

**NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA**

**STATE OF NORTH CAROLINA
COUNTY OF WAKE**

**BEFORE THE COMMISSIONER
OF INSURANCE
CASE NO. D-1198**

**IN THE MATTER OF THE
LICENSURE OF MEDICAL GROUP
INSURANCE SERVICES, INC.**

CONSENT ORDER

WHEREAS, the North Carolina Department of Insurance (hereinafter "the Department") is charged with the authority and responsibility for the enforcement of the insurance laws of the State of North Carolina; and

WHEREAS, Medical Group Insurance Services, Inc. ("MGIS") is licensed by the Department to do business as a third party administrator ("TPA") in North Carolina; and

WHEREAS, the Department issued a Notice of Hearing against MGIS in this Case No. D-1198 regarding certain activities of former MGIS officer and director Jeffrey D. Brunken and entities owned by him and/or under his control; and

WHEREAS, the Department made inquiries to and requested documents from MGIS regarding its knowledge and involvement in the activities of former MGIS officer and director, Jeffrey D. Brunken, and entities owned by him and/or under his control; and

WHEREAS, MGIS has fully cooperated with the Department by promptly providing documents and responses to the Department's inquiries;

NOW THEREFORE, the Department and MGIS enter into this Consent Order for purposes of resolving this matter (Case No. D-1198) and agree as follows:

1. All allegations and charges made by the Department against MGIS, as set forth in the Notice of Hearing, Docket No. D-1198, are denied by MGIS. After considering information and evidence provided by MGIS which shows that Jeffrey D. Brunken acted without the knowledge and/or consent of MGIS's current Board of Directors in regard to his unauthorized actions, the Department agrees to withdraw the allegations in the Notice of Hearing as to MGIS.
2. A Consent Order, Docket No. D-1165, dated January 8, 2004, regarding the solicitation, negotiation or effectuation of unauthorized insurance in North Carolina, was previously executed by Jeffrey D. Brunken on behalf of MGIS and other entities.
3. Based upon evidence presented to the Department by MGIS, the Department concluded that MGIS's current Board of Directors (a) had no knowledge of allegations which the

Department had made against Jeffrey D. Brunken and other entities owned and/or controlled by Jeffrey D. Brunken, (b) had no knowledge of the Consent Order in Case No. D-1165, and (c) had no knowledge that Jeffrey D. Brunken and other entities owned and/or controlled by him had been involved in the solicitation, negotiation or effectuation of unauthorized insurance in North Carolina, until MGIS was served with the Notice of Hearing in this Case No. D-1198. The Department also concluded, based upon evidence presented to the Department by MGIS, that MGIS's current Board of Directors did not authorize Jeffrey D. Brunken to negotiate and execute the January 8, 2004 Consent Order with the Department on MGIS's behalf.

4. Based upon evidence presented to the Department by MGIS, the Department concluded that MGIS's current Board of Directors did not authorize the involvement of Jeffrey D. Brunken in the solicitation, negotiation or effectuation of unauthorized insurance in North Carolina.
5. The Department recognizes that, once MGIS obtained knowledge about the unauthorized actions of Jeffrey D. Brunken, MGIS immediately took steps to cause his resignation as an officer, director and employee of MGIS.
6. MGIS agrees that Jeffrey D. Brunken will not serve as officer, director, or employee of MGIS without the prior specific written authorization of the Department.
7. MGIS agrees that all voting shares of Jeffrey D. Brunken in MGIS will either (a) be placed in a trust with an attorney as trustee in a manner which will preclude the exercise of voting rights of such voting shares by Jeffrey D. Brunken or by the trustee acting under the direction or upon the instruction of Jeffrey D. Brunken or (b) will be otherwise transferred or held in a manner which will preclude the exercise of voting rights of such voting shares by Jeffrey D. Brunken or by any third party acting under the direction or upon the instruction of Jeffrey D. Brunken. MGIS further agrees that such restriction of exercise of voting rights by Jeffrey D. Brunken or by any third party acting under his direction or upon his instruction shall not be terminated without the prior specific written authorization of the Department.
8. The Department and MGIS further acknowledge and agree that neither (a) this Consent Order, (b) the facts and circumstances relating and giving rise to this Consent Order, nor (c) the allegations as set forth in the Notice of Hearing, Docket No. D-1198, shall be deemed by the Department as constituting grounds for the denial, termination, non-renewal, revocation or suspension of MGIS's TPA license. Furthermore, based on the evidence presented to the Department by MGIS, the Consent Order, Docket No. D-1165, signed on behalf of MGIS by Jeffrey D. Brunken is unnecessary as to MGIS and is rescinded only as to MGIS. Notwithstanding the foregoing, the provisions of this paragraph and this entire Consent Order shall not apply to Jeffrey D. Brunken, Pro Med Casualty Insurance Company, Ltd. and Pro Med Reinsurance, Ltd.
9. This Consent Order shall not be construed as an admission of any liability or wrongdoing by MGIS.

10. MGIS and the Department represent that they have relied upon the legal advice of their attorneys, who are attorneys of their own choice. MGIS and the Department further represent that the terms of this Consent Order have been completely read and explained to them by their attorneys and that those terms are fully understood and voluntarily accepted by them, and that the persons who have signed this Consent Order are fully authorized and empowered to bind their respective parties hereto as represented below.

ORDER

NOW THEREFORE, by consent of the parties, it is **ORDERED, ADJUDGED AND DECREED**, by the undersigned that:

1. The Department shall withdraw the allegations as to MGIS in this matter;
2. The Consent Order in D-1165 is unnecessary as to MGIS and shall be rescinded only as to MGIS;
3. The parties consent to be bound by this Consent Order.
4. Jeffrey D. Brunken shall not serve as officer, director, or employee of MGIS without the prior specific written authorization of the Department;
5. All voting shares of Jeffrey D. Brunken in MGIS shall either (a) be placed in a trust with an attorney as trustee in a manner which will preclude the exercise of voting rights of such voting shares by Jeffrey D. Brunken or by the trustee acting under the direction or upon the instruction of Jeffrey D. Brunken or (b) will be otherwise transferred or held in a manner which will preclude the exercise of voting rights of such voting shares by Jeffrey D. Brunken or by any third party acting under the direction or upon the instruction of Jeffrey D. Brunken. MGIS further agrees that such restriction of exercise of voting rights by Jeffrey D. Brunken or by any third party acting under his direction or upon his instruction shall not be terminated without the prior specific written authorization of the Department.
6. This Consent Order shall not affect the valid claims of third parties. This Consent Order shall not affect any current or potential civil actions against: (a) Jeffrey D. Brunken, (b) Pro Med Casualty Insurance Company, Ltd. or Pro Med Reinsurance, Ltd. (c) MGIS, or (d) any of MGIS' subsidiaries; and
7. This Order shall be effective when signed by the parties.

IN WITNESS WHEREOF, MGIS and the Department have duly executed this Consent Order as of the dates indicated below.

Stewart L. Johnson
Hearing Officer

NORTH CAROLINA DEPARTMENT OF INSURANCE

DATE: March 29, 2005 BY: Angela C. Ferri
Se. Deputy Commissioner
Public Services Group

MEDICAL GROUP INSURANCE SERVICES, INC.

DATE: 3-23-2005 BY: [Signature]
Its: President