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2014 SEP 22 A 11:

STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

BENEFIT MARKETING SOLUTIONS LLC and BENEFIT SERVICES ASSOCIATION,	NO. 14-0082
	MOTION FOR STAY OF AMENDED CEASE AND DESIST ORDER

Benefit Marketing Solutions ("BMS") and Benefit Services Association ("BSA") request a stay of the Amended Cease and Desist Order issued in matter No. 14-0081 until this Hearings Unit can determine the threshold legal issue of the Washington Office of Insurance Commissioner's jurisdiction and authority to regulate BMS and BSA. This Hearings Unit previously stayed the Amended Cease and Desist pending the Thurston County Superior Court's determination of the OIC's jurisdiction and authority, but the Thurston County Superior Court dismissed the case so that this Hearings Unit could decide the issue. This Hearings Unit has now set an expedited schedule for briefing cross motions for summary judgment and a hearing should the cross motions not be outcome determinative.

RCW 48.04.020 allows this Hearings Unit to stay orders issued by the OIC that are otherwise not automatically stayed. Here, the OIC issued an Amended Cease and Desist Order that was not automatically stayed because it was made effective immediately. The Amended Cease and Desist Order would cause immediate and irreparable harm to both BMS and BSA if not stayed. The OIC is simply seeking to punish BMS and BSA before they have had their

Ryan, Swanson & Cleveland, PLLC
1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034
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day in court and before the disputed threshold legal issue of the OIC's jurisdiction has been determined.

PROCEDURAL AND FACTUAL HISTORY

BSA is a not-for-profit Illinois corporation that provides membership programs in a number of industries. BMS is an Oklahoma limited liability corporation that administers BSA"s membership programs, including the RAC Benefit Plus membership at issue in this matter. The RAC Benefit Plus membership is made available to customers of Rent-A-Center in Washington and other states. Membership in RAC Benefit Plus entitles its members to benefits such as discounts in retail products and services including discounts in food, entertainment, and automotive industries and other benefits that would assist members were they to become disabled or unemployed.

The OIC, through its designated representative Marcia Stickler, issued an Amended Cease and Desist Order on May 15, 2014 . On its face, the order requires that BMS and BSA cease and desist from engaging or transacting any unauthorized business of insurance in Washington based upon the Insurance Commissioner's conclusion that plaintiffs have acted as "service contract providers" under RCW 48.110, *et seq* by providing a benefit called paid-out product service protection. The Amended Cease and Desist Order purports to not only prevent BMS and BSA from continuing to sell the product in Washington state but also from providing the benefit to members that existed prior to the order. The order also requires BMS and BSA to notify all Washington residents who have purchased any "service contract" of the order.

Counsel for BMS and BSA met with the OIC's designated representative and indicated that they would be requesting a stay of the order pursuant to RCW 48.04.020(2) by a letter to the designated representative. BMS and BSA formally requested the OIC stay the Amended Cease and Desist Order pending determination of the parties' jurisdictional

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disagreements in Thurston County Superior Court. Declaration of Gulliver Swenson (filed with original Motion for Stay, Ex. A. The OIC denied this request on June 2, 2014. *Id.*, Ex. B.

This Hearings Unit then granted a stay of the Amended Cease and Desist and stated:

> 7. Washington State policyholders do not appear to be subject to substantial continuing risk as the result of a stay -- BSA has a lengthy history of providing membership to Washington residents, apparently without administrative complaints, lawsuits, or other adverse consumer consequences, and a CLIP policy approved by the Oklahoma Department of Insurance appears to protect Washington State consumers. If Washington State policyholders appeared to be at substantial risk, my ruling would be different.
>
> 8. BMA and BSA have made a showing that significant adverse consequences to them would follow the failure to impose a stay, before they have had the opportunity to argue the merits of their position. If BMA and BSA did not appear to be likely to suffer substantial adverse consequences, my ruling would be different.

Following the Order on Motion for Stay of Cease and Desist Order, the OIC sought reconsideration of the Order, and while the reconsideration was mooted by the Thurston County Superior Court dismissal, BMS and BSA provided additional briefing and a Declaration of Bradley Denison that provided:

- A copy of the CLIP issued by Lyndon Southern Insurance Company;
- The approval by Oklahoma of the CLIP;
- The license granted by the Oklahoma Department of Insurance to Lyndon Southern.

The reasons that existed above for granting the stay, exist now and to an even greater extent because of the additional information provided in the Declaration of Bradley Denison.

ARGUMENT

A stay of matter No. 14-0081 is appropriate because (1) BMS and BSA are being punished by the Amended Cease and Desist Order before there has been a determination whether the OIC has jurisdiction to issue the Order or regulate BMS and BSA's activities, and

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(2) a stay will benefit Washington consumers that are BSA members and will not lead to any possible harm.

First, the OIC, BMS and BSA, and Thurston County Superior Court all agree that there is a legitimate good-faith dispute as to whether the benefit that is the subject of the cease and desist order is a "service contract" as defined by RCW 48.110. The benefit, called paid-out product service protection, does not meet the statutory definition of a service contract because no additional consideration is provided by the customer and there is no specific duration for the benefit. This dispute is the subject of BMS and BSA's defenses in this matter and will be further briefed in the cross-motion for summary judgment as well as the hearing, if necessary. The adjudication of whether the paid-out product service protection is a service contract will determine whether the OIC has jurisdiction to regulate BMS and BSA and issue the Amended Cease and Desist Order. If the Hearings Unit determines that BMS and BSA position is correct, the OIC will have lacked the jurisdiction and authority to enter the Amended Cease and Desist Order.

The problem is that the Amended Cease and Desist Order is a punishment that is effective immediately and by the time the Superior Court has issued its declaratory judgment, BMS and BSA will have been significantly harmed. The Amended Cease and Desist Order requires BMS and BSA to cease selling "service contracts" to Washington consumers and provide every customer that BMS and BSA has ever had in Washington with a copy of the Amended Cease and Desist Order. This punishment irreparably harms BSA and BMS by significantly interrupting their Washington business and damaging their reputations among their previous and existing members. This type of punishment should not be meted out until this Hearings Unit has determined that the OIC had jurisdiction to regulate BMS and BSA and issue the Amended Cease and Desist Order.

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Second, a stay will not harm any Washington consumers; in fact a stay will protect Washington consumers and allow them to continue receiving a valuable benefit. As an initial matter, the allegation against BMS and BSA is that they failed to register as a service contract provider. There are no allegations of fraud, deceit, misappropriation of funds, or acts that would otherwise put Washington state consumers at risk of harm. Rather this is simply an allegation of a technical statutory violation.

Next, as the Declarations of Bradley Denison (which was filed with the original Motion for Stay and in response to the Motion for Reconsideration) further explains, there is no threat or likelihood of harm to Washington consumers because:

- The BSA membership has been provided to Washington residents since 2004 without a single administrative complaint to the OIC or any other Washington state agency;
- No lawsuits have been filed in Washington state against BMS or BSA;
- The benefit at issue – the paid-out product service protection – is insured by a CLIP policy issued by Lyndon Southern Insurance Company, that protects Washington consumers from non-payment;
- Lyndon Southern is an approved insurer by the Oklahoma Department of Insurance;
- The CLIP policy is approved by the Oklahoma Department of Insurance; and,
- No claims have ever been made by a Washington resident under the CLIP policy because the benefits owed to Washington consumers under the paid-out product benefit have always been provided by BMS/BSA.

Not only is there no risk of harm were this Hearings Unit to order a stay, but Washington consumers would be harmed if the Amended Cease and Desist Order is not stayed. There is no comparable product on the market that would allow Washington consumers to protect their purchased goods. If the Amended Cease and Desist is not stayed, the OIC will contend that not only are BMS and BSA prohibited from providing the paid-out

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product benefit to new members, but also that the benefit can no longer be provided to existing members. A stay of the Amended Cease and Desist Order is necessary because, in absence of a stay, Washington consumers will no longer be entitled to receive a benefit they are currently expecting if a stay is not entered.

Further, the stay is for a very short period of time now that a summary judgment briefing schedule and hearing have been set. A stay is appropriate to protect BMS, BSA, and Washington consumers, while simultaneously allowing a fair hearing process.

CONCLUSION

The OIC's shoot first and ask questions later approach to this matter has created a situation that begs for a stay. The OIC should not be able to punish BMS and BSA prior to adjudicating whether the OIC even has jurisdiction to regulate BMS and BSA. For this reason, and those stated above, this Hearings Unit should enter an order staying the Amended Cease and Desist Order.

DATED this 19th day of September, 2014.

Respectfully submitted:

RYAN, SWANSON & CLEVELAND, PLLC

By _____

Jerry Kindinger, WSBA #5231
Gulliver A. Swenson, WSBA #35974
Attorneys for Benefit Marketing Solutions LLC and Benefit Services Association

1201 Third Avenue, Suite 3400
Seattle, Washington 98101-3034
Telephone: (206) 464-4224
Facsimile: (206) 583-0359
kindinger@ryanlaw.com
swenson@ryanlaw.com

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1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034
206.464.4224 | Fax 206.583.0359

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STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

BENEFIT MARKETING SOLUTIONS LLC and BENEFIT SERVICES ASSOCIATION,	NO. 14-0082 **DECLARATION OF BRADLEY DENISON IN SUPPORT OF MOTION FOR STAY OF AMENDED CEASE AND DESIST ORDER**

I, Bradley Denison, declare as follows:

1. I am an Executive Vice President of Benefit Marketing Solutions, LLC ("BMS"), which is the subject of the Amended Cease and Desist Order issued by the Washington Office of the Insurance Commissioner on May 15, 2014. I am competent to give this declaration and the statements made herein are based upon my own personal knowledge and my review of BMS's records.

2. A true and correct copy of the Amended Cease and Desist Order is attached as Exhibit A. The Amended Cease and Desist Order is "effective immediately" and will cause significant harm to Benefit Marketing Solutions, Benefit Services Association ("BSA"), and their Washington customers, if enforced.

3. By way of background, BMS administers membership programs that are provided by BSA. One of the BSA membership programs is offered through Rent-A-Center ("RAC") stores in Washington state and is called RAC Benefits Plus. A RAC Benefits Plus

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membership is offered to RAC customers who lease products from RAC stores located in Washington. The RAC Benefits Plus membership is offered to RAC customers as an additional benefit upon the leasing of any product. The RAC customer may join RAC Benefits Plus for a period as short as a week, but the RAC Benefits Plus membership is renewable by the customer for as long as the customer wants. RAC Benefits Plus members can terminate their membership at any time for any or no reason without charge or obligation.

4. If RAC customers choose to continue membership in the RAC Benefits Plus membership after they acquire ownership of the rent-to-own products, those persons receive an additional benefit called "paid-out product service protection." It is simply an additional benefit of the RAC Benefits Plus membership at no additional cost or obligation to the member. The benefit provides a repair and replacement service for all RAC products that the RAC customer owns outright. The benefit is available to the RAC Benefits Plus member no matter how many RAC products they own.

5. The Amended Cease and Desist Order concludes that the paid-out service protection is a "service contract" and that BMS and BSA have failed to register as a service contract provider. As BMS understands it, its only alleged failure is that it failed to register with the OIC. The OIC has not made any allegations that BMS or BSA has done anything that in any way was intended to or could harm Washington consumers.

6. BMS does not believe that the OIC has jurisdiction to regulate its activities in the state of Washington because the paid-out product service protection is not a service contract and BMS has filed a Complaint for Declaratory Relief in Thurston County Superior Court asking the Court to determine that the OIC lacks jurisdiction to regulate BMS and BSA or either entity's activities.

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7. Prior to the determination from the Superior Court of whether the OIC has jurisdiction over BMS and BSA, BMS and BSA are forced to deal with the implications and impact of the Amended Cease and Desist Order.

8. The Amended Cease and Desist Order purports to require BMS and BSA to cease selling service contracts in Washington, which is intended to require us to stop providing the paid-out product service protection as a benefit through the RAC Benefits Plus membership. It is unclear from the face of the Order whether this would apply to only new members or also to existing members that have already been provided the benefit as part of their membership or are counting on the benefit once they fully pay for the leased product. A conservative reading of the Amended Cease and Desist Order would require BMS and BSA to stop providing the paid-out product protection to its existing members.

9. To remove this benefit from the RAC Benefits Plus membership would weaken the package of benefits that are provided to Washington consumers.

10. There is not another product on the market that is comparable to the paid-out product protection, so Washington consumers would not be able to obtain an exact replacement benefit if BMS and BSA can no longer provide the paid-out product protection.

11. The Amended Cease and Desist Order would also cause harm to the existing RAC Benefits Plus members that are from Washington. There were approximately 13,022 RAC Benefits Plus members from Washington that enrolled in 2012 and 2013. The existing members were all provided with a membership that contained the paid-out product protection as a benefit. To pull this benefit from the Washington members would be unfair to them and would undoubtedly damage BMS and BSA's reputation with its Washington members. As stated above, Washington members would not be able to replace the paid-out product protection with a comparable product.

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12. The other provision of the Amended Cease and Desist Order that would cause significant harm to BMS and BSA is the one requiring BMS to notify its Washington members of the Amended Cease and Desist Order. This provision appears solely intended to harm BMS and BSA and there does not appear to be any legitimate protection that is provided to Washington consumers or the OIC by requiring BMS and BSA to notify their customers prior to a final adjudication of the issues in this matter.

13. Were the OIC Hearings Unit to stay the Amended Cease and Desist Order while BMS and BSA are seeking an adjudication of the OIC's jurisdiction, there would be no risk of harm to any Washington consumers.

14. BMS has provided the RAC Benefits Plus membership in Washington state since 2004. Since initiating the membership program, BMS has not received a single administrative complaint from a Washington member related to RAC Benefits Plus; this includes no complaints to the OIC or any other Washington administrative agency that BMS has been notified of.

15. There has not been a single lawsuit initiated by a Washington consumer against BMS.

16. As it relates specifically to the paid-out product protection benefit, this benefit is insured by a Contractual Liability Insurance Policy ("CLIP") that is issued to the BSA membership association and insures the benefits of the paid-out product protection benefit for the RAC Benefits Plus members from non-payment. The CLIP is approved by the Oklahoma Department of Insurance.

17. While the CLIP does provide protection to the Washington consumers, no Washington consumer has ever had to make a claim under the CLIP because the benefits owed to the Washington consumers have always been paid under the paid-out product protection.

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18. BMS and BSA also continue to provide the paid-out product protection to their members from other states that they offer membership programs. Continuing to provide the paid-out product protection to Washington members poses absolutely no risk to those members and will continue to allow them to receive a significant and valuable benefit of being a RAC Benefits Plus member.

I declare under penalty of perjury under the laws of the State of Oklahoma and Washington that the foregoing is true and correct.

DATED this 21st day of July, 2014 at Norman, Oklahoma.

Bradley Denison

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BENEFIT MARKETING SOLUTIONS LLC and BENEFIT SERVICES ASSOCIATION,	NO. 14-0082 **DECLARATION OF BRADLEY DENISON**

I, Bradley Denison, declare as follows:

1. I am an Executive Vice President of Benefit Marketing Solutions, LLC ("BMS"), which is the subject of the Amended Cease and Desist Order issued by the Washington Office of the Insurance Commissioner on May 15, 2014. I am competent to give this declaration and the statements made herein are based upon my own personal knowledge and my review of BMS's records.

2. Attached as Exhibit A is a true and correct copy of the Contractual Liability Insurance Policy ("CLIP") between Lyndon Southern Insurance Company and Benefit Services Association. Should BMS fail to fulfill its contractual obligations to a Washington member, the CLIP will provide the benefit or a cash payment directly to the consumer.

3. The Lyndon Southern Insurance Company CLIP was approved by the Oklahoma Department of Insurance on August 14, 2012. Attached as Exhibit B is a true and correct copy of the approval of the CLIP by the Oklahoma Department of Insurance.

Ryan, Swanson & Cleveland, PLLC
1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034
206.464.4224 | Fax 206.583.0359

4. Lyndon Southern Insurance Company has been approved by the Oklahoma Department of Insurance since July 15, 2005. A true and correct copy from the Oklahoma Department of Insurance website showing Lyndon Southern's status is attached as Exhibit C.

I declare under penalty of perjury under the laws of the State of Oklahoma and Washington that the foregoing is true and correct.

DATED this 5TH day of September, 2014 at NORMAN, Oklahoma.

Bradley Denison

Ryan, Swanson & Cleveland, PLLC
1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034
206.464.4224 | Fax 206.583.0359

EXHIBIT A

LYNDON SOUTHERN INSURANCE COMPANY

Administrative Office: 10151 Deerwood Park Boulevard, Building 100, Suite 500, Jacksonville, FL 32256
(800) 888-2738

A Stock Insurance Company

CONTRACTUAL LIABILITY INSURANCE POLICY

DECLARATIONS

POLICY NUMBER: BSA/BMS

NAMED INSURED and ADDRESS:	**ADMINISTRATOR NAME and ADDRESS:**
Benefit Services Association 900 36th Ave NW; Ste 105 Norman, OK 73072	Benefit Services Association 900 36th Ave NW; Ste 105 Norman, OK 73072

THE NAMED INSURED IS A:

☐ Individual ☐ Partnership X Corporation ☐ Joint Venture ☐ Other _____

POLICY TERM:

FROM: October 1, 2012 **TO:** Automatically renewed for successive twelve (12) month terms.

12.01 AM Standard Time at the address of the Named Insured as stated herein. Automatically renewed for successive twelve (12) month terms.

LIMIT OF LIABILITY:

The Company's maximum liability with respect to a particular Designated Contract is limited to and shall not exceed the Named Insured's Contractual Obligation limits described within each Designated Contract. Once the limit of liability has been paid, our obligation to reimburse the Named Insured for a Designated Contact loss shall cease. No other obligations or liabilities that may arise under a Designated Contract are insured against under this Policy.

RATES:

See attached Rate Pages.

ENDORSEMENTS AND DESIGNATED CONTRACTS:

Endorsements:	Designated Contracts:
	See Schedule A

WARNING: Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.

This Declarations Page, together with the Policy Coverage Form and any Endorsements attached hereto, form a part of and complete the above numbered Policy.

LYNDON SOUTHERN INSURANCE COMPANY

Administrative Office: 10151 Deerwood Park Boulevard, Building 100, Suite 500, Jacksonville, FL 32256
(800) 888-2738

CONTRACTUAL LIABILITY INSURANCE POLICY

LYNDON SOUTHERN INSURANCE COMPANY, hereinafter called the Company, in consideration of the payment of the premium, in reliance upon the statements in the Declarations made a part hereof, and subject to all the terms of this Policy, agrees with the Named Insured in the Declarations as follows:

INSURING AGREEMENT

Coverage

The Company agrees to reimburse the Named Insured for all costs incurred in fulfilling its legally binding obligations under each Designated Contract validly issued by the Named Insured during the Policy Term, in accordance with the terms and conditions of such Designated Contract. The reimbursements of those costs shall be made directly to the Named Insured, and in the event such costs are incurred by another party's performance pursuant to such obligations, the reimbursement may be made, only in the event of the Named Insured's nonperformance, on behalf of the Named Insured, directly to such other party. In the event of the Named Insured's nonperformance, if proof of loss is provided, payment shall be made directly from the Company to the Designated Contract Holder or the Company shall provide the required service. The Company shall not have a duty to defend the Named Insured in any lawsuit or other judicial or administrative proceeding involving the Named Insured.

Definitions

Company: LYNDON SOUTHERN INSURANCE COMPANY.

Contractual Obligation: The Named Insured's obligation to properly provide the services and/or amounts the Named Insured is contractually obligated to pay pursuant to the provisions of the Designated Contract. No other obligations or liabilities that may arise from a Designated Contract are insured by this Policy. See Exclusions. The amounts of a Contractual Obligation shall not exceed the liability provided under a Designated Contract.

Deductible: The amount that shall be deducted from each Loss that is assumed by the Named Insured or the Designated Contract Holder as set forth in the Designated Contract.

Designated Contract: A contract described in the Declarations and issued by the Named Insured while this Policy is in force on a form approved in writing by the Company and for which the proper premium is timely paid.

Designated Contract Holder: The individual or entity that is issued a Designated Contract or someone who has qualified as a transferee under the terms of the Designated Contract.

Designated Contract Holder Claim: A claim by a Designated Contract Holder, which constitutes a Contractual Obligation.

Loss: Expenses actually incurred by the Named Insured or on behalf of the Named Insured in the performance of a Contractual Obligation.

Named Insured: The person(s) or organization listed as the Named Insured in the Declarations.

Named Insured's Claim: A claim by the Named Insured for benefits under this Policy based on a Contractual Obligation.

Policy: This Contractual Liability Insurance Policy as furnished by the Company to the Named Insured.

LIMITS OF LIABILITY

The Company's maximum liability with respect to a particular Designated Contract is limited to and shall not exceed the Named Insured's Contractual Obligation limits described within each Designated Contract. Once the limit of liability has been paid, our obligation to reimburse the Named Insured for a Designated Contact loss shall cease. No other obligations or liabilities that may arise under a Designated Contract are insured against under this Policy.

EXCLUSIONS

This Policy does not insure for any obligation or liability other than a Contractual Obligation and does not apply to:

1. liability for bodily injury, sickness, disease or death of any person, negligence or any and all consequential, incidental and compensatory damages, including extra-contractual damages arising from performance by the Named Insured, the Named Insured's agents, or employees under an Designated Contract;
2. any and all obligations and liabilities which may arise by virtue of performance under an Designated Contract by the Named Insured or anyone else;
3. breach of any and all implied warranties of merchantability;
4. breach of any and all implied warranties of fitness;
5. any and all liabilities for negligence;
6. any and all liabilities for defective products, including strict liability;
7. any and all liabilities or obligations extending to anyone other than the Designated Contract Holder;
8. any and all obligations, liabilities or claims of the Named Insured arising from any fraudulent, dishonest or criminal act of the Named Insured or his agents or employees
9. any duty to defend the Named Insured in any lawsuit or other judicial or administrative proceeding involving the Named Insured;
10. labor and/or parts performed by or on behalf of the Named Insured arising out of work or any portion thereof, or out of materials, parts or equipment, as a result of recall by the manufacturer or dealer.

CONDITIONS

1. **Reporting of Designated Contract:** Within thirty (30) days after the date on which a Designated Contract was issued and reported to the Named Insured, the Named Insured shall report the number of issued Designated Contracts in the format set forth by the Company and forward to the Company, or its designated agent, the proper premium. All premiums shall be computed in accordance with the Company's rules, rates and rating plans, premiums and premiums applicable to the insurance afforded herein.

2. **Premium Determination:** The premium for each Designated Contract shall be determined in accordance with the scheduled rates attached hereto and made a part hereof.

3. **Notice of Named Insured's Claim:** When a Designated Contract Holder makes a Designated Contract Holder Claim, prior to undertaking any performance under a Designated Contract, the Named Insured shall notify the Company or its authorized agent of the Designated Contract Holder Claim, supplying particulars of the claim. One hundred percent (100%) of the claim exposure" is covered by the policy.

4. **Prior Authorization:** The Named Insured shall not undertake any performance under a Designated Contract without first receiving authorization to perform from the Company or its authorized agent, and after giving proper notice of the Named Insured's claim.

5. **Proof of Loss:** As soon as practicable (but, in any event, not later than 30 days after the Loss), the Named Insured shall give to the Company written proof of Loss, under oath if required, including full particulars of the nature and the extent of the Loss and other details entering into the determination of the amount payable. The Named Insured shall submit to examination under oath by any person named by the Company and subscribe to same, as often as may reasonably be required. Proof of Loss shall be on forms furnished by the Company unless the Company shall have failed to furnish such forms within 15 days after receiving notice of claim.

6. **Inspection and Audit:** The Named Insured shall keep complete records and accounts of all transactions pertaining to Designated Contracts and Warranties. The Company shall be permitted but not obligated to inspect at any reasonable time the Named Insured's premises, books and records as they pertain to coverage under this Policy. This right shall exist so long as Designated Contracts and Warranties are outstanding. Neither the Company's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the Named Insured or others, to determine or warrant that such property or operations are safe or healthful, or are in compliance with any law, rule or regulation.

Action Against The Company: No action shall lie against the Company unless, as a condition precedent thereto, there shall have been full compliance by the Named Insured or any Additional Insured with all of the terms of this Policy and until the amount of the Named Insured's Loss shall have been finally determined either by judgment against the Named Insured after trial or by written agreement of the Named Insured, the Designated Contract Holder, and the Company. Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this Policy to the extent of the insurance afforded by this Policy. No person or organization shall have any right under this Policy to join the Company as a party to any action against the Named Insured to determine the Named Insured's liability, nor shall the Company be impleaded by the Named Insured or his legal representative. Bankruptcy or insolvency of the Named Insured or of the Named Insured's estate shall not relieve the Company of any of its obligations under this Policy. The Company shall administer and pay all claims and refunds in accordance with the Designated Contracts or Warrants issued prior to such bankruptcy or insolvency and for which premium was paid. Actions against the Company will be limited to 5 years following date of Loss. In the event that the service warranty association is unable to fulfill its obligation under contracts issued in this state for any reason, including insolvency, bankruptcy, or dissolution, the contract liability insurer will pay losses and unearned premiums under such plans directly to the person making a claim under the contract. The insurer issuing the contractual liability policy shall assume full responsibility for the administration of claims in the event of the inability of the association to do so;

GENERAL PROVISIONS

1. **Named Insured's Representations and Declarations:** By acceptance of this Policy, the Named Insured agrees that the statements in the Declarations are his agreements and representations, that this Policy is issued in reliance upon the truth of such representations and that this Policy embodies all agreements existing between himself and the Company or any of its agents relating to this insurance.

2. **Cancellation:**
   A. **Cancellation by the Named Insured:**
   The Named Insured has the right to cancel this Policy with respect to Designated Contracts not yet in effect by surrendering the Policy to the Company or any of its authorized agents or by mailing to the Company, at the address shown on the Declarations page, advance written notice of its intent to cancel this Policy and stating the date cancellation will be effective.
   B. **Prospective Cancellation by the Company:**
   1) The company has the right to cancel this Policy at any time and for any reason within the first 60 days. The Company shall mail written notice of cancellation to the Named Insured prior to the effective date of cancellation of the Policy, which has been in force 60 days or less. A specific explanation for cancellation shall be given.
   2) After this Policy has been in effect for more than sixty (60) business days or after the effective date of the renewal, a notice of cancellation shall not be issued by the Company unless it is based on at least one of the following reasons with at least ten (60) days notice to the Named Insured:
      a. Nonpayment of premium;
      b. Discovery of fraud or material misrepresentation in the procurement of the insurance or with respect to any claims submitted thereunder;
      c. Discovery of willful or reckless acts or omissions on the part of the Named Insured which increase any hazard insured against;
      d. The occurrence of a change in the risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed;
      e. A violation of any local fire, health, safety, building, or construction regulation or ordinance with respect to any insured property or the occupancy thereof which substantially increases any hazard insured against;
      f. A determination by the Commissioner that the continuation of the policy would place the Company in violation of the insurance laws of this state;
      g. Conviction of the Named Insured of a crime having as one of its necessary elements an act increasing any hazard insured against; or
      h. Loss of or substantial changes in applicable reinsurance.
   3) All notices of cancellation shall be in writing and shall be mailed to the last mailing address known by the Company for the Named Insured. Proof of mailing of notice of cancellation shall be sufficient proof of notice.
   4) The Company shall mail written notice of cancellation for nonpayment of premium 10 days in advance prior to cancellation. The Named Insured shall be allowed 10 days from receipt of the notice of cancellation due to nonpayment of premium to cure such nonpayment.

C. **Retrospective Cancellation by the Company:**
The Company may not cancel this Policy with respect to Designated Contracts that are in effect on the date of cancellation. In the event of cancellation of the Policy by the Named Insured or Company, there will be no tender of unearned premiums. The Company will remain liable for losses covered by the Policy until expiration of the Designated Contracts covered by this Policy.

3. **Non Renewal by the Company:** The Company has the right to non-renew this Policy effective on any annual Policy anniversary date. All notices of non-renewal shall be in writing and shall be mailed to the Named Insured at the last mailing address know to the Company, at least 60 days prior to the effective date of the non-renewal and shall provide a specific explanation of the reasons for non-renewal. Proof of mailing of notice of nonrenewal shall be sufficient proof of notice. If notice is given by mail, said notice shall be deemed to have been given on the day said notice is mailed. If the notice is mailed less than 60 days before expiration, coverage shall remain in effect until 60 days after notice is mailed.

4. **Subrogation:** In the event of any payment by the Company under this Policy, the Company shall be surrogated to all of the Named Insured's rights of recovery therefore against any person or organization, and the Named Insured shall execute and deliver instruments and papers and do whatever is necessary to secure such rights. The Named Insured shall do nothing to prejudice such rights.

5. **Assignment:** Assignment of interest under this Policy shall not bind the Company unless its consent is endorsed hereon. No liability of the Company shall exist under this Policy unless the assignment is accepted and the Policy is endorsed. Insurance provided under this Policy shall not inure, either directly or indirectly, to any bailee or other third person.

6. **Changes in the Policy:** No waiver or change of the terms of this Policy shall be made except by endorsement issued to form part of this Policy and signed by a duly authorized representative of the Company. Notice to any agent or knowledge possessed by any agent or by any person shall not affect a waiver or change in any part of this Policy or stop the Company from asserting any right under the terms of this Policy.
The Company shall give to the Named Insured at the mailing address shown on this Policy, written notice of premium increase, reduction in limits, or reduction in coverage at least 45 days prior to the expiration date of the policy. If the Company fails to provide such notice, the premium, limits, and coverage provided to the Named Insured prior to the change shall remain in effect until notice is given or until the effective date of replacement coverage obtained by the Named Insured, whichever first occurs. If notice is given by mail, said notice shall be deemed to have been given on the day said notice is mailed. If the insured elects not to renew, any earned premium for the period of extension of the terminated policy shall be calculated pro rata at the lower of the current or previous year's rate. If the Named Insured accepts the renewal, the premium increase, if any, and any other changes shall be effective the day following the prior policy's expiration or anniversary date.

7. **Territory:** This Policy applies only to Losses which occur while the item covered by a Designated Contract is within the United States of America, its territories or possessions.

8. **Recoveries:** All amounts recovered by the Named Insured for which he has received benefits under this Policy shall belong to and be paid to the Company by the Named Insured up to the total amount of benefits paid by the Company.

9. **Other Insurance:** If the Named Insured has other insurance against a Contractual Obligation covered by this Policy, the Company shall not be liable under this Policy for a greater proportion of such Contractual Obligation than the applicable limit of liability of this Policy bears to the total applicable limit of liability of all valid and collectible insurance against such Contractual Obligation.

IN WITNESS WHEREOF, the Company has caused this Contractual Liability Insurance Policy to be signed by its President and Secretary.

Chris Romaine — Secretary

W. Dale Bullard — President

EXHIBIT B

State: Oklahoma **Filing Company:** Lyndon Southern Insurance Company
TOI/Sub-TOI: 17.0 Other Liability-Occ/Claims Made/17.0004 Contractual Liability
Product Name: OK-LL-DC-CLIP- New Program Forms
Project Name/Number: OK-LL-DC-CLIP- New Program Forms/OK-LL-DC-CLIP-BMS New Program Forms

Disposition

Disposition Date: 08/14/2012
Effective Date (New): 08/14/2012
Effective Date (Renewal): 08/14/2012
Status: Approved as Amended

Comment:
APPROVE AS AMENDED: Applicable to the form filings under the Commissioners jurisdiction and the rate/rule filings under the jurisdiction of the Commissioner. 36 O.S. Section 6821 and 36 O.S. Section 3610

Rate data does NOT apply to filing.

Schedule	Schedule Item	Schedule Item Status	Public Access
Supporting Document	Checklist	No Action Taken	Yes
Supporting Document	Rule 365:15-1-3(b)(9)(D)	No Action Taken	Yes
Supporting Document	Rule 365:15-1-3(b)(9)(E)	No Action Taken	Yes
Supporting Document	Rule 365:15-1-3(b)(9)(F)	No Action Taken	Yes
Supporting Document	Rule 365:15-1-3(b)(9)(G)	No Action Taken	Yes
Supporting Document	Third Party Authorization	No Action Taken	Yes
Supporting Document	deemer letter	No Action Taken	Yes
Form (revised)	Policy	Approved	Yes
Form (revised)	Schedule	Approved	Yes
Form (revised)	Endorsement	Approved	Yes
Form	Policy	Disapproved	Yes
Form	Schedule	Disapproved	Yes
Form	Endorsement	Disapproved	Yes

State:	Oklahoma	Filing Company:	Lyndon Southern Insurance Company
TOI/Sub-TOI:	17.0 Other Liability-Occ/Claims Made/17.0004 Contractual Liability		
Product Name:	OK-LL-DC-CLIP- New Program Forms		
Project Name/Number:	OK-LL-DC-CLIP- New Program Forms/OK-LL-DC-CLIP-BMS New Program Forms		

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved as Amended	Kimberly McKinney, CISR	08/14/2012	08/14/2012

EXHIBIT C

Company Lookup

NAIC Consumer Information Source

COMPANY DEMOGRAPHICS

Company Name:	LYNDON SOUTHERN INSURANCE COMPANY			FEIN:	[illegible]
State of Incorporation:	DELAWARE	Incorporation Date:	07/15/2005	Last Date:	07/15/2005
Company #:	857944	NAIC #:	10051		
NAIC Group #:	17	NAIC Group Name:	LIFE OF THE SOUTH CORP GRP		
Domicile Type:	Foreign	Company Type:	Property and Casualty		
Status:	Active				
Effective Date:	07/15/2005				

Please select by clicking the appropriate link for additional information:

Company Address	Line of Business		Company Name Change History	Company Merger History