

STATE OF WASHINGTON

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OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

Fax: (360) 664-2782

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2009 APR -3 A 8:40

Hearings Unit, DIC
Wendy Galloway
Chief Hearing Officer
Paralegal
(360) 725-7002
Wendyg@oic.wa.gov

DECLARATION OF MAILING
I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to by normal office routine to the parties listed
DATED this 3rd day of April 2009 at Tumwater, Washington.
Signed: Wendy Galloway

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of:)
)
DESIGN SAVERS PLAN, STEVEN D.)
SMITH, INC., STEVEN D. SMITH,)
DESIGN BENEFITS, INC.,)
DENTAL BY DESIGN, DESIGN)
TELESERVICES, INC., SDS FINANCIAL,)
JOHN BYARS, ADOVAHEALTH, IRA)
GOTTLIEB, FAMILY SECURITY)
COUNCIL, INC., NEW HEALTH CARE)
MANAGEMENT GROUP, INC.,)
C. MURPHY LEOPOLD, EDWARD)
DEMMING, **ROBERT D. EDELHEIT,**)
UNITED GROUP PROGRAMS, INC.,)
E2 HOLDING, INC., WAR COLLEGE)
SIMULATIONS, INC., UNITED)
PROGRAMS WORLDWIDE, INC.,)
UNITED NATIONAL WORKFORCE)
ASSOCIATION, INC., **OPTI-MED,**)
ARNOLD H. KATZ, and JONATHAN)
EDELHEIT,)
)
Unauthorized Insurers.)

DOCKET NO. D07-0351

ORDER TERMINATING
PROCEEDINGS AS TO
ROBERT D. EDELHEIT,
UNITED GROUP PROGRAM
INC. AND OPTI-MED ONLY

TO: Robert D. Edelheit
2500 N. Military Trl., Ste. 450
Boca Raton, Florida 33431-6353



Michael Madden, Esquire
Bennett Bigelow & Leedom, PS
1700 Seventh Avenue, Suite 1900
Seattle, Washington 98102

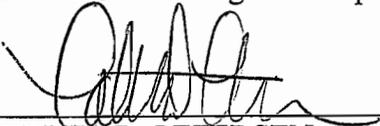
COPY TO: Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Consumer Protection
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Thomas P. Rowland, Staff Attorney, Legal Affairs Division
John F. Hamje, Deputy Commissioner, Consumer Protection Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

On May 19, 2008, the undersigned received a Stipulation and Settlement Agreement and Proposed Order Terminating Proceedings in the above-referenced matter. The Stipulation as to Facts section was executed by Robert D. Edelheit, Mr. Madden, and Mr. Rowland on May 2, May 6 and May 8, 2008, respectively, and the Settlement Agreement section was executed by Mr. Madden and Mr. Rowland on May 9 and May 12, 2008, respectively. Subsequently, an Amended Master Settlement Agreement executed by Deputy Insurance Commissioner Carol Sureau was filed on May 28, 2008. In her letter to the parties dated July 24, 2008, the undersigned expressed specific concern about the language in paragraph 3 of the Settlement Agreement. By letter dated August 18, 2008, Deputy Insurance Commissioner Carol Sureau detailed the parties' interpretation of the meaning of paragraph 3 of the Settlement Agreement and expectation in regard to compliance with the rule specified therein. The Stipulation as to Facts, Settlement Agreement and Amended Master Settlement Agreement, along with the undersigned's letter to the parties dated July 24, 2008, and Ms. Sureau's letter to the undersigned and opposing counsel dated August 18, 2008, are attached hereto and by this reference incorporated herein.

Based upon the above activity,

IT IS HEREBY ORDERED that the proceedings in the Cease and Desist Order, Docket No. 07-0351, as to Robert D. Edelheit, United Group Program Inc and Oti-Med only, is hereby terminated with prejudice.

Entered this 3rd day of April, 2009, at Tumwater, Washington, pursuant to Title 48 RCW, Title 34 RCW and regulations pursuant thereto.



PATRICIA D. PETERSEN

Review Judge
Chief Hearing Officer

FILED

2008 MAY 19 A 11:05

Heidi L. Hill, DIC
Patricia D. Petersen
Chief Hearing Officer

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MAY 14 2008

OAH - Olympia

STATE OF WASHINGTON
OFFICE OF ADMINISTRATIVE HEARINGS
FOR THE OFFICE OF INSURANCE COMMISSIONER

In the Matter of

ROBERT D. EDELHEIT,

Licensee.

Docket No. 2008-INS-0001

OIC No. D07-0352

**STIPULATION AND SETTLEMENT
AGREEMENT AND ORDER
TERMINATING PROCEEDINGS**

Pursuant to RCW 34.05.060 and WAC 10-08-230(2)(b), the parties hereby stipulate to the entry of the following in full and complete resolution of this matter:

STIPULATION AS TO FACTS

1. Robert D. Edelheit ("Edelheit" or "Licensee") holds an insurance agent's license in the State of Washington as issued by the Office of the Insurance Commissioner ("OIC").
2. On December 18, 2007, following an investigation, the OIC entered Order Revoking License No. D07-0352, thereby revoking Edelheit's license.
3. On January 3, 2008, pursuant to RCW 48.04.010, Edelheit (1) objected to the OIC's Order Revoking License, (2) denied the allegations contained in the Order Revoking License, and (3) requested an administrative hearing, as a result of which, pursuant to RCW 48.04.020, the Order Revoking License was stayed and Mr. Edelheit's insurance agent's license was not revoked.

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CONSENT TO SETTLEMENT

Robert D. Edelheit and the OIC hereby stipulate to entry of the preceding Stipulation as to Facts and to the following Settlement Agreement which may be entered forthwith and without further notice. Robert D. Edelheit and the OIC enter into this Stipulation and Settlement Agreement voluntarily and in mutual agreement to forego further proceedings in OAH Docket Number 2008-INS-0001.

Dated this 2 day of May, 2008.

By: 
Robert D. Edelheit
Licensee

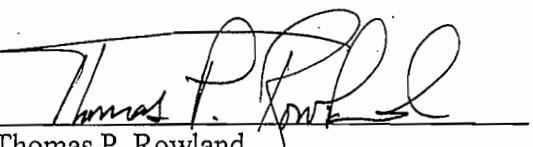
Dated this 6 day of May, 2008.

BENNETT BIGELOW & LEEDOM, P.S.

By: 
Michael Madden, WSEA # 8747
Attorneys for Licensee

Dated this 8TH day of May, 2008.

OFFICE OF THE INSURANCE COMMISSIONER

By: 
Thomas P. Rowland
Staff Attorney
Legal Affairs Division

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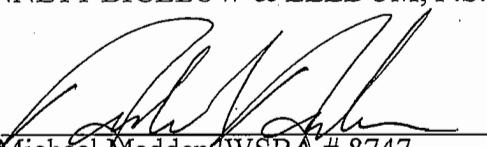
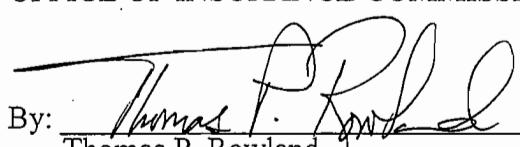
SETTLEMENT AGREEMENT

IT IS AGREED, pursuant to the foregoing Stipulation and Consent to Settlement, as follows:

1. The Order Revoking License No. D07-0352, entered on December 18, 2007, is hereby withdrawn.
2. Because he presently is not engaged in any business of insurance in Washington requiring an agent's license, and has no interest in transacting such business in the future, Robert D. Edelheit has voluntarily requested that his Washington insurance agent's license, which was renewed effective January 15, 2008 and which expires on January 15, 2010, be declared permanently inactive and expired.
3. Robert D. Edelheit, having no interest in transacting insurance business in Washington, further stipulates that he will not, either personally or through any persons or entities under his control, sell insurance products in the State of Washington, or otherwise transact the business of insurance within the State of Washington or affecting Washington residents, provided that:
 - a. This agreement does not apply to the following activities, which are not prohibited by this Stipulation and Settlement Agreement:
 - i. Sales of group products to single employers outside of the State of Washington that have some Washington employees; and
 - ii. Third-party administration services for single employer plans outside of the State of Washington that have some Washington employees.
 - b. In the event of a good faith change of control of United Group Programs, Inc., the company may apply to the OIC for modification of this Agreement as applied to it.
4. These acts shall not be characterized as other than voluntary on the part of Edelheit or the OIC.
5. Upon receipt of the Stipulation and Settlement Agreement and Order Terminating Proceedings, signed by Robert D. Edelheit and his counsel, and accompanied by Robert D. Edelheit's insurance

1 agent's license, the OIC will execute the Stipulation and
2 Settlement Agreement and Order Terminating Proceedings and
3 submit the same to Judge Karena Kirkendoll at the Office of
4 Administrative Hearings.

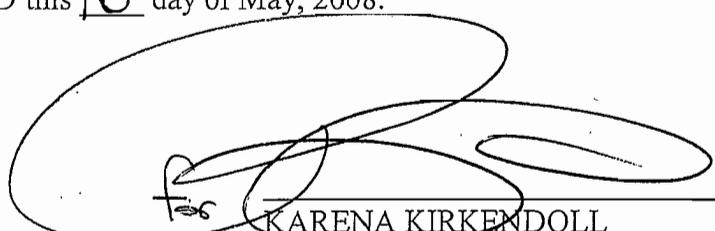
- 5 6. This Stipulation and Settlement Agreement and Order Terminating
6 Proceedings applies only to terminate the revocation action in
7 process and identified as case Number 2008-INS-0001 before the
8 Office of Administrative Hearings. The Washington State Office
9 of the Insurance Commissioner retains continuing authority to
10 enforce this Stipulation and Settlement Agreement and Order
11 Terminating Proceedings and to resolve disputes arising therefrom,
12 subject to Edelheit's right to a hearing under Chapter 48.04 RCW
13 and any other available administrative or judicial review, or
14 remedy.

10 Dated this <u>9</u> day of May, 2008.	Dated this <u>12TH</u> day of May, 2008.
11 BENNETT BIGELOW & LEEDOM, P.S.	OFFICE OF INSURANCE COMMISSIONER
12 By:  13 Michael Madden, WSBA # 8747 Attorneys for Edelheit and UGP, Inc.	12 By:  13 Thomas P. Rowland OIC Staff Attorney

14
15 **ORDER TERMINATING PROCEEDINGS**

16 This matter having come before Administrative Law Judge Karena Kirkendoll,
17 pursuant to the foregoing Stipulation and Settlement Agreement and Order Terminating
18 Proceedings, and the Administrative Law Judge deeming herself fully advised in the
19 premises, it is hereby ordered pursuant to RCW 48.17.530 and 48.17.560 that Case No. 2008-
20 INS-0001 is hereby closed and dismissed as settled.

21 SIGNED and ENTERED this 16th day of May, 2008.

22 
23 KARENA KIRKENDOLL
Administrative Law Judge
Office of Administrative Hearings

FILED

JUN 12 2008

Hearing Officer
Patricia M. Petersen
Chief Hearing Officer

AMENDED MASTER SETTLEMENT AGREEMENT

1. Parties: The parties to this Master Agreement are Robert D. Edelheit, individually and in his capacity as President and CEO of United Group Programs, Inc., and the Office of the Insurance Commissioner of the State of Washington (OIC).

2. Purpose: The purpose of this Agreement is to resolve all pending proceedings and disputes between the parties regarding OIC Order Nos. D07-0351 and D07-0352.

3. Terms: In order to resolve these disputes and to terminate all pending proceedings, the parties agree that they will do the following:

- a. Execute the Amended Stipulation and Settlement Agreement No. D07-0351, attached hereto as Exhibit A, perform in accordance with its terms, and notify the hearing officer that Edelheit's demand for hearing in No. D07-0351 is withdrawn;
- b. Execute the Stipulation, Settlement Agreement, and Order Terminating Proceedings in No. D07-0352, attached hereto as Exhibit B, present the same for entry by the presiding officer, and perform in accordance with its terms;
- c. The OIC will send an email, substantially in the form attached hereto as Exhibit C, to the agent at the Federal Bureau of Investigation who received information from former OIC Investigator Bruce Roberts, and inform the agent that, notwithstanding any prior statements by Mr. Roberts, the OIC does not have any evidence that Edelheit was or is connected to organized crime in Florida; and
- d. In the event that the OIC receives an inquiry from any other regulator or law enforcement agency concerning Robert D. Edelheit, Jonathan Edelheit or United Group Programs, Inc., if the OIC furnishes any documents in response to such inquiry, it shall include the documents referenced in subparts a and b of this paragraph with its response.

Each of these terms is essential to this Agreement and if there is a material failure with respect to any of them, any party may declare this Agreement null and void.

4. Authority: Each party warrants that it has authority to enter into this Settlement Agreement and to execute the documents attached as exhibits hereto.

5. Supersession: This amended agreement supersedes the previously executed agreement.

Dated this _____ day of May, 2008.	Dated this <u>28th</u> day of May, 2008.
By:  Robert D. Edelheit, individually and as President/CEO of United Group Programs, Inc.	By:  Carol Sureau Deputy Commissioner for Legal Affairs Office of Insurance Commissioner

STATE OF WASHINGTON

Phone: (360) 725-7000
www.insurance.wa.gov

MIKE KREIDLER
STATE INSURANCE COMMISSIONER



OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT
Fax: (360) 664-2782

DECLARATION OF MAILING

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to

parties listed
DATED this *24th* day of *July*, 2008,
at *Tumwater*, Washington.

Signed: *Wendy Galloway*

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Paralegal
(360) 725-7002
Wendygoic.wa.gov

July 24, 2008

Thomas P. Rowland
OIC Legal Affairs, Legal Staff Attorney
P.O. Box 40255
Olympia, Washington 98501

Michael Madden, Esquire
Bennett Bigelow & Leedom, PS
1700 Seventh Ave. Suite 1900
Seattle, Washington 98102

Re: Docket No. D07-0351, Design Savers Plan, et al,
Docket No. D07-0352, Robert D. Edelheit, Licensee

Mssrs. Rowland and Madden:

This letter is in response to Mr. Rowland's letter dated June 11, 2008.

As stated in my previous letter of June 4, 2008, and June 4 Orders concerning these cases, Title 34 RCW provides that orders entered by Office of Administrative Proceedings are initial (or recommended) orders. On occasion, cases are referred to OAH, but orders are, pursuant to Title 34 RCW and chapter 284 WAC never final orders. For this reason, your belief that termination of the case by OAH would result in the matter being terminated by the OIC as well is not accurate. While I have never objected to any provisions of any settlement agreement before entering orders terminating proceedings, there remain matters to be addressed in these cases.

First, as you mention, clearly chapter 10-08 WAC, and particularly WAC 10-08-230(2) always encourage settlement of adjudicative proceedings at any time, and for good indisputable reasons of economy and other factors. It is not clear to me whether you intend to treat the matter as it relates to Robert D. Edelheit, United Group Programs, Inc. (including Opti-Med), and Jonathan Edelheit as having never existed, but if this is the case then you will want to remain cognizant of public disclosure rules as they relate to the original disciplinary documents.

July 24, 2008

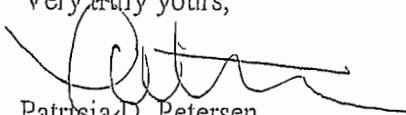
Page 2

Second, although he did not appear and waived his right to hearing, Jonathan Edelheit is certainly not precluded from reaching an independent settlement of the matter although it is rare that the Commissioner is agreeable to settle a matter with an individual who has waived his right to hearing. There should be no implication that, if the Commissioner is willing, Jonathan Edelheit surely retains the right to settle the matter as it concerns him even at this time, so long as he signs the settlement agreement himself, as he is not represented by Mr. Madden. That has been done.

Third, the language contained in the Settlement Agreement (Paragraph 3.a) remains my concern. Again, you agree that Robert D. Edelheit, United Group Programs, Inc. and Jonathan Edelheit *have no plans to transact insurance business in Washington and further stipulate that they will not, either personally or through any persons or entities under their control, sell insurance products in Washington State or otherwise transact the business of insurance within Washington State or affecting Washington residents.* Then, however, you provide that an activity which is not prohibited is *3.a.i. Sales of group products to single employers outside of the State of Washington that have some Washington employees;....* In its Order to Cease and Desist, the OIC has alleged that United Group Programs, Inc. (including Opti-Med) is an unauthorized carrier and I am assuming that this is still the position of the OIC. I suggest that you need to reword Paragraph 3.a.i. of the Settlement Agreement to clarify that the OIC is not permitting these Respondents to sell unauthorized products to single employers outside of Washington that have some Washington employees, as you would not want it to be understood that the OIC is specifically permitting Washington residents to be covered by unauthorized insurance products, contrary to Title 48 RCW. Your explanation in your June 11, 2008 letter that this wording *was included to make clear that those are not activities prohibited by the settlement agreement since they are not activities which require that Mr. Edelheit possess a valid Washington license* leaves me still concerned.

Although I would like to conclude these cases at the earliest time possible, I cannot enter the Orders Terminating Proceeding until this above third concern is satisfactorily addressed in the wording of the Settlement Agreement. As I mentioned before, I have never had concerns about the terms of any settlement agreements in many years, but I simply cannot fail to address this situation. If you like, I would be happy to work with you on alternate wording of this section if it would be helpful, so that these documents clearly cannot be read to imply that the OIC intends to permit sales of unauthorized insurance to Washington residents by any means.

Very truly yours,



Patricia D. Petersen
Review Judge
Chief Hearing Officer

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

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2008-AUG 20 A-11: 47

August 18, 2008

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

Ms. Patricia D. Petersen
Chief Hearing Officer
Office of Insurance Commissioner
Insurance 5000 Building
P.O. Box 40255
Olympia, WA 98504-0255

Re: Design Savers Plan, et al., No. D07-0351
Robert D. Edelheit, No. D07-0352

Dear Judge Petersen:

This letter is in response to your letter dated July 24, 2008.

You have expressed concern about language in paragraph 3 of the Settlement Agreement that you believe might be interpreted as if the Washington Office of the Insurance Commissioner (OIC) is permitting the Respondents to sell insurance products in other states that do not have required regulatory approval or are from unauthorized insurers. We want to assure you that the sole purpose of paragraph 3 and its subparts was merely to explain the expectations of the OIC regarding the activities for which the Respondents do and do not require a Washington agent/broker license. It does not purport to give permission to sell in other states unapproved insurance products or products from unauthorized insurers. Indeed, the parties never contemplated such an issue because the OIC does not have the authority to permit an agent/broker to sell in another state an unapproved product or product from an unauthorized insurer, and the Respondents never expressed that they intended to do such a thing.

The language in paragraph 3.a was simply an explanation that an agent/broker, who sells a group insurance product to an employer in another state, is not required to obtain a Washington agent/broker license where he conducts all of his business and solicitation in another state, the policy is issued in that state, and the employer-policyholder resides in that state. This is the case even if some of the employees of the employer live in Washington. Paragraph 3 only has to do with the licensure of the agent/broker and does not affect any requirements that may exist under the law for an insurer regarding the content or approval of policies that cover Washington residents.



Patricia D. Petersen
Page 2
August 18, 2008

The parties engaged in pre-hearing discovery during which more facts came to light and the issues were refined. In the end, the parties determined that settlement was the preferred manner to resolve this dispute. Neither the OIC staff nor the Respondents believe that there is anything that needs clarification in the settlement language. The terms and language of the settlement agreement were strenuously negotiated and carefully crafted to resolve the remaining issues of concern to the parties. It is not possible at this juncture to reopen the agreement. Indeed, Mr. Rowland and I have been informed by counsel for the Respondents that they believe their only recourse, if these cases are not dismissed based on the parties' settlement, is to file an action in superior court.

Because of the prospect of possible court action, we asked our assigned assistant attorney general, Christina Beusch, to review the settlement agreement, your request for clarification, and this explanatory letter. She has done so and advised us that she sees no legal impediment to the cases being dismissed as proposed by the parties.

We hope this explanation reassures you regarding the intent of the parties and the meaning of the settlement agreement. However, the OIC has withdrawn its enforcement action against the Respondents and they in turn have withdrawn their hearing request. There is no controversy remaining. The parties are simply asking that you dismiss the cases based on the fact that they have settled.

We appreciate your time and attention to this matter.

Sincerely,



CAROL SUREAU
Deputy Insurance Commissioner
Legal Affairs

CS:rmm

cc Michael Madden
Tom Rowland