

No. CV 99 49 67 61 S

LISA MACOMBER; and)	
KATHRYN HUAMAN, AS CUSTODIAN)	SUPERIOR COURT
FOR JOSHUA ADICKES, on behalf of)	
themselves and all others similarly situated,)	J. D. OF NEW BRITAIN
)	
Plaintiffs,)	COMPLEX LITIGATION
)	DOCKET
)	
vs.)	
)	
TRAVELERS PROPERTY CASUALTY CORP.;)	
TRAVELERS GROUP INC.; TRAVELERS)	
EQUITY SALES INC.; SALOMON)	
SMITH BARNEY HOLDINGS INC.;)	
and TRAVELERS LIFE AND ANNUITY)	AUGUST 6, 1999
COMPANY,)	
Defendants.)	

AMENDED CLASS ACTION COMPLAINT

Plaintiffs, for their class action complaint, allege, based upon personal knowledge as to certain matters, the extensive investigation of their counsel (the review of internal documents generated by defendants and produced in discovery in other litigation) and information and belief, as follows:

NATURE OF CLAIMS

1. This is a class action brought on behalf a class (the "Class") of all persons who entered into structured settlements with Travelers Property Casualty Corp. (and its predecessors) in the period 1982 to the present to recover damages associated with misconduct in which defendants engaged relating to various illegal schemes that caused plaintiffs and the other members of the Class to suffer damages.

OFFICE OF THE CLERK
SUPERIOR COURT
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JAMES H. HARRIS, JR.
CLERK

2. As set forth below, defendants engaged in multiple deceptive schemes which involved directly soliciting insurance claimants and wrongfully encouraging plaintiffs and the other members of class into entering into structured settlements funded with annuities so that TPC and its affiliates could generate illegal and undisclosed rebates and other undisclosed fees for themselves, at the expense of plaintiffs and the other members of the Class.

3. In connection with inducing plaintiffs and the other members of the class to enter into structured settlements, TPC uniformly made representations concerning the structured settlements, including, but not limited to, representations as to the value of, and amounts TPC was spending to purchase, annuities used to fund structured settlements. At all relevant times, TPC regularly paid less to purchase annuities than it represented it would, secretly pocketing the difference. For example, TPC agreed to spend \$6,667.00 (or \$10,000 less the upfront payment of \$3,333) in connection with the purchase of an annuity to fund the structured settlement entered into on behalf of Joshua Adickes by plaintiff Huaman. In fact, internal documents at TPC reflect that TPC did not spend \$6,667.00. Instead, TPC forwarded a check for this purpose to Travelers Life & Annuity Co. (TLAC) in the amount of \$6,569.51, an amount representing \$97.49 less than agreed and represented. The difference was not disclosed, but was retained, by TPC.

4. Compounding the misleading nature of the transaction, at all relevant times, TPC utilized insurance brokers, including certain of the defendants herein, to effect the purchases of annuities to fund the structured settlements. Those brokers, who received commissions in connection with the annuity purchase, routinely paid to TPC 50% of the commissions they generated from these transactions. These secret payments – which further reduced the net cost of the annuities to TPC – were and are illegal rebates, in violation of applicable insurance laws.

5. Because of the undisclosed short-changing and the secret and illegal rebates, defendants caused plaintiffs and the other Class members to enter into materially lower valued settlements than (a) agreed, and (b) they otherwise would have had they known that TPC was enjoying the fruits of illegal kickback and “price change” schemes.

PARTIES

Plaintiffs

6. Plaintiff Lisa Macomber entered into a structured settlement with Travelers Property Casualty Corp., which provided for an annuity owned by The Travelers Indemnity Company and issued by Travelers Life and Annuity Company.

7. Plaintiff Kathryn Huaman, as Custodian for Joshua Adickes, entered into a structured settlement with Travelers Property Casualty Corp., which provided for an annuity owned by The Travelers Indemnity Company and issued by Travelers Life and Annuity Company.

Defendants

8. Defendant Travelers Property Casualty Corporation (“TPC”) is a Connecticut domiciled insurance company with its principal place of business located at One Tower Square, Hartford, Connecticut 06183. Travelers Property Casualty Corp. is a property-casualty insurance holding company engaged, through its subsidiaries (including through defendant The Travelers Indemnity Company), principally in two business segments: Commercial Lines, which includes Specialty Accounts, and Personal Lines. The Company provides a wide range of commercial and personal property and casualty insurance products and services to businesses, government units, associations and individuals. TPC was formed in January 1996 to hold the property and casualty insurance subsidiaries of The Travelers Insurance Group Inc., an indirect wholly-owned

subsidiary of Travelers Group Inc. On April 2, 1996, the Company purchased from Aetna Services, Inc. (formerly Aetna Life and Casualty Company) ("Aetna") all of the outstanding capital stock of Travelers Casualty and Surety Company (formerly The Aetna Casualty and Surety Company) and The Standard Fire Insurance Company, Aetna's property and casualty insurance subsidiaries, for approximately \$4.2 billion in cash. Defendant Travelers Group Inc. owns approximately 83% of the TPC's outstanding common stock.

9. Defendant Travelers Group Inc. ("TGI") is a diversified financial services holding company engaged, through its subsidiaries, principally in four business segments: (i) Investment Services, including Asset Management; (ii) Consumer Finance Services; (iii) Life Insurance Services; and (iv) Property & Casualty Insurance Services (primarily through TPC). TGI maintains its principal executive offices at 388 Greenwich Street, New York, New York 10013. Defendant TGI owns approximately 83% of the TPC's outstanding common stock. In addition to being the majority holder of TPC, TGI also is the corporate parent of and controls Smith Barney, and is or was the corporate parent of and controls Travelers Equity Sales, Inc. ("TESI"), each of which are and/or were entities engaged in the business of brokering life insurance transactions. In its capacity as corporate parent, affiliate and controlling share owner of TPC, TLAC, Smith Barney and other persons and entities involved in the schemes alleged herein, TGI at all times had the power to and did control the affairs, operations and conduct of those defendants and permitted and approved the conduct alleged herein.

10. Defendant Travelers Equity Sales Inc. ("TESI") and Salomon Smith Barney Holdings Inc. ("Smith Barney"), were and/or are each a wholly-owned subsidiary of TGI, and an investment services company, which acted as a brokerage for purposes of effecting the purchases of annuities used to fund structured settlements. Smith Barney is the parent of and/or successor

to one or more entities that acted as a life insurance brokerage, including, without limitation, SBHU Life Agency of Ohio, Inc., which maintained offices at 100 North Main Street, Chagrin Falls, Ohio 44022.

11. Defendant Travelers Life and Annuity Company ("TLAC") is an insurance company primarily engaged in the business of selling and underwriting life insurance policies. TLAC is a wholly-owned subsidiary of TGI and maintains its principal executive offices at One Tower Square, Hartford, Connecticut 06183.

ALLEGATIONS OF WRONGDOING

Background

12. Since the 1970's, insurance companies, including TPC, have routinely utilized structured settlements — *i.e.*, settlements involving periodic payments as opposed to lump sum payments — to settle personal injury, workers compensation and other significant claims.

13. Because of the periodic payments involved with structured settlements, most structured settlements are funded with annuities, contracts issued by life insurance companies. Annuities are life insurance products, and life insurance companies derive profits from the sale of annuities. TPC, in pursuit of settling claims through the illegal sale of life insurance products, also enjoyed significant savings from the settlement of claims with life contingent contracts, as explained by the Travelers Structured Settlements Manual:

Essentially, when a claimant has a reduced life expectancy and a substandard age rating has been obtained, the more life contingent benefits provided in the structure offer, the higher the savings on the claim.

14. For at least the past 17 years, TPC has settled claims with personal injury, workers compensation, property, casualty and other claimants using fraudulent, deceitful,

wrongful and illegal means, perpetrating a fraud upon these claimants, and causing them to suffer damages. As set forth below, TPC does and at all relevant times did routinely and regularly engage in wrongful conduct in interstate commerce involving the illegal solicitation and sale of life insurance products without appropriate licensing and pursuant to an illegal and undisclosed rebating, kickback scheme by which TPC receives and enjoys undisclosed and illegal rebates relating to the sales of life insurance annuities used to fund its structured settlements.

Nature of TPC Structured Settlement Process

15. TPC utilizes and at all relevant times utilized a preconceived plan to solicit and implement structured settlements in furtherance of an illegal and deceptive scheme.

16. TPC identifies structured settlement candidates by instructing TPC claims adjusters to identify all claims which were valued over a certain amount, typically over \$50,000, but frequently at amounts below that figure. TPC claims adjusters were and are instructed to advise all such claimants that their claims could and should be resolved by structured settlement. In addition to the encouragement and training from their managers, all TPC claims adjusters were and are provided key documentation, and, importantly, "Quote Partner" software which facilitated the conversion of claims into structured settlements. As a result of their receipt and use of this training, documentation and software, TPC claims adjusters were and are able to and did and do provide expertised guidance concerning annuity valuations and the purported advantages and disadvantages of having annuitized claims.

17. Once a claimant agrees to a structured settlement, TPC enlists the assistance of an insurance broker. At all relevant times, TPC directed the vast majority of this business on an exclusive basis to a handful of affiliated insurance brokers.

18. The broker then arranges for a purchase by TPC of an annuity from a life insurance company, purportedly based on the exact terms and conditions already negotiated by the TPC claims adjuster and agreed to by the claimant. Upon the sale of the annuity, the life insurance company pays a commission to the insurance broker.

19. As set forth below, defendants have engaged and continue to engage in wrongful and illegal schemes and a common course of conduct by which they have acted and are acting to the detriment of plaintiffs and the other members of the Class.

The Plaintiffs' Settlements

Plaintiff Macomber

20. Plaintiff Lisa Macomber was involved in an automobile accident in 1988.

21. Plaintiff Macomber thereafter settled her claims against the alleged tortfeasors for a total settlement amount of \$85,000. Pursuant to her settlement, plaintiff was paid \$70,000 and TPC agreed to invest \$15,000 in a structured settlement.

22. The settlement was embodied in, among other things, a January 10, 1994 Release executed by "The Travelers Insurance Company" by Thomas Keefe which represented that consideration for plaintiff's release included "a structured settlement in accordance with Exhibit A with an estimated present value of FIFTEEN THOUSAND (\$15,000) DOLLARS"; and an April 4, 1990 letter from plaintiff's attorney on the claim to Thomas Keefe, of Travelers Auto Claim Department confirming the agreement to pay \$70,000 "plus an annuity agreement worth \$15,000."

23. On the basis of the foregoing agreement, plaintiff accepted a structured settlement as detailed in a "Summary of Benefits" dated March 20, 1990, reciting that plaintiff would receive "\$1,015.18 ANNUAL LIFE ANNUITY, COMMENCING ON MARCH 1, 1991, 30

PAYMENTS CERTAIN.” In addition, on the basis of the foregoing agreement, plaintiff paid her attorneys a contingency fee amount which was based on a percentage of the total settlement of \$85,000.

24. In fact, the amount spent by TPC to purchase the structured settlement was materially less than the \$15,000 represented because TPC received undisclosed rebates in connection with the purchase of the annuity used to fund the structured settlement.

Plaintiff Huaman

25. Plaintiff Huaman is the guardian of minor child Joshua Adickes, who was involved in an automobile accident in 1993.

26. Plaintiff Huaman, in her capacity as lawful guardian, thereafter settled Joshua Adickes’ claims against the alleged tortfeasors for a total settlement amount of \$20,000. Travelers agreed to contribute its full policy amount, \$10,000 to such settlement on behalf of its insured. Pursuant to the settlement, Travelers’ \$10,000 settlement amount was agreed to be divided as follows:

\$6,667.00	Structured Settlement
\$3,333.00	Attorneys Fees

27. On the basis of the foregoing agreement, plaintiff accepted a structured settlement that was represented to be of a value and cost of \$6,667.00, as detailed in a “Summary of Benefits” reciting that plaintiff would receive a payment of \$2,500 on January 21, 2005; a payment of \$3,000 on January 21, 2006; a payment of \$3,500 on January 21, 2007; and a payment of \$5,000 on January 21, 2008. In addition, on the basis of the foregoing agreement, plaintiff paid her attorneys a contingency fee amount which was based on a percentage of the total settlement of \$3,333.

28. The settlement was embodied in, among other things, a September 27, 1994 Infant Compromise Order entered by Justice William L. Underwood, of Supreme Court of the State of New York, Suffolk County (Special term, Part II), which “ORDERED, that the respondents,... through their insurance carrier, TRAVELERS INSURANCE COMPANY, shall pay the Structured Settlement of TEN THOUSAND (\$10,000.00) DOLLARS ...”

29. In fact, the amount spent by TPC to purchase the structured settlement was materially less than the \$6,667 represented because TPC secretly paid a materially lower amount for the annuity and because it received undisclosed rebates in connection with the purchase of the annuity used to fund the structured settlement. Indeed, in addition to other illegal rebates collected by and through defendant Smith Barney in connection with the purchase of the annuity used to fund this structured settlement, TPC paid not more than \$6,569.51 (before receiving the illegal rebate), to purchase the above-described structured settlement.

Illegal Short-Changing Scheme

30. TPC routinely spends less on the purchase of annuities to fund structured settlements than they agree to spend. Annuities are investment vehicles the value of which change as a result of both the current interest rate environment and future interest rate projections.

31. In the settlement process, TPC claims adjusters typically provide various structured settlement proposals. The various proposals are each represented to be of a certain present net worth. TPC frequently overstates the present net worth.

32. Here, plaintiff Huaman provides an example. She agreed to a settlement with TPC in the amount of \$10,000, an amount recited in several places, including in an order of the court in which Ms. Huaman’s personal injury action was originally filed. In accordance with the

agreement between the parties, the \$10,000 consideration to be paid by TPC was to be paid as follows \$3,333 in cash and the balance was to be used to purchase an annuity which was represented to have a then-present value of \$6,667. In truth, the annuity purchased by TPC had a then-present value of \$6,569.51 as reflected on the internal documentation used by TPC to document its purchase of annuity from TPC. The difference – \$97.49 – represents money that TPC agreed to pay to plaintiff Huaman in settlement of her claims but which was not paid by TPC to plaintiff, nor was it paid by TPC in satisfaction of the obligation to purchase an annuity. Instead, the \$97.49 difference was concealed from plaintiff Huaman and illegally retained by TPC.

33. The existence of this material short-changing was never disclosed to plaintiff Huaman and it is not disclosed to other members of the Class. Pricing discrepancies such as that which impacted plaintiff Huaman's settlement may occur for many reasons, but they never work out to the claimant's benefit. TPC purposefully avoids disclosure of these discrepancies in a blatant effort to capture them as additional profits.

Illegal Rebating/Kickback Schemes

34. TPC and/or its claims adjusters aggressively seek to resolve claims through the use of annuitized structured settlements. In so doing, TPC arranged for the purchase of an annuity to fund the structured settlement. TPC directed the purchasing of annuities through designated insurance brokers, including defendants TESI and Smith Barney. The universe of designated brokers to whom these annuity orders were processed was confined to the handful of brokers with which TPC enjoyed either an affiliation or a secret and illegal relationship by which such brokers rebated a significant portion of their commissions on the sales of annuities to TPC.

35. In effect, brokers to whom TPC directed this annuity business secretly paid a 50% rebate or kickback to TPC. At all relevant times, these kickbacks were undisclosed and illegal, and a violation of statutes prohibiting the rebating and/or splitting of commissions or fees in connection with the sale of life insurance products. In addition to illegally soliciting the sale of annuities, by collecting rebates on the commissions paid to the insurance brokers in connection with the sale of the annuity, and thus collecting a commission on the sale of the annuity, TPC and its claims adjusters were sellers rather than purchasers of life insurance products.

36. At all relevant times, these rebates were improper and a violation of Conn. Gen. Stat. §38a-825, New York Insurance Law § 2324 and similar laws in other states. These illegal rebates were paid without disclosure to plaintiff and their agents, using the means of interstate commerce including the mails and wires.

The Rebating Scheme In The Period 1982 Through 1994

37. In the period from 1982 through 1994, TPC engaged in this improper rebating scheme with and through its then-affiliate Travelers Equity Sales, Inc. In that time period, TESI was a wholly-owned subsidiary of Travelers Life Insurance Company and acted as an exclusive agent for TPC, rebating between 25% and 75% of its commissions to TPC on the TPC-directed annuity sales.

38. In addition, prior to 1994, most if not all of the structured settlements forming the basis of this complaint were funded with annuities sold by TLAC, yet another entity under the Travelers name, and a subsidiary of TGI. By virtue of its corporate interrelationships with TPC, TGI and Smith Barney, TLAC was at all relevant times a direct and knowing participant in all of the wrongful conduct alleged herein.

The Rebating Scheme In The Period 1994 Through Present

39. In January 1994, TPC entered into an exclusive arrangement with Salomon Smith Barney (then known as Smith Barney, and now a subsidiary of TGI.) During the time that TPC operated an exclusive arrangement with Smith Barney, TPC agreed to purchase all annuities through Smith Barney's then-subsi-dary SBHU Life Agency of Ohio. SBHU would purchase annuities from a variety of life insurance companies and receive commissions. The commission checks were paid by the life insurance companies to SBHU and forwarded to Smith Barney's New York City headquarters which then forwarded 50% of the gross commissions to TPC. Jerry Hampton and Stephen Marynoski, both Vice Presidents of Smith Barney at the time, facilitated, processed and handled the payments on behalf of Smith Barney. In the period from 1994 to 1998, more than \$10 million in rebates have been paid out through Messrs. Hampton and Marynoski. In addition, approximately \$3 million was paid directly from TLAC to TPC under the direction of Jay Benet, who was a Vice President of TLAC responsible for overseeing the annuity program and was integrally involved in various aspects of the foregoing rebating scheme.

40. In short, as explained in the Travelers Structured Settlements Manual (section 2, page 1), "Whether the Structured Settlement is placed through Travelers Life Annuity (TLAC) or one of many outside companies, a portion of that claim check reverts back to Travelers."

41. In January 1998, TPC entered into exclusive relationships with non-parties Ringler Associates and Wells and Associates. Pursuant to these exclusive relationships, the brokers rebate 50% of their commissions earned on annuity purchases and place a significant portion of their non-TPC generated premiums with TLAC. In the process of developing these relationships, representatives of Wells expressly told TPC that the agreement was a violation of the anti-rebating laws. Although TPC's Glenn Lammey (Executive Vice President of TPC), Tony Torsiello (Chief Financial Officer of Claims at TPC) and Jim Cerone (Executive Vice

President of TPC) attempted to assure Wells that it could circumvent these laws merely by characterizing the payments as something other than illegal rebates, Wells has apparently taken the step of placing all rebate moneys allegedly owed to TPC into an escrow account pending further determinations concerning the legality of such payments.

42. Notwithstanding the obvious illegality of these rebating schemes, including internal memoranda discussing and proposals designed to address this rebating scandal, defendants did nothing to correct it, opting instead to continue receiving millions of dollars in illegal rebates. Indeed, although in internal meetings certain TPC executives have attempted to justify the rebating as service reimbursement claims, repeated warnings from TPC's middle managers involved with structured settlements refute this claim.

43. Defendants' conduct also includes the systematic cover-up of the wrongdoing described herein. Senior management of TPC and TLAC have repeatedly admonished middle managers and others within their organizations not to refer to the rebates and kickbacks as anything other than "service reimbursement," for fear of the consequences of any such characterizations. Other managers periodically referred to the kickbacks and rebates as "commissions" which met with similar admonitions from senior management at both TPC and TLAC, who warned of serious consequences flowing from such characterizations. Managers and employees were also advised by their seniors to put nothing in writing concerning the solicitations and rebating, so that there would be no paper trail concerning the validity of these illegal practices.

44. Various mergers and/or acquisitions involving TGI and/or other Travelers entities have also resulted in questions arising concerning the nature of the rebating, and likewise have resulted in further efforts to white-wash and cover-up the illegal practices described herein.

During the merger with Aetna in early 1996, Aetna inquired as to the validity and legality of the rebating. Although it is unknown how TGI, TPC and TLAC assuaged Aetna's legitimate concern, apparently defendants feared the consequences of asking outside counsel to evaluate this issue, and the risks of exposure attendant thereto.

45. When Smith Barney merged with TGI, issues were raised concerning the rebates, which again were not referred to outside counsel for analysis to avoid a potentially negative opinion.

46. Similarly, the illegal solicitations of life insurance were justified in discussions between middle managers and senior management at TPC and TLAC as not illegal since TPC was the purchaser of the annuity under the typical structure of a structured settlement, and therefore, TPC was simply soliciting life insurance products on its own behalf. Notwithstanding the obvious circularity of this reasoning and the blatant disregard of the claimants as the ultimate beneficiaries of the illegal life insurance sales solicitations, defendants utilized this excuse in internal communications which attempted to address inquiries concerning the illegal solicitation scheme described herein.

47. Defendants' systematic efforts to cover-up issues of illegality relating to rebating and illegal solicitations, to admonish use of words such as "commissions" and other correct characterizations of the various payments to TPC, refusals to expose the issues to outside counsel, and other similar behavior are all part of the fraudulent schemes depicted herein and were undertaken in furtherance of the fraudulent schemes and for the illicit purpose of advancing the schemes by which the defendants enjoyed huge profits.

Illegal Solicitation and Sales of Life Insurance Without License.

48. Persons who solicit and sell life insurance must be licensed to do so. TPC is not licensed to solicit or sell life insurance. TPC has more than an estimated 5,000 claims adjusters working in the field. Virtually none of TPC's claims adjusters (estimated to be less than 2%) are licensed to sell life insurance.

49. Notwithstanding its lack of a license to do so, TPC regularly and routinely solicits the sale of life insurance products. All such conduct is illegal *per se*.

50. As described above, all TPC claims adjusters are and at all relevant times were provided encouragement, training, key documentation, and access and use of "Quote Partner" software which facilitated the conversion of claims into annuitized structured settlements. As a result of their receipt and use of this encouragement, training, documentation and software, TPC claims adjusters were able to and did provide expertised life insurance interpretations and guidance concerning annuity valuations and the purported advantages and disadvantages of having annuities. Virtually all such interpretive analysis, guidance and, ultimately, solicitation and selling, was provided by TPC claims adjusters who were not licensed to engage in such practices.

51. Included among the documentation and software provided to claims adjusters not licensed to sell annuities and life insurance products by TPC was a manual called the Structured Settlements Manual. As explained in that manual (which acknowledges TPC and TGI's desire to expand use of structured settlements):

The primary objective in expanding use of structured settlements is to maximize their value as a tool to reduce both claim loss and expense costs.

52. The relevant claims department adjusters were also actively encouraged to sell structured settlements and annuities to settle claims, without regard to the propriety of such

products for the claimants. For defendants' purposes, all claimants with claims in excess of certain amounts (which varied from time to time) were to be settled with life insurance annuities. In furtherance of these requirements, claims adjusters' bonuses and raises were conditioned on production of such annuity sales. TPC also regularly used sales contests and other internal promotional efforts to encourage unlicensed adjusters to sell these life insurance products.

53. At all relevant times, the illegal solicitations and selling described herein involved the use of the mails and wires of interstate commerce.

54. Notwithstanding the obvious encouragement to sell annuities, TPC, TLAC and TGI instructed claims adjusters to avoid the use of certain phrases when selling annuities in a blatant effort to avoid the consequences which might result from the acknowledgment of the conduct which adjusters were encouraged to engage in. Thus, the Travelers Structured Settlement Manual states on page 4 of section 7 (manual dated 3/94) in a section audaciously entitled "Settle Claims, Don't Sell Annuities":

Avoid offering plans in this manner: "This settlement offer includes an annuity which will pay ... " ... [because] you are licensed to settle claims, not sell annuities ...

Common Course of Conduct and Injury Allegations

55. Each of the structured settlements of plaintiff and the other members of the Class were entered into under materially false and misleading circumstances because defendants misrepresented the fundamental nature and terms of the structured settlements. Defendants misrepresented and failed to disclose to Plaintiff and other members of the Class numerous material facts, including failing to disclose, among other things, that:

(a) The solicitation of structured settlements was motivated in significant part by the desire to participate in and enjoy illicit profits from illegal short-changing and rebating-kickback schemes;

(b) The actual cost of the structured settlement and the true value of the settlement was materially lower than represented to claimants;

(c) The true value of the structured settlement to TPC was materially greater than represented because TPC was the beneficiary of conversion of undisclosed pricing discrepancies and illegal rebates and kickbacks; and

(d) The structured settlements would be funded by annuities which TPC was not licensed to solicit or sell.

56. Because the defendants misrepresented and failed to disclose such material facts, the uniform sales presentations, policy invoices, annuity sales materials, and other documents prepared and used by the defendants and their agents and representatives were inherently unfair to plaintiffs and materially false, misleading, and deceptive.

57. As a result of the wrongful acts and omissions complained of herein, plaintiff and other members of the Class were induced to and did: (i) enter into illegal structured settlements and (ii) accept materially lower settlement amounts than they would have had TPC and the other defendants adhered to their common law duties of good faith and fair dealing and not engaged in an illegal rebating scheme. In addition, plaintiffs and the other members of the Class were deprived of money converted by TPC in the structured settlement process.

58. As a direct and proximate result of defendants' wrongful conduct, as described herein, plaintiffs and members of the Class have sustained substantial injuries and damages, including, among other things:

- (a) The acceptance of structured settlement amounts substantially below the value represented to be the cost of settlement amount represented by defendants;
- (b) The acceptance of structured settlements without all material facts and under circumstances which were illegal per se and violated defendants' common law duties;
- (c) The receipt of structured settlement payments which have aggregated or will aggregate significantly below that which they otherwise would have accepted had they known the true facts as set forth herein.

59. Defendants had the duty and ability to operate within the bounds of the law, to operate fairly and honestly, not to solicit or sell annuities without proper licensure, and not to engage in illegal short-changing and rebating/kickback schemes, and defendants failed and refused to discourage or stop their deceptive and wrongful practices or those of their agents and representatives and, instead, authorized, encouraged, approved and ratified such misconduct in order to perpetrate the wrongful scheme complained of herein and reap millions of dollars in unlawful profits. As regulated entities, defendants, and each of them, had the duty and ability to refrain from the illegal conduct alleged herein.

60. Defendants affirmatively and fraudulently concealed the unlawful conduct complained of herein, among other things, by: (i) using deceptive means to engage in the wrongful conduct alleged herein; (ii) failing to disclose the existence of the wrongful and fraudulent schemes alleged herein; (iii) misleading regulatory and judicial authorities concerning the true activities of defendants as alleged herein, and/or concealing the misbehavior set forth above; and (iv) failing to properly account for the short-changed amounts, the rebates and illegal kickbacks, as required by law. Consequently, and despite the exercise of reasonable diligence, plaintiffs and members of the Class could were prevented from discovering defendants' misdeeds

throughout most of the relevant time period and the running of the statute of limitations, therefore, was suspended with respect to any claims that plaintiffs or other members of the Class have brought as a result of the unlawful course of conduct alleged herein.

Class Action Allegations

61. Pursuant to Practice Book §§9-7 and 9-8, plaintiff brings this action on behalf of herself and as the representative of the following proposed Class:

All persons who entered into structured settlements with Travelers Property Casualty Corp. (Including its predecessors, subsidiaries, successors, assigns) funded with annuities during the period from January 1, 1982 through the present (the "Class Period"). Excluded from the Class are defendants, each of their corporate parents, subsidiaries and affiliates; any person controlled by any excluded person; and the legal representatives, heirs, successors and assigns of any excluded person.

62. This action meets all of the requirements of Practice Book §§9-7 and 9-8 in that:

a. Although plaintiffs do not presently know the exact size of the Class since such information is in the exclusive control of defendants, based on the nature of the activities involved herein, plaintiffs believe that the members of the Class number at least in the thousands, are geographically dispersed throughout the jurisdiction and elsewhere, and are so numerous that joinder of all members is impracticable.

b. Plaintiffs can and will fairly and adequately represent the interests of the Class and have no interest that conflicts with or is antagonistic to the interests of Class members. Plaintiffs have retained attorneys competent and experienced in class actions and complex civil litigation. No conflict exists between plaintiffs and other Class members.

c. Plaintiffs are represented by counsel experienced in class actions and complex civil litigation so as to ensure the adequate representation of absent Class members;

d. Plaintiffs' claims are typical of those of all members of the Class. Plaintiffs and all members of the Class were damaged by defendants' conduct, as complained of herein;

e. Questions of law and fact arising out of defendants' conduct are common to all members of the Class, and such common issues of law and fact predominate over any questions affecting only individual members of the Class. The common issues of law and fact include, but are not limited to, the following:

- (1) Whether defendants engaged in the wrongful schemes and course of conduct alleged herein and acted to conceal the wrongful schemes and course of conduct from the plaintiff and the Class;
- (2) Whether defendants' conduct violated the implied covenant of good faith and fair dealing;
- (3) Whether the acts and omissions of defendants as alleged herein were intentional, knowing, reckless, negligent or otherwise;
- (4) Whether by their acts and omissions as alleged herein, defendants committed a common law fraud upon plaintiffs and members of the Class;
- (5) Whether defendants have been unjustly enriched;
- (6) Whether defendants' conduct constitutes embezzlement and/or conversion;

- (7) Whether plaintiffs and members of the Class have sustained damages and the proper measure of such damages; and
- (8) Whether plaintiffs and members of the Class are entitled to an award of punitive damages.

f. A class action is the superior procedural vehicle for the fair and efficient adjudication of the claims asserted herein given that:

- (1) Common questions of law and fact overwhelmingly predominate over any individual questions that may arise, such that significant economies of time, effort and expense will inure to the courts and the parties in litigating the common issues on a classwide instead of a repetitive individual basis;
- (2) The size of many Class members' individual damage claims is too small to make individual litigation an economically viable alternative, such that few Class members have any interest in individually controlling the prosecution of a separate action;
- (3) Class treatment is required for optimal deterrence;
- (4) Despite the relatively small size of many individual Class members' claims, their aggregate volume, coupled with the economies of scale inherent in litigating similar claims on a common basis, will enable this case to be litigated as a

class action on a cost effective basis, especially when compared with repetitive individual litigation; and

- (5) The claims or defenses of the representative parties are typical of the claims or defenses of the Class.
- (6) The representative parties will fairly and adequately protect the interests of the Class.

FIRST CAUSE OF ACTION

(Breach of the Implied Duty of Good Faith and Fair Dealing)

63. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

64. As a result of the facts and circumstances alleged herein, defendants, and each of them, enjoyed a contractual or other relationship with plaintiffs and the other members of the Class giving rise to a duty of good faith and fair dealing. Defendants have each breached a duty of good faith and fair dealing owed to plaintiffs and the other members of the Class.

65. As a result of the foregoing, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

SECOND CAUSE OF ACTION

(Breach of Fiduciary Duty)

66. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

67. As a result of the facts and circumstances alleged herein, defendants, and each of them, enjoyed a relationship with plaintiffs and the other members of the Class giving rise to a fiduciary duty owed by each of the defendants as agents for plaintiffs and the other members of the Class to them. Defendants have each breached the fiduciary duties owed to plaintiffs and the other members of the Class.

68. As a result of the foregoing, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

THIRD CAUSE OF ACTION

(Breach of Contract)

69. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

70. As a result of the facts and circumstances alleged herein, TPC entered into settlement agreements with plaintiffs and the other members of the Class, in consideration for amounts certain. Defendant TPC breached the contracts and terms of the settlements entered into with plaintiffs and the other members of the Class by failing to pay the amounts certain as agreed.

71. As a result of the foregoing breaches, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

FOURTH CAUSE OF ACTION

(Violation of Conn. Unfair Trade Practices Act, Gen. Stat. §§ 42-110b)

72. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

73. Defendants used and employed unfair and deceptive acts and practices in connection with the solicitation and entering into of structured settlements and in connection with the sale of annuities. By reason of the foregoing, Defendants violated the Connecticut Unfair Trade Practices Act [Gen. Stat. §§ 42-110a, *et seq.*].

74. As a direct result of the foregoing, plaintiffs and other members of the Class have suffered an ascertainable loss of money or property.

FIFTH CAUSE OF ACTION

(Violation of Conn. Unfair Insurance Practices Act, Gen. Stat. §§ 38a-816)

75. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

76. As set forth above, defendants used and employed unfair and deceptive acts and practices and engaged in a pattern of such unfair and deceptive acts and practices in connection with the solicitation and entering into of structured settlements and in connection with the sale of annuities. By reason of the foregoing, defendants violated Conn. Gen. Stat. §§ 38a-816, including, but not limited to §§ 38a-816(1)(a), (1)(e), (6)(a), (8); in addition, defendants have violated § 38a-816(9) (relating to violations of §38a-825).

77. As a direct result of the foregoing, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial. Plaintiffs and the Class are also entitled to punitive damages.

SIXTH CAUSE OF ACTION

(Common Law Fraud)

78. Plaintiffs repeat and reallege the above allegations as if fully set forth herein.

79. In connection with soliciting and entering into structured settlements with plaintiffs and the members of the Class, defendants engaged in a scheme, common course of conduct, and conspiracy to defraud plaintiffs and members of the Class. As part of this scheme, common course of conduct, and conspiracy to defraud, defendants and their authorized agents and representatives committed fraudulent acts and practices, made numerous materially false and misleading statements and representations to plaintiffs and members of the Class, and failed to disclose and concealed material facts necessary to make the statements and representations made by defendants and their authorized agents and representatives not misleading, and/or acted to conceal material facts necessary to make the statements and representations made to plaintiffs and members of the Class not misleading.

80. The statements, representations, and omissions on which plaintiff and the Class reasonably relied were materially false and misleading when made. In making such deceptive statements, representations, and omissions, Defendants and their authorized agents and representatives acted knowingly or with reckless disregard for the truth.

81. Defendants and their authorized agents and representatives made the misrepresentations and omissions complained of herein with the intention of inducing plaintiffs and the Class to act upon them.

82. Plaintiffs and the Class did not know the truth with respect to the statements, representations and omissions complained of herein, believed such statements and representations to be true and accurate, and reasonably relied on their truth and accuracy. In reasonable reliance on the statements, representations, and omissions of material fact made by Defendants and their authorized agents and representatives, and/or the fidelity, integrity, and/or superior knowledge of Defendants, and in ignorance of the true facts, plaintiffs and other members of the Class were induced to, and did, enter into structured settlements with and through the defendants for amounts lower than they otherwise would have. Had plaintiffs and other members of the Class known the truth, they would not have taken such actions.

83. The conduct of defendants and their authorized agents and representatives was willful, wanton, malicious, outrageous and in reckless disregard for the rights of plaintiffs and the Class.

84. By reason of the foregoing, Defendants have committed, conspired to commit and/or aided and abetted a fraud and deceit upon plaintiffs and other members of the Class.

85. As a direct and proximate result of the foregoing, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

SEVENTH CAUSE OF ACTION

(Negligent Misrepresentation)

86. Plaintiffs repeat and reallege the above allegations as if fully set forth herein.

87. The materially false and misleading statements and omissions complained of herein were negligently made by defendants.

88. Plaintiffs and the members of the Class, at the time these statements and omissions were made, did not know the truth with respect thereto, but believed the Defendants' representations to be true and accurate, reasonably relied upon them, and were thereby induced to enter into structured settlements at amounts lower than they otherwise would have.

89. By reason of the foregoing, plaintiffs and the Class have been damaged in an amount to be determined at trial.

EIGHTH CAUSE OF ACTION

(Civil Conspiracy)

90. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

91. In furtherance of their wrongful scheme, Defendants acted in concert and aided and abetted one another in the common purpose of causing plaintiffs and Class members to enter into wrongful structured settlements as set forth above and concealing such illicit conduct from plaintiffs and the Class. Defendants conspired among one another to perpetrate such wrongdoing and have each, directly or indirectly, committed overt acts in support and furtherance of the conspiracy.

92. By reason of the foregoing, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

NINTH CAUSE OF ACTION

(Conversion)

93. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

94. As a result of the facts and circumstances alleged herein, defendants have wrongfully used their relationships with plaintiffs and the other members of the Class and have assumed control and exercised ownership rights over money belonging to plaintiffs and the other members of the Class. By virtue of such relationships, defendants came to possess money belonging to plaintiffs and the other members of the Class, and they fraudulently and/or intentionally and/or knowingly or recklessly appropriated such money for themselves, to the detriment of plaintiffs and the other members of the Class. Defendants have committed conversion, taking money that rightfully belongs to plaintiffs and the other members of the Class.

95. As a result of the foregoing, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

TENTH CAUSE OF ACTION

(Unjust Enrichment)

96. Plaintiffs repeat and reallege the above allegations, as if fully set forth herein.

97. Defendants will be unjustly enriched if they are allowed to retain the monies derived from their wrongful conduct.

98. As a result of the foregoing, plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

ELEVENTH CAUSE OF ACTION

(Accounting)

99. Plaintiff repeats and realleges each and every allegation set forth above as if fully set forth herein.

100. Defendants have taken, assumed control over and exercised ownership rights over amounts which they have short-changed from plaintiffs. Said amounts are not yet known and cannot be determined without an accounting.

101. Defendants owed a duty to properly account for the amounts shortchanged to plaintiffs.

102. Defendants have failed and refused to account to plaintiffs for the amounts shortchanged.

103. As a result of the wrongful conduct of defendants, an accounting should be made of all monies wrongfully obtained by defendant from plaintiff. In addition, a constructive trust should be placed over all moneys wrongfully obtained by TPC and the other defendants in connection with their illegal conduct as alleged herein.

104. Plaintiffs have no adequate remedy at law.

105. As a result of the foregoing, Plaintiffs have been damaged.

TWELFTH CAUSE OF ACTION

(Imposition of Constructive and/or Resulting Trust

106. Plaintiffs repeat and reallege the above allegations, as if more fully set forth herein.

107. As a result of the facts and circumstances alleged herein, a constructive trust should be established over the monies wrongfully received by the defendants in connection with the transactions with plaintiffs and members of the Class, as set forth above.

WHEREFORE, plaintiffs demand judgment against defendants for herself and the members of the Class, as follows:

A. Determining that this action is a proper plaintiff class action pursuant to Practice Book §§ 9-7 and 9-8 and certifying plaintiffs as proper representatives of the Class;

B. Determining that defendants are liable for the violations alleged herein;

C. Awarding plaintiffs and members of the Class damages for the violations alleged herein, together with interest thereon as allowed by law;

D. Awarding plaintiffs and members of the Class punitive damages as allowed by law;

E. Awarding plaintiffs and members of the Class their costs and disbursements incurred in connection with this action, including reasonable attorneys' fees, expert fees and other costs;

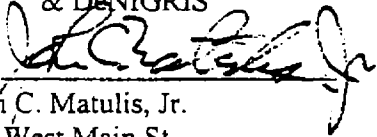
F. Granting plaintiffs and the Class declaratory, injunctive and other equitable relief, including, *inter alia*, a judgment and order (1) requiring defendants to refrain from further illegal conduct; (2) requiring defendants to cease engaging in the illegal short-changing and rebating kickback schemes described above; and (3) requiring defendants to cease engaging in the unlicensed sale of insurance products; and

G. Establishing a constructive trust over all moneys wrongfully obtained by defendants pursuant to their illegal schemes;

H. Ordering an accounting of all moneys obtained by defendants pursuant to the illegal schemes alleged herein;

I. Granting such other and further relief as the Court deems just and proper.

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CERTIFICATION

This is to certify that a copy of the foregoing was mailed on 8/6/99 to:

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