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Life Expectancy Providers

LIFE EXPECTANCY PROVIDERS BEST PRACTICES

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INTRODUCTION

Life expectancy provider firms[1] (LEPr) formed a focus group to develop standards of best practices and performance reporting for longevity market participants that may benefit from life expectancy and mortality information. The information provided by the LEPr group represents the most important inputs for valuing a life insurance policy being considered for sale in the secondary life settlement market. Life expectancy underwriters understand the importance of providing accurate and consistent information to clients who rely on the underwriting results.

Life expectancy underwriting best practices are based on the principle of **full disclosure, completeness, and transparency** of underwriting and performance results provided to clients, while respecting the integrity of their proprietary methodologies and practices. It is our desire that comparative statistics, assumptions and analyses be as consistent as possible.

These best practices are designed to be a living document, intended to address the current issues that relate to Life Expectancy Underwriters below and to evolve as dictated by the life settlement industry:

1. Privacy policy
2. Fraud policy
3. Confidentiality policy
4. Life Expectancy client reports
5. Actual to Expected performance reports
6. IBNR (incurred but not reported) deaths
7. Definitions

PRIVACY POLICY

The LEPr group is supportive of the right to privacy, including the rights of individuals to control the dissemination and use of personal data that describes them, their personal choices, or life experiences. In support of this, each life expectancy firm will maintain a written privacy policy that meets all the legal and statutory regulatory requirements related to use of medical information and data about an insured being reviewed on behalf of clients. The privacy policy will include procedures for data protection requirements

[1] The group consisted of five Life Expectancy Provider firms: AUS, AVS, EMSI, ISC Services, and 21st Services

for the submission, use of, and storage of information, and the transmission of life expectancy reports.

Further development of a standardized privacy policy is desired by LEPr's –it is the group's belief that this is an industry wide requirement and will require input and support from legal industry leaders. See Appendix 3 for key elements of HIPAA related Privacy Policy which should be expanded for industry use.

FRAUD POLICY

Life Expectancy Providers will utilize a common written anti-fraud policy that meets all legal and statutory regulatory requirements of the jurisdictions wherein the firms conduct their business. See Appendix 4 for the complete fraud policy.

CONFIDENTIALITY POLICY

Each life expectancy firm will cause its officers, staff, employees and contract personnel to annually sign a confidentiality statement with regard to any and all client, and all other information related to their duties and responsibilities.

LIFE EXPECTANCY CLIENT REPORTS

It is the intention of these best practices to not restrict the integrity of each individual firm's unique methodologies and formats. However, it is imperative that reports provided to life settlement participants contain certain standard information. Reports provided to clients will include:

1. LE in months, indicating as either a mean or a median LE.
2. Mortality factor; expressed as either a percentage or numerical factor. For example, 2.45 is equivalent of 245% mortality
3. Summary or descriptor of impairments. ICD code(s) are optional, with disclosure.
4. Indication of which mortality table is used to determine LE and /or mortality rating.
5. Underwriting Age, including a disclosure and definition, for example "attained age "or "age nearest".
6. Range of dates for medical records used in this evaluation.

7. Incomplete File Documentation: When an LE provider determines that there is deficient medical history provided for review the LE process will not be completed until complete records are presented to the provider. If updated medical records are not provided within 90 days, the provider may charge a cancellation fee. The reasoning behind this policy is that different records on the same insured may create different LE's. It stands to reason that at least one of these LE's will be known to be in error and proffered-differing results will skew the A-E results.
8. For situations of multiple life expectancy requests, received at the same time and one submission is lacking medical information included in the other, the life expectancy provider is required to provide full disclosure on their handling of these situations.

ACTUAL TO EXPECTED PERFORMANCE REPORTS

Life Expectancy Provider performance is expressed in terms of Actual-to-Expected (A-E) results or the number of actual deaths experienced relative to the number of expected deaths on underwritten lives. Actual-to-Expected results provide an indication of the consistency and accuracy of a life expectancy provider's underwriting experience.

The LEPr focus group participated in earlier efforts to define best practices, which included a section on A-E. Although there were many good things that came out of this initial effort, there were many shortcomings, the most glaring being:

1. No clear definition of A-E
2. A format that obscured rather than enhanced transparency regarding the shape of the mortality curve
3. The adoption of a common mortality table despite its many known flaws and the fact that it was inconsistent both with historical basis and current assumption A-E

Regarding A-E results, the following will apply:

1. Life Expectancy Providers will provide both historical basis A-E results and adjusted-to-current methodologies A-E results.
2. A single number A-E result will be provided with clarification that it should not be relied upon as it does not provide the granularity required to fully understand the results.
3. A-E results must be accompanied by disclosure of all assumptions used in the calculations, including IBNR (incurred but not reported).
4. The above means that there will be four sets of A-E results provided: historical with and without IBNR and adjusted-to-current methodologies with and without IBNR.

5. Multiple reviews (individual life) - Include every submission in the A-E calculation, but fractionally, so that each life contributes a total of one exposure to the study. If we have ten submissions on a single life, each submission will be multiplied by 0.1.
6. Any cell with less than 35 expected deaths will be deemed to have insufficient data (ID) and be so marked on the report, due to it lacking statistical significance.
7. Results will be reported by duration for age intervals of five (5) or ten (10) years in order to reasonably cover small and large data groups. Unless 40% or more of the cells are ID (insufficient data) 5 year age intervals will be utilized, and age groups which will include a catch-all of ages <69. Breakdowns by gender/smoker status will be provided.
8. Informal and provisional LE's will be excluded from A-E reporting as they are a review based upon limited medical information and will not be utilized for policy pricing. Other examples for excluding files are: viatical lives, missing or incorrect SSN, insufficient data to complete a thorough medical review, specialty requests, and non-US lives.
9. The standard deviation of each reporting cell will be disclosed, along with the definition of standard deviation utilized. We recognize that there are many acceptable calculations of standard deviation but we will strive to reach agreement on a consistent definition for these purposes. Each cell will also include confidence interval of +/- 2 standard deviations.
10. Each provider will have an independent actuarial firm/service audit the A-E study. This will be completed at least every three years which is consistent with state regulatory agencies.
11. All users of this information will have access to the individual company reports (individual life expectancy providers will need to be contacted regarding the process for release of this information); these reports will not be provided in the public domain. (**distribution of mortality tables utilized will be at the discretion of the individual LEPr organizations).
12. Each Company will provide A-E studies that cover their performance since their start of business or, at a minimum, since 2003, and through the end of the most recent calendar year.

The format for the reports is attached. See appendix 2.

IBNR (INCURRED BUT NOT REPORTED)

IBNR arises due to temporary shortfalls in the reporting of deaths (e.g. a lag in time between a death and it being reported in government data bases) and permanent shortfalls (e.g. the misreporting of social security numbers so that some deaths will never be reported). As such, initial IBNR, which includes both temporary and permanent adjustments, will be higher than ultimate IBNR, which only includes permanent shortfalls. IBNR is employed by increasing actual deaths by a small percentage in the A-E calculation.

- The LEPr group recognizes that varying IBNR assumptions can obscure underlying A-E patterns so it is agreed that the IBNR assumption be fully disclosed and as uniform as possible among all industry players. Two separate studies will be disclosed; one A-E will include an IBNR of 0% (no IBNR) for all durations and the other will include an IBNR assumption of 7% for second duration and longer. (7% IBNR is consistent with lack of updated reporting data from the Social Security Administration and other data sources).

IBNR assumptions will include the following:

- Year 1- As determined by the individual Life Expectancy Provider with full disclosure on the percentages utilized and the reasons.
- Year 2 +- All Life Expectancy Providers will utilize 7% which is consistent with lack of updated reporting data from the Social Security Administration and other data sources.

Exclusions: Death incurred within three (3) months of underwriting review will be excluded from reporting. The reasoning is that these lives would not have become settled policies. The number of excluded deaths will be clearly documented.

DEFINITIONS

Adjusted to Current Methodologies A-E - A-E calculations for previously issued LE's using current mortality tables and underwriting processes. This process creates a new LE and this new LE is measured using the adjusted-to-current A-E with the current mortality table. This A-E may be appropriate for analyzing the accuracy of an underwriter's current processes going forward.

95% Confidence Interval- A range of two Standard Deviations above and below the mean or observed result. This range takes into account possible statistical fluctuations that could influence the result. For example, an A-E of 94% with a Standard Deviation of 6% would generate a confidence interval of 88-100%. The interpretation of this result is that the A-E is 94% and we can say with 95% confidence that if random fluctuations in the data were identifiable and removed, the true A-E would fall between 88% and 100%.

Expected Deaths – The sum of theoretical deaths and IBNR.

Historical Basis A-E – A-E calculations using the mortality tables and underwriting processes in effect when the policy was originally underwritten. Appropriate for analyzing an underwriter's performance as it relates to a period in the past.

IBNR- Incurred but not reported. Refers to the number of deaths that are expected to have occurred but have not become known (reported) due to the inherent lag in the reporting process and other complications. The Social Security Administration has indicated a 6% lag in data; additional tracking sources have indicated 5-7%.

ICD9 Codes- Refers to the International Classification of Diseases, 9th Revision. The extensive system was designed for physicians, hospitals, health services, and other medical facilities as a billing tool which lists the most commonly used diagnosis codes. These codes are maintained by the World Health Organization. LEPr's utilize a combination of ICD9 and/or medical impairment definition to identify risks on LE certificates.

LE (Life Expectancy) – (1) Mean or median expectation of life. (2) A non-terminal illness insured with a life expectancy estimated to be greater than 24 months. **In the context of the best practices an LE can be original (proffered at the time of original underwriting) and "adjusted" as created by the adjusted-to-current methodology.

DEFINITIONS (continued)

Maturity Date-Time of insured's death.

Mean- It is a weighted average of survivors to each age after issue, also known as the actuarial definition.

Median- This is the point at which half of a group of lives identical to the one underwritten will have died.

Mortality Factor-Based upon a % of standard mortality (100% being standard) that reflects the extent of the insured's risk of death.

Standard Deviation – The classical statistical definition that measures the variability of a calculated result, such as A-E.

Theoretical Deaths – Deaths anticipated using an underwriter's mortality tables and mortality multipliers of a population or segment.

Viatical- A terminal life; a life expectancy of less than 24 months.

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Appendix 1

ANTITRUST STATEMENT FOR LIFE EXPECTANCY PROVIDERS

Life Expectancy Providers ("LEPrs") was formed to promulgate and establish Best Practices which encourage prudent and competitive practices within the Life Settlement Industry. Such Best Practices will integrate integrity, professionalism and transparency into all aspects of the Life Settlement industry.

Compliance with the antitrust laws of the United States and various states is important to all our members. The antitrust laws prohibit competitors from engaging in actions that could result in an unreasonable restraint of trade. Above all else, LEPrs members should be free to make business decisions based on market conditions – not the dictates of this group.

Members should avoid discussing certain subjects when they are together – either at formal meetings or in informal contacts with other industry members. These subjects should be avoided regardless of whether the discussion leads to actual harm on competition or not. These include price fixing, allocation of customers or geographic territory, and bid-rigging. Price fixing can include discussions of salaries, credit terms and any other elements that go into setting prices.

The following guidelines will help us limit our antitrust risk.

1. The purpose of LEPrs meetings or conferences is to develop and encourage best practices in the life settlement industry but for each member to make their own independent decisions.

2. Any company's individual pricing or pricing policies will never be discussed at any LEPrs meeting. Under no circumstances shall there be any discussion of future prices or any discussion which would help competitors to agree on future prices or remove uncertainty about future prices.

3. There will be no discussion relating to complaints about individual companies or competitors or other action that might tend to hinder a competitor from competing fully and freely in any market; or discussions about whether to deal with certain clients or otherwise do business or not do business with certain entities (or try to convince others to do the same).

4. There will be no discussion of sale, warranties or contract provisions.

5. There will be no exchange of specific information such as fees, prices, costs, etcetera, unless the information is exchanged and disclosed pursuant to a carefully designed plan that has been approved by counsel.

Meeting participants have an obligation to terminate any discussion, seek legal counsel's advice, or, if necessary, terminate any meeting if the discussion might be construed to raise any antitrust risks.

Appendix 2

Actual-to-Expected Report Format - Duration

#Cases	Dates U/W		Duration 1	Duration 2	Duration 3	Duration 4
Aaa	1/10-12/10	Actual	bbb			
		Expt'd	fff			
		A-to-E	dd%			
		StdDev	XX			
Eee	1/09-12/09	Actual	ggg	hhh		
		Expt'd	iii	jjj		
		A-to-E	kk%	ll%		
		StdDev	XX	XX		
Mmm	1/08-12/08	Actual	nnn	ooo	ppp	
		Expt'd	qqq	rrr	sss	
		A-to-E	tt%	uu%	vv%	
		StdDev	XX	XX	XX	
Www	1/07-12/07	Actual	xxx	yyy	zzz	aaa
		Expt'd	bbb	ccc	ddd	eee
		A-to-E	ff%	gg%	hh%	ii%
		StdDev	XX	XX	XX	XX
Jjj	All	Actual	Sum	Sum	Sum	aaa
		Expt'd	Sum	Sum	Sum	eee
		A-to-E	kk%	ll%	mm%	ii%
		StdDev	XX	XX	XX	XX

Actual-to-Expected Report Format - Segment

Segment	# Cases	Observed Deaths	IBNR Deaths	Act'l Deaths	Expected Deaths	A-E
Male						
Female						
NonSmoker						
Smoker						
Male NS						
Female NS						
Male S						
Female S						
<69						
70-74						
75-79						
80-84						
85-89						
90+						

Appendix 3

PRIVACY ISSUES FOR LEPR BEST PRACTICES

Administrative/Organizational Requirements

1. Designate a Privacy Official
2. Develop and Issue a Notice of Privacy Practices
3. Train Members of the workforce
4. Impose workforce sanctions for privacy breaches or violations of privacy policies
5. Establish safeguards to assure administrative, technical and physical security
6. Develop and implementation of policies and procedures to protect privacy
7. Develop and implement a process for the receiving privacy complaints
8. Document compliance initiatives
9. Develop and execute business associate contracts
10. Mitigate and remediate privacy breaches

Required Disclosures

1. To the individual who is the subject of the protected information
2. To the client company providing the medical information
3. (To the Department of Health and Human Services for purposes of enforcement and compliance) This is not required at this time but will be a future requirement by DHHS.

Preemption of State Laws (State Laws that impose more stringent protection will preempt HIPAA Privacy (This will vary by State)

1. HIV/AIDS treatment information
2. Mental Health information
3. Alcohol and substance abuse information
4. Genetic Information

Enforcement

1. The Secretary of the Department of Health and Human Services, Office of Civil Rights, has the authority to impose civil monetary penalties against covered entities that fail to comply with the Privacy Rule
2. The Justice Department has the authority to impose criminal penalties against covered entities or individual violators for unauthorized disclosure or misuse of protected information

Appendix 4

ANTIFRAUD REVIEW AND REPORTING FOR LIFE EXPECTANCY PROVIDERS

Introduction

Life settlements are a global market and that poses challenges to the protection of consumers, life settlement participants and licensees, and long term domestic and foreign investors. Many existing laws and enforcement systems are designed to address insurance fraud that was domestic in nature. Therefore, the systems are not always adequate to address international insurance fraud.

Since we live in an era when just one fraud scam can quickly target large numbers of consumers and industry entities and cause harm in multiple jurisdictions, it is imperative that life expectancy providers, industry licensees, insurance regulatory authorities and law enforcement agencies interact immediately to detect, investigate and report suspicious activity so that enforcement can be rendered expeditiously to halt such individuals and entities from creating further harm to the consumers, the participants and the industry.

I. PURPOSE

Life Expectancy Providers have established this document to provide reasonable assurance that any such fraud involved in health information records that are presented to it for review is detected, investigated and reported to the appropriate insurance regulatory or legal authorities. Life Expectancy Providers abhor fraud and desire to establish standards and guidelines in the industry for the education of all parties to the detection, investigation and reporting of activities which are clearly to the detriment of the industry.

II. ANTIFRAUD INITIATIVES

Antifraud initiatives shall include:

A. Fraud investigators, who may be employees within the company or independent contractors; and
B. An antifraud plan

1. A Life Expectancy Provider shall maintain and file, as necessary, a proper anti-fraud plan. Antifraud plans submitted to a commissioner shall be denoted as privileged and confidential on each page of the document and it shall be stated that the document is not to be a public record and shall not be subject to discovery or subpoena in a civil or criminal action. The antifraud plan shall include, but not be limited to:

    a. A proof of designation of a fraud investigator.
    b. A description of the procedures for detecting and investigating possible fraudulent life settlement acts.
    c. Procedures for resolving material inconsistencies between medical records and insurance applications.
    d. Procedures for reporting possible fraudulent life settlement acts to the proper authorities, as long as the proper exemption from liability is provided.
    e. A description of the plan for antifraud education and training of personnel.
    f. An organizational chart or description of the organizational arrangement of the antifraud personnel responsible for investigating and reporting possible fraudulent acts and material inconsistencies.
    g. Provide proof that any fraud warnings, if required, have been placed on the proper documents.
    h. Have procedures in place to prevent persons convicted of a felony involving dishonesty or breach of trust from participating in the business of insurance pursuant to the federal statutes.

III. PREVENTION, DETECTION, INVESTIGATION AND MANDATORY REPORTING OF FRAUD

A. Any employee who suspects, or has reason to suspect, the existence of fraud involving any document or file submitted to a Life Expectancy Provider shall immediately report such facts to their supervisor who shall refer the incident to the designated fraud review and reporting entity of the company.
B. Fraud detection is the responsibility of all employees.
C. The designated fraud review and reporting individual or entity within a Life Expectancy Provider shall be primarily responsible for investigation

and reporting of possible fraudulent insurance acts, and if contracted to do so, for investigating unresolved material inconsistencies between medical records and insurance applications.

D. Where fraud is reasonably suspected, the designated fraud and review individual or entity will be responsible to promptly report any act of suspected fraud in writing to the relevant regulatory or legal authority. Submission to a regulatory entity shall include but not be limited to:

1. A submission of the suspected fraudulent insurance acts to the Fraud Bureau or law enforcement agency by written report or on an electronically transmitted form;
2. Contain information that clearly defines and supports the allegation(s) of suspicious activity;

IV. INCONSISTENCIES THAT COULD BE POTENTIAL FRAUD

There are various Document Inconsistencies which shall include the following:

1. Alterations to health information records (e.g. erasures, white-out, strikeovers, different type inks and different handwriting);

2. Inconsistent information on health information records or health information release forms, including, but not limited to:
   a. Dates of birth;
   b. Social security numbers;
   c. Misspelled or different names on the records;
   d. Different addresses;
   e. Inconsistent medical tests;
   f. Inconsistent physician statements

3. Mixture of handwriting and typewriting on any documents;

4. Gross inconsistency in life settler/insured's signatures;

5. Photocopied forms where a typed portion is clearer than the balance of the text;

6. Typed, not printed letterheads or no letterheads;

7. Lack of physicians' signatures on letter of competency, physician's questionnaire and/or diagnosis date confirmation;

8. Altered or incomplete release form for health information/medical records;

9. Unlicensed submitter where licensure is required;

10. Extreme change in insured's condition from a physician or clinic not previously used by the insured or which is not the primary physician or clinic of the insured;

11. Material disagreement of prognosis by insured's attending physicians;

12. A broker or producer who is evasive or becomes irate about important information relating to his/her client's health information records;

13. Re-submission of an file with new or different health information data by the same broker or producer of a previously submitted and rejected file;

14. The insured moves frequently and fails to advise of changing physicians;

15. Any attempt to directly or indirectly divert, remove, or hide fraudulent documents shall be a fraud in itself;

16. If availability of life insurance applications, dates or information on life insurance applications that do not coincide with dates in medical records;

17. Answers on life insurance application that do not coincide with information found on life settlement application or in medical records;

V. ANTI-FRAUD TRAINING PROCEDURES

A. All personnel responsible for reviewing health information release forms and medical records submitted for review for life expectancy reports are required to read and initial a Life Expectancy Provider's Anti-Fraud Plan.
B. At least annually, the employees of a Life Expectancy Provider will conduct a training session to review some, if not all, of the following items:
    1. the fraud detection procedures,
    2. medical record documentation practices,
    3. various aspects of suspected or potential material fraud,

4. various states' antifraud requirements,
5. recent statutes on insurance fraud,
6. regulatory bulletins or notices on fraud activities in the industry,
7. cases from the prior year that may have been submitted to various authorities, and
8. recent seminars regarding insurance fraud and its applicability to the life settlement business.

C. All newly hired personnel of a Life Expectancy Provider will be advised of potential fraud situations that may be present in the type of work that they will be doing and how to subsequently report any suspected incidents.

D. A Life Expectancy Providers shall train their employees to identify material inconsistencies.

E. A Life Expectancy Providers shall ensure that their employees are able to readily contact appropriate Compliance and Anti-Fraud personnel and are aware of the importance of reporting material inconsistencies in any application documents.

ADDENDUM A

18 U.S.C. SECTION 1033(E)

Section 1033(e)(1)(A) makes it a felony crime for a person to engage or participate in the business of insurance if that person has ever been convicted of a State or Federal felony crime involving dishonesty or a breach of trust (or of a crime under 18 U.S.C. Section 1033). The purpose of this subsection is to prohibit anyone convicted of a felony crime involving trustworthiness from conducting insurance activities. The statute operates as a bar to these individuals from participating in otherwise legal activities. In effect, the law prohibits certain felons from ever working in the business of insurance unless they secure written consent.

The prohibition went into effect on September 13, 1994. While *the statute is not retroactive in its application*, from that date forward it became illegal for certain individuals – regardless of when their offenses were committed – to either: (1) begin to work in the business of insurance, or (2) continue to work in the business of insurance. Thus, it is applicable not only to licensed insurance professionals and others performing similar work on behalf of insurers, but to everyone acting as an officer, director, employee, or agent of an insurer, and to anyone else authorized to act on their behalf.1 There appears to be no limitation or restrictions on the applicability of Sections 1033 and 1034 as to which persons are covered so long as those persons are engaged in, or participate in, the "business of insurance" – a term broadly defined by Section 1033. The statutes contain no grandfather clause for persons already working in the business of insurance. To understand the broad reach of the statute, it should be kept in mind that all employees, regardless of their position, might thereby have access to sensitive and

valuable information. Section 1033(e)(1)(B) makes it a felony crime for a company or person, who is engaged in the business of insurance, to willfully permit the participation of a person who is prohibited under Section 1033(e)(1)(A). Thus, the statute makes it illegal for an insurer, reinsurer, its officers, directors, employees, agents and brokers (or others) to willfully employ a person who has been convicted of a felony crime involving dishonesty or a breach of trust. The law also makes it a crime for any of these employers or their subcontractors to continue to employ an individual if the employer or subcontractor subsequently learns of a conviction and does not immediately terminate the individual. As to what constitutes "insurance activities," the statute includes "all acts necessary or incidental to" the writing of insurance or the reinsuring of risks and the "activities of persons who act as, or are, officers, directors, agents, or employees of insurers or who are other persons authorized to act on behalf of such persons." This latter group of "other persons" appears to include any subcontractors, third-party administrators, consultants, professionals and the like.

Finally, as to the identification of the "individuals" who qualify as the persons or entities with whom prohibited persons may not participate with [or work with], the statute is very broad in its scope. The universe of these "individuals" includes insurers and reinsurers, and all of the persons who are authorized to act on their behalf as set out in the prior paragraph. From this point forward, when the term "insurer" is used, it means to include this entire universe of individuals. *See* 18 U.S.C. § 1033(f)(2).

If an individual is a "prohibited person" under this Act, the only way for that person to engage or participate in the business of insurance is to obtain the "written consent" of the appropriate insurance commissioner.

PROHIBITED INDIVIDUALS MAY OBTAIN RELIEF

Section 1033 provides a mechanism whereby a prohibited individual may apply to the appropriate insurance commissioner for "written consent" to work in the business of insurance. *It is important to point out that this mechanism does not allow a person to work in the business of insurance while that person is applying for relief from the prohibition, nor does it grant relief from any applicable state law prohibition*. The statutory language for the mechanism underlined below in 18 U.S.C Section 1033(e) and (f) provides meaningful definitions:

(A) 18 U.S.C. Section 1033(e) (e)(1)(A) Any individual who has been convicted of any criminal felony involving dishonesty or a breach of trust, or who has been convicted of an offense under this section, and who willfully engages in the business of insurance whose activities affect interstate commerce or participates in such business, shall be fined as provided in this title or imprisoned not more than 5 years, or both. (emphasis added) (B) Any individual who is engaged in the business of insurance whose activities affect interstate commerce and who willfully permits the participation described in subparagraph (1) shall be fined as provided in

this title or imprisoned not more than 5 years, or both. A person described in paragraph (e)(1)(A) may engage in the business of insurance or participate in such business if such person has the written consent of any insurance regulatory official authorized to regulate the insurer, which consent specifically refers to this subsection.
(Emphasis added)

ADDENDUM B

The basic elements of a common law fraud are:

- A false statement or misrepresentation concerning a material fact;
- Knowledge by the person making the statement that the representation is false;
- The intent by the person making the statement that the representation will induce another to act on it; and

Actual and justifiable reliance on the representation to the injury or damage of the other party.

