personnel, records, facilities and results of its own internal examination of documents.
- (C) For the purposes of the market conduct examination and this Consent Order, the look-back period utilized was 1889, which was the effective date of the analogous statutes preceding ORC §§ 3911.16 and 3911.17.
- (D) As a result of this market conduct examination, the Superintendent alleges that from 1947 through 1968, the Company, via Inter-Ocean, used race as a factor in the selection of policy forms. This practice led to African-American applicants paying higher premiums than Caucasian applicants.

- (E) The Superintendent alleges that the above-described business practice constitutes a violation of ORC §§ 3911.16, 3911.17, 3901.20 and 3901.21.
- (F) In addition to the multi-state market conduct examination of the Company's underwriting practices, a class action lawsuit was filed in the Butler County (Ohio) Court of Common Pleas, Case No. CV 2002 02 0342, against the Company on related issues.

## Section II

### IT IS HEREBY AGREED AND CONSENTED TO BY THE PARTIES:

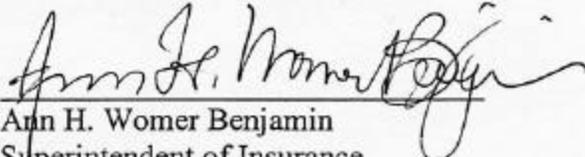
- A) The Company enters into this agreement to resolve the allegations stated in Section I of this Consent Order. In so doing, the Company expressly denies any wrongdoing alleged by the Superintendent and does not admit or concede actual or potential fault, wrongdoing, or liability in connection with any facts or claims that have been or could have been alleged against it by the Superintendent.
- B) The Company consents to the jurisdiction of the Superintendent, as primary examiner and negotiator on behalf of the regulators of the various other states where the Company transacts the business of insurance. The Company expressly waives any prerequisites to jurisdiction that may exist.
- C) For purposes of this Consent Order only, the Company agrees that the laws of any other state which joins this global settlement prohibit the same conduct as is prohibited by the Ohio statutes enumerated in paragraph (E) of Section I
- D) In conjunction with the class action lawsuit referenced in paragraph (F) of Section I, the Company has entered into a Stipulation of Settlement Agreement (hereinafter "Settlement") with class counsel, a copy of which is marked as Exhibit A, and attached hereto. The Court preliminarily approved this Settlement on January 26, 2004. This Consent Order is a part of the Company's global settlement with both class counsel and the various state insurance regulators; the terms and provisions contained in the Settlement are incorporated herein.
- E) The Company agrees to pay a regulatory enhancement of twenty-five dollars (\$25) per policy to each eligible policyholder who makes a valid claim under the terms of the Settlement. This regulatory enhancement applies to "in-force," "estate," and "terminated" policies, as defined in the Settlement.
- F) In addition to the remediation and restitution terms contained within the Settlement, and in addition to the regulatory enhancement discussed in paragraph (E) above, the Company agrees to a minimum "claims made" payout floor of \$100,000. This payout floor applies to those eligible policyholders whose policies are beyond the Company's record retention policy. After one (1) year from the implementation date of the Settlement, if the minimum payout amount of

\$100,000 has not been met through the remediation, the Company agrees to meet and confer with the Superintendent to determine appropriate disposition of part or all of the remainder. In making this determination, the Company and Superintendent shall consider the actual experience of claims made for policies outside the record retention policy, requirements for funding future claims made for such policies as required by the Settlement, and appropriate financial accounting requirements for same under state and federal law. The Company agrees that ultimately, any unused funds from the minimum payout floor shall be donated to one or more educational institutions or charities that serve African-American causes or interests.

- G) The Company will pay an administrative fine in the amount of \$100,000 to be split amongst the various participating states. The participating states will have 90 days after the date of execution of this Consent Order, or such longer period if the Superintendent determines it is appropriate, to join this global settlement. The number of participating states and their respective pro-rata share of the total affected in-force policies will determine the final allocation. This fine shall be in lieu of any other administrative penalty that may be imposed by the Superintendent.
- H) The Company will pay \$116,750.55 in administrative costs incurred by the Department to perform the market conduct examination. Payment will be made by check or money order, payable to the "Ohio Department of Insurance," no later than thirty (30) days after the date of execution of this Consent Order.
- I) The Company certifies by signing this Consent Order that it has fully disclosed all relevant information related to this examination and upon complying with the terms of this Consent Order and the Settlement, that it is in compliance with all state laws relating to non-discrimination in the sale, marketing, and underwriting of life insurance.
- J) The Company, having been advised of its right to a public hearing and of its right to appeal this Order, hereby waives its right to a hearing and any appeal of this Consent Order.
- K) The Company waives any and all causes of actions, claims or rights, known or unknown, which it may have against the Department, and any employees, agents, consultants, contractors or officials of the Department, in their individual and official capacities, as a result of any acts or omissions on the part of such persons or firms arising out of this matter.
- L) This Consent Order has the full force and effect of an Order of the Superintendent. Failure to abide by the terms of this agreement shall constitute an actionable violation in and of itself without further proof and may subject the Company to any and all remedies available to the Superintendent.

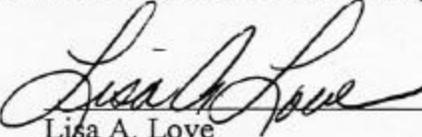
M) This Consent Order shall be entered in the Journal of the Department. All parties understand and acknowledge that this Consent Order is a public document pursuant to ORC § 149.43.

**Ohio Department of Insurance**

  
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Ann H. Womer Benjamin  
Superintendent of Insurance

Date: 1/26/04

**Cincinnati Life Insurance Company**

By:   
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Lisa A. Love  
Senior Counsel

Date: 1-26-04