

No. 2021-6797

**Official Order
of the
Texas Commissioner of Insurance**

Date: 04/16/2021

Subject Considered:

Alliance-One Services, Inc.
99 Buckshire Pl
Holland, Pennsylvania 18966-2011

Consent Order
TDI Enforcement File No. 13590

General remarks and official action taken:

This is a consent order with Alliance-One Services, Inc. Alliance-One was hired to handle the conversion of certain annuity contracts and life policies to its administrative system. The Texas Department of Insurance (TDI) conducted an investigation of Alliance-One. TDI alleges that Alliance-One mishandled certain aspects of the conversion, causing servicing and compliance issues, including sending inaccurate information to policyholders and contract holders, failing to timely send annual statements, failing to timely process loan and premium payments, and failing to timely make annuity distributions. Alliance-One has agreed to pay an administrative penalty of \$375,000.

Waiver

Alliance-One acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Alliance-One waives these rights and any other applicable procedural rights in consideration of the entry of this consent order. Alliance-One agrees to this consent order under TEX. INS. CODE § 82.055(b), with the express reservation that it does not admit to a violation of the Texas Insurance Code or of a rule and that the existence of a violation is in dispute. Alliance-One agrees to the entry of this consent order to avoid the time, trouble, and expense of resolving the dispute through further administrative proceedings.

Findings of Fact

1. Alliance-One is a third-party administrator (TPA) holding a certificate of authority to transact business in Texas since December 16, 1997.
2. Alliance-One is engaged in the business of administering insurance products on behalf of various insurance companies.

Conversion

3. Alliance-One was engaged to convert certain life policies and annuity products issued by Athene Annuity and Life Company and Accordia Life and Annuity Company to Alliance-One's administrative system.
4. The conversion of the life policies and annuity products to Alliance-One's system took significantly longer than originally anticipated.

Restricted Status

5. When the life policies and annuity products entered the conversion process some were put on restricted status, which required manual administration. Restricted status made it more difficult for certain policyholder and contract holders to make certain choices or changes.
6. During the conversion process, certain life policies and annuity contracts were placed on restricted status multiple times. A small number of life policies remain on restricted status and continue to be manually administered.
7. While restricted, certain annuity contributions and premium payments were not timely allocated to the appropriate account. Instead, contributions and payments were placed in a holding account until they could be manually processed. Additionally, automatic drafting of certain premium payments ceased and for some policyholders, multiple premium payments were deducted at once, causing some policyholders to pay overdraft fees. Alliance-One represents the overdraft fees were eventually reimbursed to policyholders as directed by Accordia.
8. While on restricted status, certain policyholders and annuity contract holders experienced delays in:

- a. receiving requested or updated information;
- b. accessing account values or balances;
- c. requesting withdrawals and loans for annuity contracts;
- d. receiving loan status information for annuity contracts;
- e. making changes to life policies;
- f. receiving death benefits; and
- g. receiving premium, additional deposit, and loan billing statements.

Complaints to TDI

9. TDI received numerous complaints from policyholders and contract holders affected by the conversion.
10. According to the complaints, several annuity contract holders received inaccurate IRS 1099 documents, which were later corrected.
11. The complaints stated that there were delays in receiving annuity disbursements, bank accounts drafted for loan and premium payments that were not owed, and inaccurate information related to loan and account balances.
12. Certain policyholders complained that their bank accounts were drafted for several months of premium at one time, without prior notice. The bank drafts left some policyholders with overdraft fees.
13. According to several complaints, the incorrect balance was initially paid at transfer or surrender, and additional action was required to ensure that all of the contract holder's funds were properly transferred or surrendered.

Failure to Provide Timely Annual Reports

14. Because of the conversion problems, certain policyholders and contract holders whose policies and contracts were on restricted status did not timely receive annual statements.

Inaccurate Information to Contract Holders

15. During the conversion process, certain annuity contract holders received incorrect information, including inaccurate loan billing, account balances, and IRS 1099 forms. Certain life insurance policyholders also received incorrect information, including inaccurate premium billing and account balances.
16. In 2018, TDI became aware of an alleged calculation error in Alliance-One's system that affected Texas annuities with an outstanding loan balance even after those contracts were taken off restricted status. As a result, certain contract holders received annual reports containing inaccurate loan interest information.

Conclusions of Law

1. The commissioner has jurisdiction over this matter under TEX. INS. CODE §§ 82.051 – 82.055, 84.021 – 84.044, 4151.051, and 4151.301, and TEX. GOV'T CODE §§ 2001.051–2001.178.
2. The commissioner has the authority to dispose of this case informally under TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. Alliance-One has knowingly and voluntarily waived all procedural rights to which it may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. Alliance-One violated TEX. INS. CODE §§ 541.003, 541.051, 541.060, and 541.061.
5. Alliance-One violated TEX. INS. CODE § 4151.111.

Order

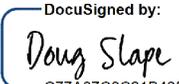
It is ordered that Alliance-One must pay an administrative penalty of \$375,000 within 30 days from the date of this order. The penalty must be paid by company check, cashier's check, or money order made payable to the "State of Texas" and sent to the Texas Department of Insurance, Attn: Enforcement, Division 60851, MC 9999, P.O. Box 149104, Austin, Texas 78714-9104.

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This consent order fully and finally resolves the issues addressed in this consent order. This consent order does not resolve any allegations or violations with respect to any other TDI complaints, proceedings, or other investigations not reflected in this order.

Commissioner of Insurance

DocuSigned by:

By: C77A87C8C21B435.....
Doug Slape
Chief Deputy Commissioner
TEX. GOV'T CODE § 601.002
Commissioner's Order No. 2018-5528

Recommended and reviewed by:



Mandy Meesey, Associate Commissioner
Enforcement Division

Affidavit

STATE OF _____

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§

COUNTY OF _____

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Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is Jeff Williams. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of President and am the authorized representative of Alliance-One Services, Inc. I am duly authorized by said organization to execute this statement.

Alliance-One Services, Inc. has knowingly and voluntarily entered into the foregoing consent order and agrees with and consents to the issuance and service of the same by the commissioner of insurance of the state of Texas."



Affiant

SWORN TO AND SUBSCRIBED before me on _____, 2021.

(NOTARY SEAL)

Signature of Notary Public

Printed Name of Notary Public