

STATE OF ALASKA

LEGAL DEPARTMENT

DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT

DIVISION OF INSURANCE

IN THE MATTER OF THE

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MULTI-STATE EXAMINATION OF
WADDELL & REED, INC.
W & R INSURANCE AGENCY, INC.

*

ALASKA CONSENT ORDER
MCE 05-06

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This Consent Order ("Alaska Consent Order") is hereby issued by the State of Alaska, Department of Commerce, Community, and Economic Development, Division of Insurance (the "division") in disposition of the matter captioned above.

FINDINGS OF FACT

1. Respondent W & R Insurance Agency, Inc. (hereinafter "WRI"), is a licensed insurance agency in the State of Alaska, License No. 11927, with a business physical address of 6300 Lamar Avenue, Overland Park, Kansas, 66201. Respondent Waddell & Reed, Inc. (hereinafter "Waddell & Reed"), is a licensed broker dealer in the State of Alaska, with a business physical address of 6300 Lamar Avenue, Overland Park, KS 66202 (collectively referred to as "Respondents").
2. The States of Kansas and Minnesota (the "Lead States") coordinated a multi-state investigation of the Respondents with regard to variable annuity sales practices in connection with Respondents encouraging existing customers who held variable annuity products to surrender the products and to purchase similar products issued by a different insurer. The Lead States participated in and coordinated the negotiation and finalization of the regulatory settlement between Respondents and the states participating therein.
3. As a result of the investigation, the Lead States alleged that the Respondents' variable annuity sales practices were in violation of the insurance laws of the Lead States. The Respondents neither admit nor deny the allegations.
4. A proposed settlement has been presented to the division, the terms of which are set forth in KS Consent Order 3468-CO and MN Consent Order (the "Kansas and Minnesota

Consent Order”) dated June 10, 2005, which has been executed by Respondent Waddell & Reed, the Kansas Insurance Department, and the Minnesota Department of Commerce, in their capacity as two of the primary negotiators, a copy of which is attached hereto as Exhibit A.

5. Upon review of the Kansas and Minnesota Consent Order, it is found that it is a fair and proper disposition of the matters addressed therein. Subject to the terms of this Alaska Consent Order, the allegations, admissions, findings of fact, and terms of the settlement are adopted herein by reference.
6. The conduct set forth in the Kansas and Minnesota Consent Order constitutes a violation of Alaska statutes prohibiting Unfair Methods, Deceptive Acts Prohibited (AS 21.36.020), Misrepresentation and False Advertising of Insurance Policies (AS 21.36.030), and False Information, Advertising (AS 21.36.040).
7. Respondents have provided the division with a list of 48 transactions that occurred in Alaska during the timeframe set forth in the Kansas and Minnesota Consent Order, and that are the subject matter of the Alaska Consent Order. The individuals set forth in Exhibit B shall be paid restitution as set forth on pages 29 through 31 of the Kansas and Minnesota Consent Order.
8. The division agrees that current and former officers, directors, and owners of WRI are released consistent with the Kansas and Minnesota Consent Order. This Alaska Consent Order does not affect any cause of action, or limit any administrative action the division may bring against any other individual, firm, or company, for matters which are the subject of the Order.
9. This Alaska Consent Order shall have no affect as to the rights and claims of any individuals except the State of Alaska, Department of Commerce, Community, and Economic Development, Division of Insurance; W&R Insurance Agency, Inc., and Waddell & Reed, Inc; and the individuals identified in this Alaska Consent Order. This Alaska Consent Order shall not affect the ability of the division to investigate acts and practices of W& R Insurance Agency, Inc., Waddell & Reed, Inc.or the individuals identified in this Alaska Consent Order unrelated to the transactions noted on Exhibit B and the subject of the Kansas and Minnesota Consent Order.
10. This Alaska Consent Order in no way limits any action the division may have against Nationwide Life Insurance Company, certificate of authority no. 613, and Nationwide Life and Annuity Insurance Company, certificate of authority no. 1451.
11. This Alaska Consent Order in no way affects the right of any consumer affected by the actions of Respondents to pursue any cause of action that they may have against Respondents for any action related to the subject matter of this Alaska Consent Order..

ORDER

WHEREAS, it is stipulated and agreed upon by and between the division and Respondent and **ORDERED** as follows:

- A. The Consent Order dated June 10, 2005, attached hereto as Exhibit A, is hereby approved, adopted fully, and incorporated herein by reference.
- B. Respondent shall immediately initiate compliance with all terms and conditions of the Consent Order as incorporated herein.

This Alaska Consent Order is effective the date signed by the Director of the Division of Insurance.

Consented to in form and content:

WADDELL & REED, INC.

ALASKA DIVISION OF INSURANCE

BY:

Thomas Butch
Signature

BY:

Linda Hall

Linda Hall
Director

Thomas Butch

Name

President and chairman of the Board
Title

DATE: 10-26-2005

DATE: 10-28-2005

W&R INSURANCE AGENCY, INC.

BY:

Steve Anderson
Signature

Steve Anderson

Name

President

Title

DATE: 10-28-2005