

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



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www.insurance.wa.gov

FILED

OFFICE OF
INSURANCE COMMISSIONER

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

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

Patricia Petersen
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

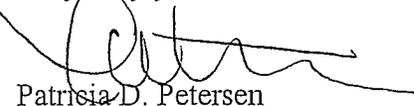
Page 2

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



OFFICE OF
INSURANCE COMMISSIONER

RECEIVED

JUN 12 2008

In the Matter of

DESIGN SAVERS PLAN, et al.,

Respondents.

No. D07-0351

AMENDED STIPULATION AND
SETTLEMENT AGREEMENT

Pursuant to RCW 34.05.060 and WAC 10-08-230(2)(b), the Washington State Office of Insurance Commissioner and Respondents Robert D. Edelheit and United Group Programs, Inc. hereby stipulate to the entry of the following in full and complete resolution of this matter, which shall supersede the Stipulation, Settlement Agreement and Order previously executed by the parties:

STIPULATION AS TO FACTS

1. Respondent Robert D. Edelheit holds an insurance agent's license in the State of Washington as issued by the Office of the Insurance Commissioner ("OIC").
2. Respondent United Group Programs, Inc. is domiciled in the State of Florida and is not authorized to transact the business of insurance in the State of Washington. Robert D. Edelheit was and is the President and CEO of United Group Programs, Inc. Respondent Jonathan Edelheit was the Vice President for Sales of Untied Group Programs, Inc. Respondent OptiMed refers to a brand name of insurance products offered by United Group Programs, Inc. The OptiMed line of products is not authorized or available in the State of Washington and is not a proper subject for this matter.
3. On December 18, 2007, the OIC issued Order to Cease and Desist No. D07-0351, thereby ordering that the individuals and entities identified in the Order—including, among others, Respondents Robert D. Edelheit, Jonathan Edelheit, OptiMed, and United Group Programs, Inc. (collectively hereafter "Edelheit")—immediately cease and desist transacting, or participating in the transacting of, unauthorized business of insurance in the State of Washington in violation of Title 48 RCW.
4. On January 18, 2008, pursuant to RCW 48.04.010, Edelheit (1) objected to and denied the allegations contained in the OIC's Order to Cease and Desist, and (2) requested an administrative hearing to resolve the matter.
5. For purposes of clarification, and notwithstanding any statements or implications in the Order to Cease and Desist, the basis for OIC action against Edelheit is the alleged failure of Edelheit to

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STIPULATION / SETTLEMENT AGREEMENT

No. D07-351

Page 2 of 6

exercise appropriate diligence and supervision over Respondent New Health Care Management Group, Inc., United Group Programs, Inc., and persons or entities affiliated or contracted with Respondent New Health Care Management Group, Inc. who were involved in the marketing of Respondent United National Workforce Association, Inc.'s insurance products and collection of insurance premiums by all those entities.

6. As material to the matters described in the Order to Cease and Desist, Edelheit (through United Group Programs, Inc. and United National Workforce Association, Inc.) dealt with insurers possessing valid certificates of authority issued by the OIC.

7. Edelheit had no contractual agreements with the persons and entities that contracted with New Health Care Management Group to sell UNWA insurance products.

8. Some nine months prior to issuance of the Order to Cease and Desist, Edelheit directed those involved with selling United National Workforce Association insurance products that included insurance products to cease and desist all sales activities in the State of Washington.

9. Between March and July 2007, Edelheit (a) terminated the disputed insurance coverage, (b) cancelled United National Workforce Association's contract with New Health Care Management Group, and (c) divested himself of primary control of United National Workforce Association.

10. Robert D. Edelheit and United Group Programs, Inc. promptly complied with the requirements of the Order to Cease and Desist and provided all requested information.

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STIPULATION / SETTLEMENT AGREEMENT

No. D07-351

Page 3 of 6

CONSENT TO SETTLEMENT

Robert D. Edelheit, Jonathan Edelheit, United Group Programs, Inc., and the Washington State Office of Insurance Commissioner ("OIC"), hereby consent 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, Jonathan Edelheit, United Group Programs, Inc., and the Washington State Office of Insurance Commissioner enter into this Stipulation and Settlement Agreement voluntarily and in mutual agreement to forego further action in OIC Case No. D07-0351.

Dated this <u>28</u> day of May, 2008.	Dated this <u>28</u> day of May, 2008.
By: <u>Robert D. Edelheit</u> Robert D. Edelheit Individually and on behalf of United Group Programs, Inc.	By: <u>Jonathan Edelheit</u> Jonathan Edelheit Respondent

Dated this <u>28</u> day of May, 2008.	Dated this <u>28</u> day of May, 2008.
BENNETT BIGELOW & LEEDOM, P.S.	OFFICE OF INSURANCE COMMISSIONER
By: <u>Michael Madden</u> Michael Madden, WSBA # 8747 Attorneys for Robert D. Edelheit and United Group Programs, Inc.	By: <u>Thomas P. Rowland</u> Thomas P. Rowland OIC Staff Attorney

STIPULATION / SETTLEMENT AGREEMENT

No. D07-351

Page 4 of 6

SETTLEMENT AGREEMENT

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

1. Termination of Administrative Proceedings. Upon receipt of the Stipulation and Settlement Agreement and Order Terminating Proceedings signed by Robert D. Edelheit and his counsel, the OIC will execute and submit the same to Judge Patricia D. Petersen, Chief Hearing Officer for the Washington State Office of Insurance Commissioner. Upon execution of the Stipulation and Settlement Agreement and Order Terminating Proceedings by Judge Petersen, OIC Case No. D07-0351 will be terminated and dismissed with respect to only Respondents Robert D. Edelheit, Jonathan Edelheit, OptiMed, and United Group Programs, Inc.

2. Amended Order to Cease and Desist. Upon receipt of the Stipulation and Settlement Agreement and Order Terminating Proceedings signed by Robert D. Edelheit and his counsel, and Jonathan Edelheit, and upon transmittal of notice by Edelheit that he has withdrawn his request for hearing on Order No. D07-351, the OIC will execute and issue an Amended Order to Cease and Desist, which will relate back to the date when the Original Order to Cease and Desist was entered, pursuant to Civil Rule 15(c). The Amended Order to Cease and Desist will not identify or name either Robert D. Edelheit, Jonathan Edelheit, OptiMed, or United Group Programs, Inc. as Respondents in the matter. The Amended Order to Cease and Desist will replace the Original Order to Cease and Desist and will be posted on the OIC's website and circulated in the same manner as the Original Order to Cease and Desist.

3. Future Conduct. Upon execution of the Stipulation and Settlement Agreement and Order Terminating Proceedings, Respondents Robert D. Edelheit, Jonathan Edelheit, and United Group Programs, Inc., having no plans to transact insurance business in Washington, further stipulate that they will not, either personally or through any persons or entities under their 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:

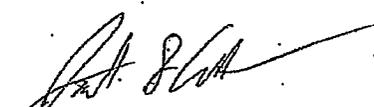
- a. This agreement does not apply to the following activities, which are not prohibited by this Stipulation and Settlement Agreement:
 - i. Sales of group products to single employers outside of the State of Washington that have some Washington employees; and
 - ii. Third-party administration services for single employer plans outside of the State of Washington that have some Washington employees.

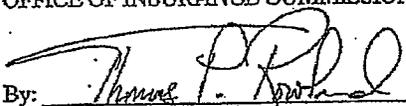
STIPULATION / SETTLEMENT AGREEMENT

No. D07-351

Page 5 of 6

- 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 actions shall not be characterized as other than voluntary on the part of Edelheit or the OIC.
5. Effect On Other Administrative Proceedings. This Stipulation and Settlement Agreement and Order Terminating Proceedings applies only to terminate the proceedings in OIC Case No. D07-0351 as against Robert D. Edelheit, Jonathan Edelheit, OptiMed, and United Group Programs, Inc. The Washington State Office of the Insurance Commissioner retains continuing authority to enforce this Stipulation and Settlement Agreement and Order Terminating Proceedings and to resolve disputes arising therefrom.

Dated this <u>27</u> day of May, 2008.	Dated this <u>28</u> day of May, 2008.
BENNETT BIGELOW & LEEDOM, P.S.	
By:  Michael Madden, WSPA # 8747 Attorneys for Edelheit and United Group Programs, Inc.	By:  Jonathan Edelheit Respondent

Dated this <u>28</u> day of May, 2008.
OFFICE OF INSURANCE COMMISSIONER
By:  Thomas P. Rowland OIC Staff Attorney

Received

JUN 12 2008

Wanda J. OIC
Patterson J. 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.

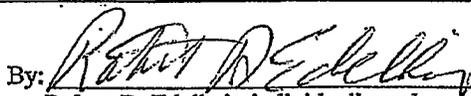
3. Terms: In order to resolve these disputes and to terminate all pending proceedings, the parties agree that they will do the following:

- 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

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

Phone: (360) 725-7080
FILED

2008 JUN 11 P 2:42

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

June 11, 2008

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 of June 4, 2008. Following receipt of your letter and the accompanying Orders, I spoke separately with Carol Sureau, Charles Brown, and Mike Madden regarding the concerns raised in your letter—concerns which are preventing you from entering the Orders Terminating the Proceedings. Since we are essentially in unanimous agreement with respect to the concerns you raised, it was agreed that the Legal Affairs Division of the OIC would submit an initial response in an effort to bring these matters to conclusion.

Our view and position is that the parties have reached mutually agreeable settlements in both matters and that Orders Terminating Proceedings should be entered without further delay or action. Simply put, not only have full and final settlement agreements been executed, but there have been withdrawals of (a) the Demand for Hearing in Case No. D07-0351, and (b) the Order Revoking License in Case No. D07-0352. Consequently, there is no longer any issue to adjudicate nor any request for an adjudicative proceeding. This is not a case where the Chief Hearing Officer has been asked to enforce or interpret a settlement agreement. Stated differently, since the documents which initially provided the Hearings Unit with jurisdiction (*i.e.*, the Hearing Demands and the Order Revoking License) have been withdrawn—coupled with the fact that full and final settlements have been executed—the settling parties fail to understand why further action is necessary before Your Honor will enter Orders Terminating Proceedings.

The position of the parties also finds support in the language of Chapter 10-08 WAC, which contains the Office of Administrative Hearing's model procedural rules for adjudications under the Administrative Procedure Act. In particular, WAC 10-08-230(2) not only "encourages" the informal resolution of disputes "whenever possible," but also provides that an

order dismissing the adjudicative proceedings shall be entered by the agency when the proceeding is settled by withdrawal:

(2)(a) . . . Settlement shall be concluded by:

(i) *Stipulation of parties* or

(ii) *Withdrawal by the applicant of his or her application for an adjudicative proceeding* or

(iii) *Withdrawal by the agency of the agency action which is the subject matter of the adjudicative proceeding.*

(b) A stipulation shall be in writing and signed by each party to the stipulation or his or her representative or shall be recited on the record at the hearing. *When an adjudicative proceeding has been settled by stipulation*, the agency head, the agency head's designee, or *the presiding officer shall enter an order in conformity with the terms of the stipulation.*

(c) *When an adjudicative proceeding has been wholly or partially settled by withdrawal, the presiding officer shall enter an order dismissing the adjudicative proceeding*, or an order dismissing the affected party's interest in the proceeding if other parties have not withdrawn.

WAC 10-08-230 (emphasis added).

Putting the procedural issue aside, I will nevertheless address a couple of the substantive concerns raised in your letter. With respect to the license revocation matter (No. D07-0352), the OIC and Mr. Edelheit executed a settlement agreement in which, among other things, the OIC agreed to withdraw the Order Revoking License and Mr. Edelheit agreed to have his license declared permanently expired and inactive. The Office of Administrative Hearings signed the settlement (the parties do not question the authority/validity of the signature) and terminated the matter from its docket. The parties believed that termination of the case by OAH would result in the matter being terminated by the OIC as well.

In your letter of June 4, 2008, however, you indicate that the OIC withdrew the Order Revoking as "a means of concluding, but not eliminating this disciplinary action." The parties do not agree with this statement. The OIC did—and still does—consider the settlement and its withdrawal of the Order Revoking License to be acts which both concluded and eliminated this action; indeed, a settlement and withdrawal of the Order Revoking License, it seems to the Legal Affairs Division at least, could have no other result. Moreover, the language from the Settlement

June 11, 2008

Page 3

Agreement (Paragraph 3.a) to which you refer 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.

Furthermore, in your letter, you correctly note that Jonathan Edelheit did not appear or demand a hearing within ninety days of his receipt of the Order to Cease and Desist; thus, he waived his "right to a hearing" pursuant to RCW 48.04.010(3). Notwithstanding this situation, the parties do not agree with Your Honor's position that by waiving his right to a hearing the OIC and Jonathan Edelheit are precluded from reaching an independent settlement of the matter. Ultimately, the only right that Jonathan Edelheit waived was his right to a hearing—he did not waive his right to reach a settlement with the OIC. And given the nature of the underlying facts of the case and his involvement with United Group Programs, Inc., it made practical and logistical sense to include Jonathan Edelheit in the settlement.

Based on the foregoing, the parties respectfully request that Orders Terminating the Proceedings be entered without further action or delay. Should Your Honor like to schedule a conference call to discuss this matter further, the parties are willing to participate on a date that is convenient with your schedule. Thank you in advance for your time and consideration.

Respectfully,

OFFICE OF INSURANCE COMMISSIONER



Thomas P. Rowland
Staff Attorney
Legal Affairs Division

TPR:TPR

cc: Mike Madden



OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

Fax: (360) 664-2782

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

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

June 4, 2008

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

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

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

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

Mssrs. Madden, Rowland and Edelheit:

I have entered Orders in the two above-referenced matters. In the many years which I have received Stipulation and Settlement Agreements, and accompanying those documents, been presented with proposed Orders Terminating Proceeding for my execution and filing, I have never raised any concerns for any reason. The discretion and judgment of the parties in reaching their terms of settlement is to be respected. However, in these two cases, you will see that I cannot enter Orders Terminating Proceeding, which must be signed by me in order to become final. This is because in my capacity as Chief Hearing Officer – for the protection of the agency as well as for the protection of the private parties – I must make certain that the settlement provisions are in compliance with applicable laws and regulations. You will see that my Orders in both of these cases present concerns which must be addressed before the cases can be terminated.

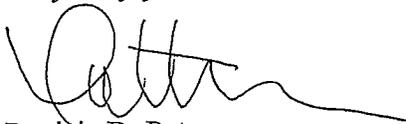
Further, in No. D07-0351, by Mr. Madden most recently simply choosing to withdraw his request for hearing and allude to a new agreement between the parties does not alleviate the responsibility of the parties to see that the adjudicative proceeding is properly

Re: No. D07-0351 & D07-0352
June 4, 2008 - Page 2

terminated. As above, and as stated in my two Orders in these two cases, this requires the parties to file a copy of their executed Settlement Agreement (which may or may not include Mr. Madden's clients voluntarily withdrawing their requests for hearing) and proposed Order Terminating Proceeding for my signature.

I appreciate your cooperation in these two matters.

Very truly yours,



Patricia D. Petersen
Review Judge
Chief Hearing Officer



FILED

OFFICE OF
INSURANCE COMMISSIONER

2008 MAY 13 A 9:23

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

May 13, 2008

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

Re: *Design Savers Plan, et al.*
Case No. D07-0351

Dear Judge Petersen:

The Office of Insurance Commissioner and Respondents Robert D. Edelheit, United Group Programs, Inc., Jonathan Edelheit, and OptiMed have reached a settlement in the above-referenced matter. As such, enclosed for your signature and entry is a *Stipulation and Settlement Agreement and Order Terminating Proceedings*. This matter, of course, remains active with respect to the other Respondents identified in the Cease and Desist Order.

Please forward a copy of this document to my office once it has been fully executed and entered with the hearings unit. Thank you.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tom".

Thomas P. Rowland
OIC Staff Attorney
Legal Affairs Division

Enclosure

cc: Michael Madden (w/o encl)





OFFICE OF
INSURANCE COMMISSIONER

Rec'd
May 13, 2008

In the Matter of

DESIGN SAVERS PLAN, et al.,

Respondents.

No. D07-0351

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

Pursuant to RCW 34.05.060 and WAC 10-08-230(2)(b), the Washington State Office of Insurance Commissioner and Respondents Robert D. Edelheit and United Group Programs, Inc. hereby stipulate to the entry of the following in full and complete resolution of this matter:

STIPULATION AS TO FACTS

1. Respondent Robert D. Edelheit holds an insurance agent's license in the State of Washington as issued by the Office of the Insurance Commissioner ("OIC").
2. Respondent United Group Programs, Inc. is domiciled in the State of Florida and is not authorized to transact the business of insurance in the State of Washington. Robert D. Edelheit was and is the President and CEO of United Group Programs, Inc. Respondent Jonathan Edelheit was the Vice President for Sales of Untied Group Programs, Inc. Respondent OptiMed refers to a brand name of insurance products offered by United Group Programs, Inc. The OptiMed line of products is not authorized or available in the State of Washington and is not a proper subject for this matter.
3. On December 18, 2007, the OIC issued Order to Cease and Desist No. D07-0351, thereby ordering that the individuals and entities identified in the Order—including, among others, Respondents Robert D. Edelheit, Jonathan Edelheit, OptiMed, and United Group Programs, Inc. (collectively hereafter "Edelheit")—immediately cease and desist transacting, or participating in the transacting of, unauthorized business of insurance in the State of Washington in violation of Title 48 RCW.
4. On January 18, 2008, pursuant to RCW 48.04.010, Edelheit (1) objected to and denied the allegations contained in the OIC's Order to Cease and Desist, and (2) requested an administrative hearing to resolve the matter.
5. For purposes of clarification, and notwithstanding any statements or implications in the Order to Cease and Desist, the basis for OIC action against Edelheit is the alleged failure of Edelheit to

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exercise appropriate diligence and supervision over Respondent New Health Care Management Group, Inc., United Group Programs, Inc., and persons or entities affiliated or contracted with Respondent New Health Care Management Group, Inc. who were involved in the marketing of Respondent United National Workforce Association, Inc.'s insurance products and collection of insurance premiums by all those entities.

6. As material to the matters described in the Order to Cease and Desist, Edelheit (through United Group Programs, Inc. and United National Workforce Association, Inc.) dealt with insurers possessing valid certificates of authority issued by the OIC.

7. Edelheit had no contractual agreements with the persons and entities that contracted with New Health Care Management Group to sell UNWA insurance products.

8. Some nine months prior to issuance of the Order to Cease and Desist, Edelheit directed those involved with selling United National Workforce Association insurance products that included insurance products to cease and desist all sales activities in the State of Washington.

9. Between March and July 2007, Edelheit (a) terminated the disputed insurance coverage, (b) cancelled United National Workforce Association's contract with New Health Care Management Group, and (c) divested himself of primary control of United National Workforce Association.

10. Robert D. Edelheit and United Group Programs, Inc. promptly complied with the requirements of the Order to Cease and Desist and provided all requested information.

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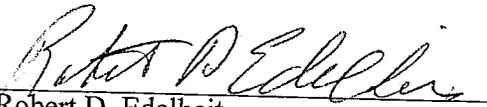
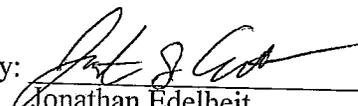
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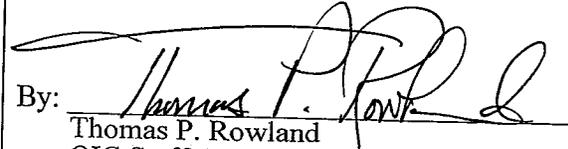
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CONSENT TO SETTLEMENT

Robert D. Edelheit, Jonathan Edelheit, United Group Programs, Inc., and the Washington State Office of Insurance Commissioner ("OIC"), hereby consent 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, Jonathan Edelheit, United Group Programs, Inc., and the Washington State Office of Insurance Commissioner enter into this Stipulation and Settlement Agreement voluntarily and in mutual agreement to forego further action in OIC Case No. D07-0351.

Dated this <u>2</u> day of May, 2008.	Dated this <u>2</u> day of May, 2008.
By:  Robert D. Edelheit Individually and on behalf of United Group Programs, Inc.	By:  Jonathan Edelheit Respondent

Dated this <u>6</u> day of May, 2008.	Dated this <u>8th</u> day of May, 2008.
BENNETT BIGELOW & LEEDOM, P.S. By:  Michael Madden, WSBA #8747 Attorneys for Robert D. Edelheit and United Group Programs, Inc.	OFFICE OF INSURANCE COMMISSIONER By:  Thomas P. Rowland OIC Staff Attorney

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(Received 5-14-08)

SETTLEMENT AGREEMENT

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

1. Termination of Administrative Proceedings. Upon receipt of the Stipulation and Settlement Agreement and Order Terminating Proceedings signed by Robert D. Edelheit and his counsel, the OIC will execute and submit the same to Judge Patricia D. Petersen, Chief Hearing Officer for the Washington State Office of Insurance Commissioner. Upon execution of the Stipulation and Settlement Agreement and Order Terminating Proceedings by Judge Petersen, OIC Case No. D07-0351 will be terminated and dismissed with respect to only Respondents Robert D. Edelheit, Jonathan Edelheit, OptiMed, and United Group Programs, Inc.

2. Amended Order to Cease and Desist. Upon receipt of the Stipulation and Settlement Agreement and Order Terminating Proceedings signed by Robert D. Edelheit and his counsel, and Jonathan Edelheit, upon entry of that document by OIC Judge Patricia D. Petersen, the OIC will execute and issue an Amended Order to Cease and Desist, which will relate back to the date when the Original Order to Cease and Desist was entered, pursuant to Civil Rule 15(c). The Amended Order to Cease and Desist will not identify or name either Robert D. Edelheit, Jonathan Edelheit, OptiMed, or United Group Programs, Inc. as Respondents in the matter. The Amended Order to Cease and Desist will replace the Original Order to Cease and Desist and will be posted on the OIC's website and circulated in the same manner as the Original Order to Cease and Desist.

3. Future Conduct. Upon execution of the Stipulation and Settlement Agreement and Order Terminating Proceedings, Respondents Robert D. Edelheit, Jonathan Edelheit, and United Group Programs, Inc., having no plans to transact insurance business in Washington, further stipulate that they will not, either personally or through any persons or entities under their 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:

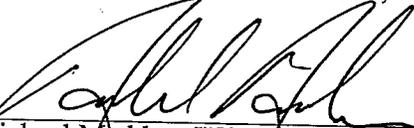
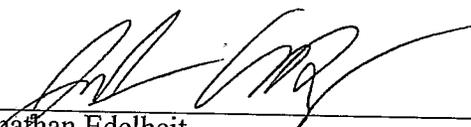
- a. This agreement does not apply to the following activities, which are not prohibited by this Stipulation and Settlement Agreement:
 - i. Sales of group products to single employers outside of the State of Washington that have some Washington employees; and

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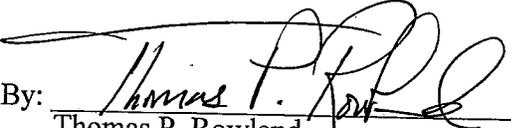
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- ii. Third-party administration services for single employer plans outside of the State of Washington that have some Washington employees.
- b. In the event of a good faith change of control of United Group Programs, Inc., the company may apply to the OIC for modification of this Agreement as applied to it.
- 4. These actions shall not be characterized as other than voluntary on the part of Edelheit or the OIC.
- 5. Effect On Other Administrative Proceedings. This Stipulation and Settlement Agreement and Order Terminating Proceedings applies only to terminate the proceedings in OIC Case No. D07-0351 as against Robert D. Edelheit, Jonathan Edelheit, OptiMed, and United Group Programs, Inc. The Washington State Office of the Insurance Commissioner retains continuing authority to enforce this Stipulation and Settlement Agreement and Order Terminating Proceedings and to resolve disputes arising therefrom.

Dated this <u>6</u> day of May, 2008.	Dated this <u>2</u> day of May, 2008.
BENNETT BIGELOW & LEEDOM, P.S.	
By:  Michael Madden, WSBA # 8747 Attorneys for Edelheit and United Group Programs, Inc.	By:  Jonathan Edelheit Respondent

Dated this 8TH day of May, 2008.

OFFICE OF INSURANCE COMMISSIONER

By: 
Thomas P. Rowland
OIC Staff Attorney

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ORDER TERMINATING PROCEEDINGS

The OIC and the Respondents Robert D. Edelheit, Jonathan Edelheit, OptiMed, and United Group Programs, Inc. have informed the OIC's Chief Hearing Officer that they have fully resolved all disputes concerning OIC Case No. D07-0351 and that the request for hearing is withdrawn. Accordingly, it is hereby ordered pursuant to RCW 48.17.530 and 48.17.560 that these respondents appeal in OIC Case No. D07-0351 is hereby closed and dismissed.

SIGNED and ENTERED this ____ day of May, 2008.

PATRICIA D. PETERSEN
Chief Hearing Officer
Office of Insurance Commissioner