



**I. JURISDICTION**

1. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1331 and as a diversity of citizenship claim under 28 U.S.C. § 1332, as amended by the Class Action Fairness Act of 2005.

2. The matter in controversy exceeds the value of \$5,000,000, exclusive of interest and costs, and is a class action involving substantially more than 100 class members, of which fewer than one-third are citizens of Connecticut (the state in which the action is being filed).

**II. PARTIES AND PARTICIPANTS IN THE RICO ENTERPRISE**

**A. The Named Plaintiffs**

3. Plaintiff Oshonya Spencer, a resident of Ohio, entered into a structured settlement with Hartford on November 29, 2004.

4. Plaintiff Charles T. Strickland, a resident of Pennsylvania, entered into a structured settlement with Hartford on December 10, 2003.

5. Plaintiff Douglas Ean McDuffie, a resident of Oklahoma and minor at the time, through his guardian ad litem and represented by legal counsel, with court approval, entered into a structured settlement with Hartford on February 12, 2002. Douglas McDuffie is now of majority and still a legal resident of Oklahoma, pursuant to provisions of the Service Members Civil Relief Act of 2003 (formerly the Soldiers and Sailors Civil Relief Act of 1940, as amended), although he lives elsewhere while serving on active duty in the United States Marine Corps.

**B. Defendant**

6. Defendant The Hartford Financial Services Group, Inc. ("Hartford") is a Delaware corporation with its principal place of business in Hartford, Connecticut.

7. Defendant Hartford owns and controls both Hartford Life, which offers individual and group life insurance, annuities, and many other investment products, and North American Property and Casualty, which offers property and casualty insurance coverage to thousands of individuals and businesses. Defendant Hartford carries on its various business activities throughout the United States through both of these subsidiary units.

8. Hartford Life is licensed and authorized to sell life, accident and health insurance, annuities and other products in various states through the following entities: Hartford Life and Accident Insurance Company; Hartford Life and Annuity Insurance Company; Hartford Life Group Insurance Company; Hartford Life Insurance Company; Hartford International Life Reassurance Corporation; International Corporate Marketing Group, LLC; The Hartford Mutual Funds, Inc.; PLANCO Financial Services, Inc.; and Woodbury Financial Services, Inc. Most, but not necessarily all, of these individual companies are domiciled in Connecticut.

9. North American Property and Casualty is licensed and authorized to sell property and casualty insurance in various states as the following entities: Hartford Accident and Indemnity Company; Hartford Casualty Insurance Company; Hartford Fire Insurance Company; Hartford Insurance Company of Illinois; Hartford Insurance Company of the Midwest; Hartford Insurance Company of the Southeast; Hartford Lloyd's Insurance Company; Hartford Underwriters Insurance Company; Property and Casualty Insurance Company of Hartford; Omni Indemnity Company; Omni Insurance Company; Trumbull Insurance Company; Nutmeg Insurance Company; Sentinel Insurance Company, Ltd.; Twin City Fire Insurance Company; and Pacific Insurance Company, Ltd. Most, but not necessarily all, of these individual companies are domiciled in Connecticut.

10. Additionally, Hartford owns and controls Hartford Comprehensive Employee Benefits Service Company ("Hartford CEBSCO"), a service company created to assume periodic payment obligations made by Hartford in some of its structured settlement cases and to assume

periodic payment obligations of unaffiliated self-insured corporations and unaffiliated liability insurance companies. To fund such obligations, Hartford CEBSCO is paid a sum in consideration for its acceptance of the periodic payment obligation, which Hartford CEBSCO then uses to purchase an annuity from Hartford Life. This transaction is known as a “qualified assignment” within the meaning of 26 U.S.C. § 130.

11. At all relevant times, Hartford has operated a Structured Settlement Program which was run from within Hartford Fire Insurance Company (“Hartford Fire”), a subsidiary of North American Property and Casualty Company. During this period of time, all purchases and assignments of annuities for use in structured settlement cases involving personal injury claims insured by a Hartford affiliate were controlled by the employees of Hartford Fire.

12. Hartford Fire appointed and approved a limited number of outside brokers to find and place structured settlement annuities, which were used to fund structured settlement contracts to settle claims against policyholders insured by Hartford affiliates. These outside approved brokers are unknown by name to plaintiffs, but are hereinafter referred to collectively as the “Hartford Fire Outside Approved Doe Brokers” described below. Hartford uses the Hartford Fire Outside Approved Doe Brokers to handle the structured settlement segment of its casualty operations in order to build its broker referral network and thereby increase the sales of its other products (including regular annuities).

13. In addition to the Hartford Fire Outside Approved Doe Brokers, Hartford Fire, in some situations, also uses Hartford in-house brokers (hereinafter collectively referred to as the “In-House Brokers”) to find and place structured settlement annuities which are used to fund structured settlement contracts to settle claims against policyholders. Many of the Hartford Fire Outside Approved Doe Brokers have been used by Hartford Fire since the inception of the Structured Settlement Program.

14. At some time during 1998, Hartford Life entered into an agreement with Hartford Fire to handle a portion of Hartford's Structured Settlement Program. This division of labor was implemented by Hartford to increase the use of Hartford's own annuity products to fund structured settlements involving Hartford-affiliated property and casualty insurers.

15. Hartford Life appointed and approved six structured settlement brokerage firms to act as the exclusive brokers for structured settlement cases assigned to Hartford Life. Those brokerage companies included EPS Settlements Group, Inc.; Ringler Associates, Inc.; Structured Financial Associates; Cambridge Galaher Settlements and Insurance Services, Inc.; Brant Hickey & Associates; and The Pension Company, all of whom are collectively referred to herein as the "Hartford Life Outside Approved Brokers". These Hartford Life Outside Approved Brokers were not only used to increase Hartford's own structured settlement business, but to also build its broker referral network in order to increase the sale of Hartford's other products (including its regular annuities).

16. Hartford Life reported sales of annuities of \$16.5 billion, \$11.6 billion, and \$10.0 billion in 2003, 2002, and 2001, respectively. While, as previously stated, not all of Hartford Life's annuities are issued to fund structured settlements promised by Hartford on behalf of Hartford insureds, a significant portion are sold and used in this precise manner. Hartford Life boasts on Hartford's website that it alone is a "top provider in the structured settlement market," having issued more than 16,500 structured settlement annuities over the decade ending 12/31/2000 through its various issuing companies.

17. Apart from the segment of Hartford's structured settlement business, which has been administered since 1998 through Hartford Life, Hartford Fire continues to handle the remainder of Hartford's overall Structured Settlement Program. Information concerning the dollar amount of Hartford Fire annuity sales is not publicly available.

18. Unless stated otherwise, the term “Approved Brokers” as used in this Complaint shall mean and include both the Hartford Fire Outside Approved Doe Brokers and the Hartford Life Outside Approved Brokers that Hartford utilized, through Hartford Fire and Hartford Life, to carry out Hartford’s Structured Settlement Program.

**C. The Hartford Life Outside Approved Brokers**

19. EPS Settlements Group, Inc. (“EPS”), Joseph M. Costello, President, is believed to be a Colorado domiciled company with its principal place of business located at 7100 E. Belleview Ave., #300, Greenwood Village, CO 80111. EPS is a general insurance agency comprised of licensed life insurance agents who are appointed by various life insurance companies, including Hartford Life, to sell their structured settlement annuity products and arrange at times for the assumption of these structured settlements’ payment obligations under “qualified assignments” within the meaning of 26 U.S.C. § 130. EPS is a Hartford Life Outside Approved Broker and, in the person of James M. Adams (a/k/a Jamie M. Adams), was engaged by Hartford through Hartford Life to present structured settlement proposals to Plaintiff Douglas McDuffie, with Hartford Life as the primary annuity issuer.

20. Ringler Associates, Inc. (“Ringler”), Robert J. Blattenberg, President, is believed to be a California domiciled company with its principal place of business located at 27422 Aliso Creek Road, Suite 200, Aliso Viejo, CA 92656. Ringler is a general insurance agency comprised of licensed life insurance agents who are appointed by various life insurance companies, including Hartford Life, to sell their structured settlement annuity products and arrange at times for the assumption of these structured settlements’ payment obligations under “qualified assignments” within the meaning of 26 U.S.C. § 130. Ringler is a Hartford Life Outside Approved Broker and, in the person of Christie Gonzalez Hoadley, was engaged by Hartford through Hartford Life to present structured settlement proposals to Plaintiff Oshonya Spencer and, in the person of Ken Clemmens, was engaged by Hartford through Hartford Life to

present structured settlement proposals to plaintiff Charles Strickland, each with Hartford Life as the primary annuity issuer.

21. Structured Financial Associates (“SFA”), Alfred W. Bodi, President, is believed to be a Maryland domiciled company with its principal place of business located at 330 N. Charles Street, Suite 400, Baltimore, MD 21201. SFA is a general insurance agency comprised of licensed life insurance agents who are appointed by various life insurance companies, including Hartford Life, to sell their structured settlement annuity products and arrange at times for the assumption of these structured settlements’ payment obligations under “qualified assignments” within the meaning of 26 U.S.C. § 130. SFA is a Hartford Life Outside Approved Broker.

22. Cambridge Galaher Settlements and Insurance Services, Inc. (“Cambridge Galaher”), David L. Hays, Executive Vice President, is believed to be a Massachusetts domiciled company with its principal place of business located at One Tech Drive, Suite 112, Andover, MA 01810. Cambridge Galaher is a general insurance agency comprised of licensed life insurance agents who are appointed by various life insurance companies, including Hartford Life, to sell their structured settlement annuity products and arrange at times for the assumption of these structured settlements’ payment obligations under “qualified assignments” within the meaning of 26 U.S.C. § 130. Cambridge Galaher is a Hartford Life Outside Approved Broker.

23. Brant Hickey & Associates (“Brant Hickey”), Gary L. Brant, President, and David J. Hickey, CEO, is believed to be a Pennsylvania domiciled company with its principal place of business located at 1810 Mt. Nebo Road, Sewickley, PA 15143. Brant Hickey is a general insurance agency comprised of licensed life insurance agents who are appointed by various life insurance companies, including Hartford Life, to sell their structured settlement annuity products and arrange at times for the assumption of these structured settlements’

payment obligations under “qualified assignments” within the meaning of 26 U.S.C. § 130.

Brant Hickey is a Hartford Life Outside Approved Broker.

24. The Pension Company (“Pension”), Frank A. Pension, Principal, is believed to be a Pennsylvania domiciled company with its principal place of business located at 101 West Elm Street, Suite 230, Conshohocken, PA 19428. Pension is a general insurance agency comprised of licensed life insurance agents who are appointed by various life insurance companies, including Hartford Life, to sell their structured settlement annuity products and arrange at times for the assumption of these structured settlements’ payment obligations under “qualified assignments” within the meaning of 26 U.S.C. § 130. Pension is a Hartford Life Outside Approved Broker.

25. At all times mentioned herein, the Hartford Life Outside Approved Brokers have had no authority to bind either Hartford or Hartford Life and have been and are restricted to the presentation of annuity illustrations on behalf of both.

**D. The Hartford Fire Outside Approved Doe Brokers (Does 1 through 100)**

26. Does 1 through 100 are various brokerages and/or individual licensed life insurance agents throughout the United States not already named above, who were and are engaged and appointed by Hartford Fire, on behalf of itself and Hartford, to sell their structured settlement annuity products to fund structured settlement contracts to settle claims against policyholders insured by Hartford affiliates, and arrange at times for the assumption of these structured settlements’ payment obligations under “qualified assignments” within meaning of 26 U.S.C. § 130.

27. Does 1 through 100 are Hartford Fire Outside Approved Doe Brokers. At all times mentioned herein, they have had no authority to bind either Hartford or Hartford Fire and have been and are restricted to the presentation of annuity illustrations on behalf of both.

28. Plaintiffs are unaware of the true names and capacities, whether corporate, associate, individual, or otherwise of the Hartford Fire Outside Approved Doe Brokers named as Does 1 through 100 inclusive, but will seek leave of Court to amend this Complaint to state their true names and capacities when they have been ascertained and to state appropriate charging allegations.

### **III. NATURE OF THE CLAIMS**

#### **A. Structured Settlement Arrangements**

29. A structured settlement arrangement generally provides for periodic payments as damages in cases involving personal physical injuries or physical sickness, 26 U.S.C. § 104(a)(2), or for amounts received under workmen's compensation acts for personal injuries or sickness, 26 U.S.C. § 104(a)(1).

30. The Periodic Payment Settlement Tax Act of 1982 ("Settlement Act") provides tax-favored treatment for these payments under structured settlement arrangements. The Settlement Act, by amending Section 104, allows an injury claimant to exclude from gross income future "periodic payments," as long as the injury claimant does not take actual or constructive receipt of or have economic benefit of the cash, annuity or U.S. obligation funding the payments. The exclusion from gross income is provided generally for the amount of any damages (other than punitive damages) received (whether by suit or agreement and whether as lump sums or as periodic payments) on account of personal physical injuries or physical sickness.

31. The periodic payments under a structured settlement may be self-funded by the liability insurer from the insurer's own cash flow, or by the purchase of an asset, usually an annuity, which remains an asset of the liability insurer. Alternatively, the liability insurer may pay a lump sum consideration to a third-party assignee (who is usually a third-party entity affiliated with the life insurance company that will issue the annuity) to assume the periodic

payment liability to the claimant (“qualified assignment”). A qualified assignment is defined and authorized under the provisions of 26 U.S.C. § 130 (“Section 130”), as created by the Settlement Act.

32. In cases where the liability insurer assigns the annuity to another entity, the Settlement Act provides to the third-party assignee an exclusion from gross income for amounts received for agreeing to a “qualified assignment,” but only to the extent that the amount received does not exceed the aggregate cost of the annuity. In addition, the liability insurer that makes the “qualified assignment” is allowed a current year tax deduction for the whole amount it paid for the settlement, including any cash at the time of the settlement and the annuity’s purchase price (or cost). (The periodic payment obligations owed to Plaintiffs Oshonya Spencer and Charles Strickland were assigned to Hartford CEBSCO. The periodic payment obligation owed to Plaintiff McDuffie in this case was not assigned, but was retained by the annuity’s owner, Hartford Accident and Indemnity Company (part of Hartford’s North American Property & Casualty Co. (see ¶¶ 7 and 9, *supra*)).

33. In a structured settlement transaction, it is either the self-insured defendant, the liability carrier of the defendant, or the third-party assignee (who assumes their obligation) who is the annuity purchaser, and not the personal injury claimant.

**B. The Prevalence of Structured Settlements**

34. Structured settlements have become a popular device offered and arranged by defendants and their liability insurers to resolve personal injury and, to a lesser extent, workers’ compensation claims.

35. Structured settlements first began to take root in or about the mid-1970's, when annuities began to be brokered to liability insurers as a means for them to reserve large sums of money to make settlement payments, to pay out over time more than they reserved, and to avoid the administrative task of sending out settlement checks.

36. By 1991, structured settlement annuity sales had peaked at about \$4 billion and remained substantially level at \$4 billion until 1999 when, over the next two-year period, annual sales jumped to approximately \$6 billion, a level where annual sales currently remain.

**C. The Structured Settlement Market**

37. Today, fewer than twenty-five life insurance companies offer structured settlement annuities to liability insurers and self-insured corporations to indemnify physical injury accident victims and workers' compensation claimants. In addition, many of these life insurance companies have affiliated property and casualty companies for which they sell annuities to help settle their sister carrier's liability claims through structured settlements (like Hartford).

38. These life insurance companies generally do not restrict their products from being sold based on whether the brokerage was engaged by the defense or the claimant. Such is the case with Hartford Life.

39. However, most of the insurance companies who do operate jointly affiliated liability and life companies (like Hartford) do restrict access to their own claims settlement annuity sales opportunities to a select list of approved outside defense brokers or in-house brokers (like Hartford).

40. These brokers are paid a standard sales commission of four percent (4%) of the annuity's cost for their services. These services typically include working with the liability insurer's claims adjusters, preparing form structured settlement documents and relaying information to the claimant on behalf of the defense insurer about the annuity's cost.

41. Thus, structured settlements are ostensibly a device offered and arranged by the defendant's liability carrier on behalf of the defense, and the liability insurer and broker operate in tandem to deliberately erect an information barrier to protect the defense interests. For

example, liability carriers typically do not reveal to injury claimants (or their attorneys) any information about the commission agreements they have with their appointed brokers.

42. A significant percentage of structured settlements involve only small claims in which the claimant is typically unknowledgeable about these sophisticated transactions and is frequently not represented by an attorney. Moreover, the vast majority of structured settlements occur without a claimant ever retaining his or her own broker.

**D. Hartford's Structured Settlement Process: Reducing the Value of Claimants' Settlements Through Hidden Payment of Hartford's Own Defense Brokerage Fees**

43. Hartford and its Approved Brokers (and In-House Brokers), however, have gone much further than merely keeping confidential certain fee and other strategic information as a means to preserve the structured settlement concept as a defense tool. Rather, Hartford and its Approved Brokers (and In-House Brokers) have colluded to submit falsely inflated cost information to unwitting injury claimants (and their attorneys when retained) about the true amount of money which Hartford invests to purchase the funding annuity.

44. As occurred with plaintiffs, it is the practice of Hartford and its Approved Brokers (and In-House Brokers) not to disclose to injury claimants that the brokerage fee, which is owed by Hartford, is reclaimed by it from the claimant's own previously agreed-upon settlement proceeds by secretly bundling the broker's four percent (4%) commission into the represented annuity cost. Nor does Hartford reveal that even if a portion of this four percent (4%) "built-in commission" is not paid to the Approved Broker or In-House Broker, for whatever reason, it is still kept by Hartford for itself.

45. In order to cause injury claimants to assume the costs of the annuity brokerage commission, it is Hartford's practice to not disclose to any settlement claimant (and, in fact, it affirmatively conceals) the exact amount that it subsequently invests to purchase the annuity which the settling parties agreed should be acquired. Furthermore, Hartford uses a structured

settlement annuity software and quoting system that is represented by it and the Approved Brokers (and In-House Brokers) as illustrating future projected payments based on the amount of funds previously agreed between the settling parties to be invested in the annuity. This representation, however, is not true.

46. Contrary to Hartford's representations to injury claimants and their attorneys, the structured settlement annuity and quoting system utilized by Hartford has been intentionally designed to include the broker's commission as a part of the premium charge for the annuity. Since this defense-owed cost is "bundled in," injury claimants (and their attorneys when retained) are typically unaware that Hartford actually fails to remit to them, and in fact diverts, this portion of their agreed-upon settlement proceeds to pay the broker's commission instead of investing it in funding the annuity.

47. This annuity software and quoting system is used by Hartford and its Approved Brokers or In-House Brokers with injury claimants (and their attorneys when retained) in connection with each settlement transaction.

48. It is Hartford's practice (and the practice of its Approved Brokers or In-House Brokers) to not disclose (and even to affirmatively conceal) that the annuity illustrations which are presented for acceptance to injury claimants (and their attorneys when retained) do not reflect the true value of the investment in these annuities because of defendant's undisclosed "built-in" commission amounts which are diverted by Hartford to its Approved Brokers or In-House Brokers as cost avoidance or kept for itself as a direct annuity investment reduction.

49. In fact, Hartford trains its employees in the Structured Settlement Program, as well as its Approved Brokers and In-House Brokers, to not disclose to claimants (or their attorneys when retained) the fact that the broker's fee is bundled into the represented annuity investment cost.

50. Hartford employees and its Approved Brokers and In-House Brokers are also trained to conceal this scheme, in the event of claimant inquiries about the payment of commissions, by falsely responding that any sharing of information by Hartford with the claimant – except the (misrepresented) annuity cost and the future income stream to be generated from the annuity – would be tantamount to “constructive receipt” by the claimant of the annuity product which would destroy its tax advantages.

**E. The Named Plaintiffs’ Settlements**

51. OSHONYA SPENCER

a. On or about April 2, 2003, plaintiff Oshonya Spencer, an adult resident of Ohio, was involved in a motor vehicle accident in Huntington, West Virginia, in which the vehicle she was driving was struck by a vehicle driven by Jerrine L. Fox, who was insured by Hartford Insurance Company of the Midwest (“Hartford Midwest”), a Hartford subsidiary company (see ¶ 9, *supra*). Plaintiff Spencer sustained serious injuries and asserted a claim against Hartford Midwest.

b. On November 29, 2004, plaintiff Spencer entered into a Settlement Agreement and Release (“settlement agreement”) with Hartford Midwest, the terms of which had been negotiated by her attorney, Scott Stapleton, with Catherine Gleasen on behalf of Hartford Midwest.

c. During settlement negotiations, Hartford Midwest had represented to plaintiff Spencer, through Attorney Stapleton, that Hartford would be spending a total of \$100,000.00 for the benefit of plaintiff Spencer in exchange for her release of Jerrine L. Fox, the insured, Hartford Midwest, and others. Pursuant to the settlement offer, Hartford agreed to pay \$48,000.00 to include all of the costs and expenses in connection with the claim and the settlement, then invest the remaining balance of \$52,000.00 to fund an annuity which was

represented to plaintiff Spencer to pay 120 monthly payments of \$494.58, beginning on January 1, 2005.

d. Attorney Stapleton, who had a contingent fee contract with his client, plaintiff Spencer, that called for one-third of the total present value of the recovery for damages, collected an attorney fee of \$33,333.33 from his client, out of the \$48,000.00 cash portion, which was based on plaintiff Spencer's understanding that the total present value of her damage recovery was \$100,000.00.

e. The parties agreed and understood that the remaining balance of \$52,000.00 was to be fully allocated by Hartford toward the investment in an annuity that would be issued by Hartford Life Insurance Company, an affiliate of Hartford Life (see ¶ 8, *supra*). The annuity was to be purchased and owned by Hartford CEBSCO, under a "qualified assignment" of Hartford Midwest's liability to make the periodic payments, within the meaning of 26 U.S.C. § 130.

f. At no time did Hartford disclose to plaintiff Spencer or her attorney that any part of the remaining cash balance of the settlement was ever going to be spent on anything other than the actual cost of the annuity. The Hartford representatives with whom plaintiff Spencer (through her attorney) dealt in consummating the settlement never disclosed that (a) there was a broker's cost which Hartford would have to incur, or, (b) that the broker's cost was going to be charged to plaintiff Spencer by Hartford out of the remaining cash balance of her settlement proceeds which was supposed to be invested by Hartford in purchasing an annuity of present value equal to \$52,000.00.

g. Pursuant to the settlement agreement, Hartford CEBSCO purchased the annuity from Hartford Life Insurance Company on behalf of Hartford Midwest, using Ringler, in the person of Christie Gonzalez Hoadley, as the Hartford Life Outside Approved Broker.

h. At the time the settlement agreement was reached, Hartford Midwest and Ringler represented to plaintiff Spencer, through her attorney, that the 120 future monthly payments of \$494.58 each were the entire income stream that could be generated from an annuity costing \$52,000.00.

i. In exchange for the cash payments to reimburse her health care providers and the promise of those future periodic payments based on an annuity investment of \$52,000, representations on which plaintiff Spencer relied, she entered into a settlement with Hartford Midwest and subsequently granted Hartford Midwest and its insured a release.

j. Since the settlement, plaintiff Spencer has discovered that Hartford paid its defense brokerage fees by secretly bundling that cost into the represented investment value of the annuity portion of the parties' agreement, thereby reducing the annuity's value by four percent (4%).

k. Hartford Midwest spent only \$49,920.00 to fund the annuity purchased for plaintiff Spencer's benefit as part of the settlement, instead of the \$52,000.00 that defendant represented would be spent. If Hartford Midwest had applied the full amount originally represented to Plaintiff Spencer as part of the settlement agreement, the sum of her future payments would have been 4.1667 percent (4.1667%) higher (100 divided by 96 equals 1.041667). Instead of being \$494.58, each of the 120 future monthly payments would have been \$515.19; and, instead of totaling \$59,349.60, the sum of the future payments would have been \$61,822.80. Thus, plaintiff Spencer has been directly damaged in the amount of \$2,473.20 as a result of defendant's short-changing scheme.

l. Subsequent to the settlement agreement's consummation, Hartford Midwest issued a structured settlement contract copy to plaintiff Spencer, Annuity Number CCX0533761, which reflected only that a "Single Premium" had been "Paid in Full," an

intentionally deceptive act. This act concealed that Hartford had not fully invested \$52,000.00 in a funding annuity as previously represented.

52. CHARLES STRICKLAND

a. On or about March 18, 1999, plaintiff Charles Strickland, an adult resident of Pennsylvania, was involved in a motor vehicle accident in Baltimore, Maryland, in which his vehicle was struck in the rear by a vehicle driven by Robert Scott Ward, an agent, servant or employee of Kitchen Saver of Baltimore, Inc. Plaintiff Strickland sustained serious injuries. Through his attorney, Charles R. Spigelman, plaintiff Strickland brought action in the Circuit Court for Baltimore City, Maryland, Civil No.: 24-C-02-001235, styled as *Charles T. Strickland, Plaintiff, v. Robert Scott Ward, Kitchen Saver of Baltimore, Inc., and Allstate Leasing, Inc., Defendants*. Hartford Casualty Insurance Company (“Hartford Casualty”), a Hartford subsidiary company (see ¶ 9, *supra*), insured defendant Kitchen Saver of Baltimore.

b. On December 10, 2003, plaintiff Strickland entered into a General Release (“settlement agreement”) with Hartford Casualty to settle plaintiff Strickland’s underlying tort claim, which states in pertinent part: “in consideration of a cash sum of Two Hundred Twenty Nine Thousand, Nine Hundred and Twenty Nine (\$229,929.00) Dollars to be paid upon execution of the Release, receipt of which is hereby acknowledged, and future periodic payments, under the terms and conditions set forth below, having a present value of Fifty Thousand, Seventy One (\$50,071.00) Dollars, such cash sum and future periodic payments having a total settlement present value of Two Hundred Eighty Thousand (\$280,000.00) Dollars ....” The settlement agreement was signed on behalf of Hartford Casualty by Julie Dengler, representing “Hartford Insurance Group.”

c. Pursuant to the settlement agreement, Hartford Casualty agreed to invest the future periodic payments amount of \$50,071.00 in an annuity to be issued by Hartford Life, which was represented to plaintiff Strickland to pay \$250.00 per month, 15 years guaranteed (180

payments), beginning January 17, 2004. In addition, plaintiff Strickland would receive \$4,000.00 on December 17, 2008; \$10,000.00 on December 17, 2013; and \$15,000.00 on December 17, 2018, according to the settlement agreement.

d. The annuity was to be purchased and owned by Hartford CEBSCO under a “qualified assignment” of the periodic payments obligation of Hartford Casualty, within the meaning of 26 U.S.C. § 130.

e. The parties agreed and understood that the specified amount of \$50,071.00 (the remaining cash balance) was to be fully allocated by Hartford Casualty toward the investment in an annuity.

f. At no time did Hartford Casualty disclose to plaintiff Strickland or his attorney that any part of the remaining cash balance of the settlement was ever going to be spent on anything other than the actual cost of the annuity. The Hartford representatives with whom plaintiff Strickland dealt in consummating the settlement never disclosed (a) that there was a broker’s cost which Hartford would have to incur as a defense cost, or, (b) that the broker’s cost was going to be charged to plaintiff Strickland by Hartford out of the remaining cash balance of his settlement proceeds which was supposed to be invested by Hartford in purchasing an annuity of present value equal to \$50,071.00.

g. Pursuant to the settlement agreement, Hartford Underwriters Insurance Company (part of Hartford’s North American Property & Casualty Company, see ¶¶ 7 and 9, supra), purchased the annuity from Hartford Life on behalf of Hartford Casualty, using Ringler, in the person of Ken Clemmens, as the Hartford Life Outside Approved Broker.

h. At the time the settlement agreement was reached, Hartford Casualty and Ringler represented to plaintiff Strickland that the sum of the 180 monthly payments and three additional lump sums, totaling \$80,480.00, were the entire income stream that could be generated from an annuity costing \$50,071.00.

i. In exchange for the cash payment of \$229,929.00 and the promise of those future periodic payments based on an annuity investment of \$50,071.00, representations on which he relied, plaintiff Strickland entered into a settlement with Hartford Casualty and subsequently granted Hartford Casualty and its insured a release and dismissal with prejudice from the lawsuit.

j. Since the settlement, plaintiff Strickland has discovered that Hartford paid its defense brokerage fees by secretly bundling that cost into the represented investment value of the annuity portion of the parties' agreement, thereby reducing the annuity's value by four percent (4%). Hartford also kept part of the commission for itself.

k. Hartford Casualty spent only \$48,068.16 to fund the annuity purchased for plaintiff Strickland's benefit as part of the settlement, instead of the \$50,071.00 that defendant represented would be spent. If Hartford Casualty had applied the full amount originally represented to plaintiff Strickland as part of the settlement agreement, the sum of his future payments would have been 4.1667 percent (4.1667%) higher (100 divided by 96 equals 1.041667). Instead of being \$250, each of the 180 future monthly payments would have been \$260.42; and, instead of totaling \$45,000.00, the sum of the future payments would have been \$46,875.60. Instead of being \$4,000.00, the lump sum payment due in 2008 would be \$4,166.67; the \$10,000.00 lump sum payment due in 2013 would be \$10,416.67; and the \$15,000.00 lump sum payment due in 2018 would be \$15,625.01. Instead of being \$75,000.00, the total of all payments would have been \$77,083.95. Thus, plaintiff Strickland has been directly damaged in the amount of \$2,083.95 as a result of defendant's short-changing scheme.

l. Subsequent to the settlement agreement's consummation, Hartford Casualty issued a structured settlement contract copy to plaintiff Strickland which reflected only that a "Single Premium" had been "Paid in Full," an intentionally deceptive act. This act

concealed how Hartford had not fully invested \$50,071.00 in a funding annuity as previously represented.

53. DOUGLAS McDUFFIE

a. On or about August 6, 2001, plaintiff Douglas McDuffie, who was born on August 23, 1984 and was sixteen years old, was involved in a motor vehicle accident in rural Osage County, Oklahoma, in which his mother, Marilyn McDuffie, was driving a pickup truck. Marilyn McDuffie was killed in the accident and plaintiff McDuffie, who was a passenger in the truck she was driving, sustained serious injuries. Through his guardian ad litem, plaintiff McDuffie asserted a claim against Hartford Accident and Indemnity Company (“Hartford Accident”), a Hartford subsidiary company (see ¶ 9, *supra*), the insurer for the vehicle driven by Marilyn McDuffie and owned by her parents, Brice and Dorothea Jean Vermillion, the insureds and defendants in the underlying action.

b. On September 7, 2001 Hartford Accident offered to settle plaintiff McDuffie’s underlying tort claim by paying its policy limits of \$50,000 (comprised of \$25,000 for liability coverage and \$25,000 for underinsured motorist coverage) in a letter sent from Hartford Claim Consultant Tami Wolfe to Mr. Tommy Vermillion, “next friend” of plaintiff McDuffie.

c. Pursuant to the settlement agreement, which was finally reached on February 12, 2002, Hartford Accident agreed to pay \$13,231.18 to plaintiff McDuffie’s health care providers as reimbursement for his incurred medical expenses and to then invest the remaining balance of \$36,768.82 to fund an annuity (which was represented to plaintiff McDuffie to pay five annual lump sum payments of \$12,193.28, beginning on August 23, 2009).

d. The parties agreed and understood that the remaining balance of \$36,768.82 was to be fully allocated by Hartford Accident toward the investment in an annuity.

e. At no time did Hartford disclose to plaintiff McDuffie or his attorney that any part of the remaining cash balance of the settlement was ever going to be spent on anything other than the actual cost of the annuity. The Hartford representatives with whom plaintiff McDuffie dealt in consummating the settlement never disclosed that (a) there was a broker's cost which Hartford would have to incur, or, (b) that the broker's cost was going to be charged to plaintiff McDuffie by Hartford out of the remaining cash balance of his settlement proceeds which was supposed to be invested by Hartford on purchasing an annuity of present value equal to \$36,768.82.

f. Pursuant to the settlement agreement, Hartford Underwriters Insurance Company purchased the annuity from Hartford Life on behalf of Hartford Accident, using EPS, in the person of James "Jamie" Adams, as the Hartford Life Outside Approved Broker.

g. At the time the settlement agreement was reached, Hartford Accident and EPS represented to plaintiff McDuffie that the five future lump sum payments of \$12,193.28 each were the entire income stream that could be generated from an annuity costing \$36,768.82.

h. In exchange for the case payments to reimburse his health care providers and the promise of those future periodic payments based on an annuity investment of \$36,768.82, plaintiff McDuffie entered into a settlement with Hartford Accident and subsequently granted Hartford Accident and its insured a release.

i. The terms of this settlement were approved, pursuant to Title 12, Okl. Stat. § 83 (1981), in the District Court in and for Tulsa County, State of Oklahoma, on February 12, 2002, Case No. CJ 2002 00811.

j. Since the settlement, plaintiff McDuffie (as well as his attorney) has discovered that Hartford paid its defense brokerage fees by secretly bundling that cost into the represented investment value of the annuity portion of the parties' agreement, thereby reducing the annuity's value by four percent (4%).

k. Hartford Accident spent only \$35,298.06 to fund the annuity purchased for plaintiff McDuffie's benefit as part of the settlement, instead of the \$36,768.82 that defendant represented would be spent. If Hartford Accident had applied the full amount originally represented to plaintiff McDuffie as part of the settlement agreement, the sum of his future payments would have been 4.1667 percent (4.1667%) higher (100 divided by 96 equals 1.041667). Instead of being \$12,193.28, each of the five future annual payments would have been \$12,701.34; and, instead of totaling \$60,966.40, the sum of the future payments would have been \$63,506.70. Thus, plaintiff McDuffie has been directly damaged in the amount of \$2,540.30 as a result of defendant's short-changing scheme.

l. Subsequent to the settlement agreement's consummation, Hartford Accident issued a structured settlement contract copy to plaintiff McDuffie which reflected only that a "Single Premium" had been "Paid in Full," an intentionally deceptive act. This act concealed how Hartford had not fully invested \$36,768.82 in a funding annuity as previously represented.

#### **F. Common Course of Conduct and Injury Allegations**

54. Each of the structured settlements between defendant and the Named Plaintiffs and the other members of the Class were entered into under materially false and misleading circumstances, and each settlement agreement was breached by defendant in an identical manner pursuant to defendant's overarching scheme to short-change personal injury claimants' settlement recoveries.

55. Each of defendant's structured settlements with the Named Plaintiffs and the other members of the Class included a cash payment which the settling parties agreed, and Hartford specifically represented, would be the full amount it would invest to purchase and fund an annuity. In other words, Hartford adopted and followed a uniform practice of representing that

the cost or present value of the annuity to be purchased would equal the specific sum allocated under the settlement to pay for future period payments.

56. In conjunction with this standard representation made to all personal injury claimants, it was defendant's practice to fail to disclose to plaintiffs and other members of the Class numerous material facts concerning how Hartford conducted its Structured Settlement Program including, among other things, that:

a. Defendant participated in a short-changing scheme designed to allow it to recover the cost of its own structured settlement brokers, by deducting the brokers' fees from that portion of the settlement that the settling parties had previously agreed would be one hundred percent (100%) invested in an annuity;

b. Defendant accomplished this "short-change" by bundling the amount of the broker's commission (namely, four percent (4%)) into the illustrated annuity cost;

c. Even when the broker's fee was not four percent (4%), Hartford would keep for itself whatever portion of the commission was not paid to the broker; and,

d. As a result of the scheme undertaken by defendant, the actual financial value of the settlement was materially lower than the value represented to injury claimants since four percent (4%) of the full amount of cash to be invested in annuity was, in fact, diverted by Hartford to pay for its own Approved Brokers and In-House Brokers.

57. Because it was defendant's practice to fail to disclose that four percent (4%) of the annuity investment amount was being subtracted by Hartford to pay for its own brokerage costs (or to be kept for itself when not paid to the broker), Hartford's uniform representation of the actual monetary value of each settlement -- a single number represented to the claimant -- was materially false, misleading, and deceptive. In addition, because the annuity software and quoting system includes the broker's commission as part of the premium charge, Hartford's

uniform representation that the illustrated payments are reflective of the true monetary value of the settlement agreement is also false, misleading and deceptive.

58. Defendant Hartford's conduct as set forth herein, in concealing the four percent (4%) brokerage cost, was intended and had the effect of preventing plaintiffs and other claimants with whom defendant Hartford (and its subsidiaries and affiliates) were settling from learning of defendant Hartford's wrongful conduct and of the causes of action against defendant Hartford for such wrongful conduct.

59. To date, defendant has persisted in carrying out its wrongful (short-change) scheme, and as a result, it continues to reap millions of dollars in unlawful profits.

#### **IV. CLASS ACTION ALLEGATIONS**

60. Pursuant to Federal Rules of Civil Procedure (Fed.R.Civ.P.) Rule 23, the Named Plaintiffs bring this action on behalf of themselves and as the representatives of the following proposed Class:

All persons (whether or not insured by Hartford) who entered into settlements or qualified assignment agreements with Hartford – including its predecessors, subsidiaries, affiliates, successors, and assigns in which: (1) either the entirety or a portion of the claimant's damage recovery was to be invested by Hartford to purchase a funding annuity of equal present value; (2) the amount which Hartford was to invest towards purchasing a funding annuity was represented by Hartford in writing to the claimant; (3) the purchased annuity was brokered by one of Hartford's Approved Brokers or In-House Brokers; and (4) no independent broker was retained by the claimant to represent his or her interest in transacting the settlement with Hartford. Excluded from the Class is defendant, each of its corporate parents, subsidiaries, and affiliates; any person controlled by any excluded persons; and the legal representatives, heirs, successors, and assigns of any excluded person.

61. This action meets all of the requirements of Fed.R.Civ.P. Rule 23 in that:

a. Although plaintiffs do not presently know the exact size of the Class, since such information is in the exclusive control of defendant, based on the nature of the activities alleged herein, plaintiffs believe that the members of the Class number at least in the thousands,

are geographically dispersed throughout Connecticut and elsewhere, and are so numerous that joinder of all members is impracticable;

b. Plaintiffs can and will fairly and adequately represent and protect the interests of the Class and have no interests which conflict with, or are antagonistic to, the interests of 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 in that, among other things, plaintiffs and all members of the Class were similarly harmed by defendant's misconduct;

e. Questions of law and fact arising out of defendant's 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;

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

g. This class action is maintainable under FRCP Rule 23(b) because the prerequisites of subdivision (a) are satisfied and, although only one of the following need apply in order for a class action to be maintainable, all of the following apply in this case:

- (1) The prosecution of separate actions by or against individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class, which would establish incompatible standards of conduct for defendant;
- (2) The prosecution of separate actions by or against individual members of the Class would create a risk of adjudications with respect to individual members of the Class, which would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests;

- (3) The defendant has acted or refused to act on grounds generally applicable to the Class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the Class as a whole; and
- (4) Questions of law or fact common to the members of the Class predominate over any questions affecting only individual members, making a class action superior to other available methods for the fair and efficient adjudication of the controversy.

62. The predominance requirement is satisfied for all causes of action because the issues in common to the members of the proposed Class are not overshadowed by individualized issues.

## V. CLAIMS FOR RELIEF

### A. FIRST CLAIM FOR RELIEF (Breach of Contract)

1.-62. Plaintiffs incorporate paragraphs 1 - 62 of this Complaint as paragraphs 1 - 62 of this First Claim for Relief.

63. Defendant Hartford entered into settlement agreements with the Named Plaintiffs and other members of the Class, pursuant to which Hartford agreed to invest a specific sum in order to allow for the purchase of an annuity of equal present value.

64. Defendant breached the terms of the settlements entered into with plaintiffs and the other members of the Class by failing to pay the agreed-upon amounts which were to be used by Hartford to purchase an annuity of equal present value.

65. As a result of the foregoing breaches, the Named Plaintiffs and other members of the Class have sustained economic loss.

66. Defendant's actions as aforesaid were undertaken intentionally, in deliberate disregard of plaintiffs' rights, wantonly and willfully, entitling plaintiffs to an award of punitive damages.

**B. SECOND CLAIM FOR RELIEF (Violation of CUTPA)**

1. - 66. Plaintiffs incorporate paragraphs 1 - 66 of the First Claim for Relief as paragraphs 1 - 66 of this Second Claim for Relief.

67. The Named Plaintiffs and other members of the Class are persons within the meaning of Conn. Gen. Stat. §§ 42-110a(3) and 42-110g(a) who are entitled to bring an action under the Connecticut Unfair Trade Practices Act (“CUTPA”), Conn. Gen. Stat. § 42- 110a, et seq.

68. At all relevant times, Hartford was engaged in trade or commerce within the meaning of Conn. Gen. Stats. § 42-110a(4).

69. Defendant employed unfair and deceptive acts and practices in connection with the solicitation and use of structured settlements, and in connection with the purchase of annuities funding those settlements. Specifically, defendant falsely overstated the amount it would pay, and then concealed and failed to disclose the manner in which it deliberately short-changed the Named Plaintiffs and other Class members by using part of each injury claimant’s promised damage recovery to pay for Hartford hiring its own outside or in-house broker.

70. Defendant’s conduct as alleged herein was unethical, illegal, and unscrupulous, and violated the public policy of the State of Connecticut.

71. Defendant’s conduct as aforesaid constituted unfair or deceptive practices in the conduct of a trade or business, in violation of the Connecticut Unfair Trade Practices Act, Conn. Gen. Stats. § 42-110a, et seq.

72. Defendant’s conduct as aforesaid has been perpetrated as a continuing wrongful scheme and wrongful and fraudulent course of conduct since the inception of the Structured Settlement Program.

73. As a direct result of defendant's conduct as aforesaid, the Named Plaintiffs and other members of the Class have suffered an ascertainable loss.

74. The Named Plaintiffs and other members of the Class are entitled to recover the damages they have sustained as a result of defendant's wrongful conduct.

75. In accordance with Conn. Gen. Stats. § 42-110g(c), a copy of this Complaint has been mailed to the Attorney General for the State of Connecticut and to the Commissioner of Consumer Protection for the State of Connecticut.

**C. THIRD CLAIM FOR RELIEF (Unjust Enrichment)**

1.-62. Plaintiffs incorporate paragraphs 1 - 62 of this Complaint as paragraphs 1 - 62 of this Third Claim for Relief.

63. At no time did any of the Named Plaintiffs or any Class member agree to bear the cost of the annuity brokerage services which Hartford received for its sole benefit in settling the underlying personal injury claim by means of a structured settlement.

64. As a direct result of the deceptive practices of defendant Hartford, the Named Plaintiffs and other Class members unwittingly paid for services rendered exclusively to Hartford by its Approved Brokers or In-House Brokers.

65. Since Hartford benefitted from those services but did not pay for that benefit, Hartford's failure to pay has damaged the Named Plaintiffs and other Class members.

66. Defendant will be unjustly enriched if it is allowed to retain the monies derived from its wrongful conduct.

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

**D. FOURTH CLAIM FOR RELIEF (Violation of RICO)**

1. - 66. Plaintiffs incorporate paragraphs 1 - 66 of the First Claim for Relief as paragraphs 1 - 66 of this Fourth Claim for Relief.

67. Hartford uses its Structured Settlement Program for purposes beyond merely entering into structured settlement contracts with injury claimants. Two additional goals specifically include: (1) re-capturing settlement payouts by transforming them into premium dollars through the sale of its own annuity products; and, (2) augmenting the sale of regular Hartford products by building its outside broker referral network.

68. To entice outside brokers to continuously handle this segment of Hartford's annuity business and to make new referrals to Hartford for regular product sales, Hartford promises exclusivity to outside brokers willing to handle its structured settlement contracts.

69. In order to absorb the business cost of paying for these outside brokers, however, it is Hartford's practice to deceive unwitting claimants into paying for its outside broker network by not disclosing how brokers' commissions are deducted by Hartford from structured settlement recoveries.

70. Moreover, even in situations where Hartford uses an In-House Broker in lieu of an outside Approved Broker in its network, it is Hartford's practice to deceive unwitting claimants into paying for the operating cost of its In-House Brokers by not disclosing how In-House Brokers' commissions are likewise deducted by Hartford from structured settlement recoveries.

71. As a result of this short-change scheme, Hartford not only avoids payment of its own broker fees by secretly shifting that cost onto the Class, but it also saves millions in "damage dollars" that it would otherwise be obligated to pay on behalf of its liability insureds in settling personal injury claims.

72. This scheme is engineered and maintained by Hartford (and its In-House Brokers) through its use of the Approved Brokers, who Hartford calculates would rather remain silent as to how they are being paid than disclose the truth and risk the loss of income they receive through their exclusive relationship with Hartford.

73. Defendant, including its In-House Brokers, is a “person” within the meaning of 18 U.S.C. § 1961(3) and are legally distinct from the enterprise, defined below. In addition, defendant (and its In-House Brokers) are distinct from every other person comprising the enterprise, defined below.

74. Each Approved Broker is a “person” within the meaning of 18 U.S.C. § 1961(3) and is legally distinct from the enterprise, defined below. In addition, each Approved Broker is legally distinct from one another.

75. Defendant, including its In-House Brokers, formed an association-in-fact with the Approved Brokers, for the shared goal of maximizing profits and used this association-in-fact to defraud the Named Plaintiffs and other members of the Class. This association-in-fact constitutes an “enterprise” within the meaning of RICO, 18 U.S.C. § 1961(4).

76. Individual employees or associates of the members of the association-in-fact, who are not themselves defendants, were all acting within the scope of their employment and as agents, respectively, of these members.

77. This enterprise was engaged in, and its activities affected, interstate commerce within the meaning of RICO, 18 U.S.C § 1962(c).

78. Defendant unlawfully, knowingly and intentionally conducted and participated, directly or indirectly, in the conduct of the enterprise’s affairs though a “pattern of racketeering activity” within the meaning of RICO, 18 U.S.C § 1961(5), in violation of RICO, 18 U.S.C. § 1962(c).

79. Defendant engaged in “racketeering activity” within the meaning of 18 U.S.C § 1961(1) by engaging in acts that constitute a violation of one or both of the following statutes: 18 U.S.C. § 1341 (mail fraud) and 18 U.S.C § 1343 (wire fraud).

80. Defendant and other members of the enterprise each committed and/or aided and abetted the commission of significantly more than two of these acts of “racketeering activity,”

and such acts are continuing and threaten to continue indefinitely. These predicate acts are chargeable and indictable, as required under 18 U.S.C. § 1961(1).

81. Defendant did, through the use of interstate mails (including courier services, within the meaning of 18 U.S.C. § 1341) and interstate wires (including the Internet, within the meaning of 18 U.S.C. § 1343), knowingly participate in misrepresenting the amount to be invested in acquiring the annuities in structured settlements with the Named Plaintiffs and the Class. As previously stated, the amount to be invested in these annuities was a material element in the formation of the settlement agreements between Hartford and the Class, and the Class reasonably relied upon the misrepresentations of defendant.

82. Hartford's misrepresentation of the annuity's true cost (or present value) was made by a member of the Hartford defense team, either an employee or associate of Hartford (including its In-House Brokers), the Approved Brokers, or by counsel hired by Hartford to defend its insured tortfeasor. This misrepresentation occurred in every case, and was documented either in letters sent to claimants or their attorneys, annuity quotes, structured settlement illustrations, or even court documents.

83. Because of the geographic dispersion of Hartford, including its In-House Brokers, the Approved Brokers, and Class members, defendant has necessarily made extensive use of interstate mails and wires within the framework of the RICO enterprise to, *inter alia*:

- a. form and maintain the RICO enterprise;
- b. distribute annuity quoting and marketing materials from Hartford to Approved Brokers, each time the annuity quoting software changed and when new marketing materials were produced;
- c. distribute annuity rate updates between Hartford and the Approved Brokers (usually at least monthly);

- d. assign cases to specific Approved Brokers each time a case was determined to be a structured settlement candidate by the responsible Hartford employee;
- e. discuss structured settlement strategies between Hartford employees and employees or associates of Approved Brokers, while each case is being negotiated for settlement;
- f. present annuity quotes to claimants through a claim adjuster or defense counsel, or between Hartford employees and employees or associates of Approved Brokers, while each case is being negotiated for settlement;
- g. transmit case information between employees and associates of Approved Brokers and Hartford employees, when medical information is supplied to the life insurance underwriters for determination of a "rated age" based on impaired life expectancy of the intended annuitant;
- h. transmit funds between Approved Brokers and Hartford employees when money is used to fund the annuity; and,
- i. transmit settlement documents between employees and associates of Approved Brokers and Hartford employees, at the time executed settlement documents are completed.

84. Other examples of specific predicate acts of mail and wire fraud furthering defendant's short-changing scheme in the case of plaintiff Oshonya Spencer include, but are not limited to, the following:

- a. A fraudulent misrepresentation was made by Hartford Life when issuing the annuity contract and subsequently mailing it to the Ringler agent, Christie Gonzalez Hoadley, at or about the end of 2004 in order to have the annuity contract mailed again to Scott Stapleton, who was plaintiff Spencer's attorney. The annuity contract showed only "Paid in Full" as the single premium amount, and was intended to keep plaintiff Spencer from knowing that the full \$52,000.00 promised by Hartford was not fully invested for her benefit.

b. The commission check for the annuity sale to fund plaintiff Spencer's future payments was mailed by Hartford Life to Ringler as part of Hartford's fraud and racketeering scheme.

85. Other examples of specific predicate acts of mail and wire fraud furthering defendant's short-changing scheme in the case of plaintiff Charles Strickland include, but are not limited to, the following:

a. A fraudulent misrepresentation and/or act of concealment was made by Hartford Life when issuing the annuity contract on or about January 15, 2004, and subsequently mailing it to the Ringler agent, Ken Clemmens, in order to have it mailed again to Charles Strickland and/or his attorney, Charles R. Spigelman. The annuity contract showed only "Paid in Full" as the single premium amount, and was intended to keep plaintiff Strickland from knowing that the full \$50,071.00 promised by Hartford in the settlement agreement was not fully invested for his benefit.

b. A letter dated July 28, 2005, signed by Richard Hurey, Service Specialist, Annuity Service Center, of Hartford, was mailed to plaintiff Strickland, itemizing the benefits payable under the structured settlement annuity contract, No. CCX 0531816, again implying that these benefits were all that could be purchased with the \$50,071.00 stated in the settlement agreement as the amount to be invested by Hartford on plaintiff Strickland's behalf. The letter was issued in response to plaintiff Strickland's query, well after the annuity was issued, and represents Hartford's continuing efforts to hide the earlier fraud from plaintiff Strickland.

c. The commission check for the annuity sale to fund plaintiff Strickland's future payments was mailed by Hartford Life to Ringler as part of Hartford's fraud and racketeering scheme.

86. Other examples of specific predicate acts of mail and wire fraud furthering defendant's short-changing scheme in the case of plaintiff Douglas McDuffie include, but are not limited to, the following:

a. Jamie M. Adams, CSSC, EPS Settlements Group, sent a fax to Tommy Vermillion, the uncle and "next friend" of Douglas McDuffie, on November 29, 2001, transmitting several annuity proposals, each of which purported to cost \$36,768, the amount to be invested in acquiring the annuity. In fact, because Hartford was going to benefit directly by keeping four percent (4%) of this amount in order to pay the fee of EPS Settlements Group, the actual investment by Hartford was only 96 percent (96%) of the represented amount, or \$35,297.28. This act was a deliberate misrepresentation of the amount to be invested in the annuity by \$1,470.72.

b. Between December 3, 2001, when Tommy Vermillion approved the annuity quote on behalf of his nephew, as "next friend," and February 12, 2002, the date of the Court hearing to approve the settlement on behalf of the minor, Attorney Ann C. Fries, an agent of Hartford, sent by e-mail or facsimile to Attorney Velma Boodt, representing plaintiff McDuffie, a complete set of documents intended to be executed by the parties and submitted to the Court, including a Joint Petition for Approval of Settlement with Minor, an Order Approving Settlement Agreement with Minor, and an Order for Purchase of Annuity, collectively representing conclusively the amount Hartford promised to invest in acquiring the annuity, \$36,768.82. This reinforced and repeated the misrepresentation made by Jamie M. Adams, because Hartford intended to invest only 96 percent (96%) of that, or \$35,297.28, using part of the \$1,470.72 difference to pay EPS Settlements for its services to Hartford and keeping the rest for itself.

c. On March 28, 2002, Angie Martinez, Case Manager, Assistant to Jamie M. Adams, CSSC, an agent of EPS, mailed a package to each Ms. Cheri Barrington, the court-

appointed guardian for Douglas McDuffie, and Attorney Velma Boodt, containing *inter alia*, a “Single Premium Annuity Certain Contract” from Hartford Life Insurance Company, specifying the “Single Premium” amount paid for the annuity only as “Paid in Full,” falsely confirming the previous misrepresentation that the annuity’s cost was \$36,768.82.

d. Another fraudulent misrepresentation was made by Hartford Life when issuing the annuity contract on March 20, 2002 and mailing it to the EPS agent, James “Jamie” Adams, in order to have it mailed again to Ms. Barrington and Attorney Boodt.

e. The commission check for the annuity sale to fund plaintiff McDuffie’s future payments was mailed by Hartford Life to EPS as part of Hartford’s fraud and racketeering scheme.

87. All such communications constituting mail and/or wire fraud were undertaken by defendant and the Approved Brokers for the purpose of executing the fraudulent scheme or have been incidental to that scheme, which is ongoing.

88. The predicate acts perpetrated against plaintiffs are commonplace to the scheme used by defendant to conduct the affairs of the RICO enterprise, and were not merely isolated or sporadic. These acts are, and were, related to one another and they pose a continuing threat of racketeering activity.

89. The acts of “racketeering activity” were and are related to each other by virtue of common participants, common victims (the Named Plaintiffs and other members of the Class), a common method of commission, and the common purpose and common result of defrauding the Class and enriching defendant and its collaborators at the expense of the Named Plaintiffs and the Class while concealing the collaborators’ activities. The fraudulent scheme has continued since the inception of the Structured Settlement Program, and threatens to continue unless enjoined by this action.

90. The “pattern of racketeering activity” as alleged above is distinct from the enterprise. The enterprise, as an association-in-fact, was formed by defendant and its Approved Brokers to facilitate defendant’s Structured Settlement Program and enhance its other business. This was accomplished by Hartford establishing a continuous outside broker network for alternative use when it suited Hartford’s needs (as opposed to using inside brokers), by outside brokers making referrals to defendant for regular product sales, and by defendant providing guaranteed settlement annuity business to the Approved Brokers.

91. The racketeering activity described herein was (and is) made possible by the existence of the enterprise, and the cost savings to Hartford that result from the racketeering activity enable the enterprise to profitably maintain its structure.

92. As a direct and proximate result of defendant’s conduct and participation in the conduct of the affairs of the enterprise through the racketeering activity referred to above, plaintiffs and members of the Class were induced into entering into structured settlement agreements and were thereby injured in their property.

93. The injuries to plaintiffs and the Class resulting from the acts of racketeering activity perpetrated by defendant involve both transaction causation and loss causation:

a. Transaction Causation: Ultimately, every personal injury plaintiff bargains for a specified present value of their settlement. While personal injury litigation defendants (and their insurers) historically have used the presentation of periodic payments in the form of a structure to show how the offer being presented can meet the future needs of the plaintiff (or sometimes for other reasons, i.e., to make the offer seem larger than it is), the actual monetary value of the settlement (including the amount to be invested in an annuity) is the crux of what is bargained for. If the defendant or insurer were to disclose to the plaintiff, before a pending offer was accepted by the plaintiff, “we’re actually spending less on the annuity than we told you in our offer,” the transaction would either not go forward at all or would only go forward on a re-

negotiated basis. Thus, Hartford's false representation as to the amount to be invested in an annuity, and its affirmative omission of the fact that four percent (4%) of the amount represented will actually be used to reduce Hartford's outlay, causes the transaction to be concluded when it otherwise would not be concluded "at all," or, concluded "as is."

b. Loss Causation: Because of the commission by Hartford of mail fraud and/or wire fraud in every case, the loss to the Named Plaintiffs and every Class member was anticipated as a natural consequence of the defendant's scheme, and was carried out through the RICO enterprise.

94. As a result of its misconduct, defendant is liable to the plaintiffs and other Class members for their losses in an amount to be determined at trial.

95. Pursuant to 18 U.S.C. § 1964(c), plaintiffs and other Class members are entitled to recover treble damages plus attorneys' fees from defendant.

**E. FIFTH CLAIM FOR RELIEF (Common Law Fraud)**

1. - 80. Plaintiffs incorporate paragraphs 1 - 72, 81 - 82, and 84 - 89 of the Fourth Claim for Relief as paragraphs 1 - 80 of this Fifth Claim for Relief.

81. The Named Plaintiffs and members of the Class reasonably relied upon defendant's written representations that it would invest a specific sum from each Class member's settlement proceeds to procure an annuity of equal present value, and as result thereof, plaintiffs and members of the Class each agreed to accept a "structured" income stream as part of the agreement to settle their underlying claim. At all material times, however, defendant concealed its short-changing scheme and its intent to spend less than it promised to pay claimants for their annuities.

82. As set forth in detail above as to the Named Plaintiffs, defendant made both a knowing misrepresentation of material fact and engaged in the concealment of that fact to induce plaintiffs and other Class members to rely on their misrepresentation.

83. The fraudulent misrepresentations by Hartford to the other Class members were the same as the fraudulent misrepresentations made to the Named Plaintiffs: one number representing the dollar amount to be fully invested in purchasing and funding an annuity of equal present value, coupled with the omission that the broker commission bundled into the annuity's cost would be retained by Hartford and/or paid to an Approved Broker or In-House Broker (avoiding the cost to Hartford of paying the consultant as a defense cost, as it was obligated to do). The effect was always to reduce Hartford's represented investment amount by four percent (4%), causing injury to property of the plaintiffs and other Class members.

84. Defendant's material misstatement regarding the amount it would pay, made during settlement negotiations and subsequently documented in writing, induced Class members -- who were plaintiffs in the underlying claims -- to agree to a structured settlement under which they ultimately received payments from an annuity with a lower value than had been promised to them. Had the Named Plaintiffs and other Class members known that the money spent to acquire their annuities would be less than what defendant had promised, they either would have attempted to negotiate for a better overall settlement value, demanded to receive cash, or refused to proceed with the transaction.

85. As a result of defendant's conduct as aforesaid, the Named Plaintiffs and other members of the Class have been damaged in an amount to be determined at trial.

86. By its intentional fraudulent conduct, defendant wrongfully obtained by false pretenses and false promises and withheld money rightfully belonging to the Named Plaintiffs and the other members of the Class, entitling the Named Plaintiffs and the other members of the Class to statutory treble damages for theft pursuant to Conn Gen. Stats. § 52-564.

87. Defendant's conduct as aforesaid was wanton and willful and in reckless disregard of the rights of the plaintiffs and the other members of the Class, further entitling plaintiffs and the other members of the Class to common law punitive damages.

**F. SIXTH CLAIM FOR RELIEF (Constructive Trust)**

1. - 116. Plaintiffs incorporate paragraphs 1 - 75 of the Second Claim for Relief, 63 - 67 of the Third Claim for Relief, 67 - 95 of the Fourth Claim for Relief, and 81 - 87 of the Fifth Claim for Relief as paragraphs 1 - 116 of this Sixth Claim for Relief.

117. By reason of the acts and conduct set forth herein, defendant has engaged, and is engaged in deceptive, fraudulent, and wrongful conduct in retaining the property, in the form of funds owed but not allocated to investment in an annuity, of plaintiffs and other Class members.

118. By virtue of its wrongful acts, defendant holds illegal profits as a constructive trustee for the benefit of plaintiffs and other Class members.

119. Plaintiffs are not currently aware of where defendant may have deposited all of the illegal profits it still retains from its wrongful acts against plaintiffs and other Class members.

120. In order to avoid further injury and loss, however, plaintiffs and the Class require imposition of a constructive trust to preserve Hartford's ill-gotten gains for the benefit of plaintiffs and the Class.

**VI. PRAYER FOR RELIEF**

WHEREFORE, plaintiffs pray the following relief:

1. Entry of an Order determining that this action should be maintained as a class action pursuant to the Federal Rules of Civil Procedure, Rule 23 and certifying plaintiffs as proper representatives of the Class;
2. Entry of a determination that defendant is liable for the violations alleged herein;
3. An award of compensatory damages to plaintiffs and members of the Class for the violations alleged herein;
4. An award of prejudgment interest;
5. Entry of an Order enjoining defendant from further illegal and tortious conduct;

6. An award of statutory punitive damages pursuant to Conn. Gen. Stats. § 42-110g(a), to the Named Plaintiffs and the other members of the Class;
7. An award of treble damages pursuant to 18 U.S.C. § 1964(c) to the Named Plaintiffs and the other members of the Class;
8. An award of treble damages pursuant to Conn. Gen. Stats. §§ 52-564 to the Named Plaintiffs and the other members of the Class;
9. An award of common law punitive damages to the Named Plaintiffs and the other members of the Class;
10. An award of plaintiffs' attorneys' fees and costs pursuant to Conn. Gen. Stats. § 42-110g(d) and 18 U.S.C. § 1964(c);
11. Entry of an Order establishing a constructive trust over the wrongfully-obtained funds in defendant's possession on behalf of plaintiffs and other Class members and appropriate supplemental orders, including appointment of a receiver and restrictions on distribution of such funds by defendant; and,
12. Such other and further relief as the Court deems just and proper.

PLAINTIFFS OSHONYA SPENCER, CHARLES STRICKLAND, and DOUGLAS McDUFFIE, on behalf of themselves and all others similarly-situated,

BY 

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