

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

<p style="text-align:center">FINAL ORDER Effective: 8/23/02</p>
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In the Matter of the Kansas)	
Viatical Settlement Provider)	Docket No. 3081-SO
License of KELCO, INC.)	

SUMMARY ORDER
(Pursuant to L. 2002, HB No. 2640 and K.S.A. 77-537)

Pursuant to the authority granted to the Commissioner of Insurance (“Commissioner”) by L. 2002, HB No. 2640, the Commissioner hereby suspends the viatical settlement provider license of Kelco, Inc. (“Kelco”), by way of Summary Order, as provided by K.S.A. 77-537.

The Commissioner has been shown the following facts, and takes the following action:

1. Records maintained by the Kansas Insurance Department (“KID”) indicate that Kelco is a Kansas licensed, foreign viatical settlement provider and has a current mailing address of 269 W. Main Street, Lexington, Kentucky 40507.
2. Accordingly, the Commissioner has jurisdiction over Kelco and the subject matter of this proceeding, and such proceeding is held in the public interest.
3. On or about July 12, 2002, the KID became aware that Kelco and three of its top executives, Stephen L. Keller, owner, chairman, president and chief executive officer of Kelco; R. Grant Sutherlin, vice president of sales and operations at Kelco; and Sterling Keith Drach, vice president of finance and chief financial officer at Kelco, were named in a forty-seven (47) count indictment that alleged fraud, conspiracy and money laundering.
4. Kelco is charged with one (1) count of conspiracy. According to prosecutors, the defendants and others devised a scheme to defraud and get money and property by means of false and fraudulent pretenses, representations and promises. Among the alleged specific actions

were getting blood from healthy people to submit to insurance companies when the insured was actually terminally ill; encouraging terminally ill people to apply for several small policies, to avoid requirements for physical exams or other medical testing; having people with life insurance policies sign transfer papers that were blank; having Kelco employees present themselves as employees of other companies.

5. Kelco is charged with eight (8) counts of mail fraud and fourteen (14) counts of wire fraud. The defendants are said to have used interstate carriers to deliver documents involved in the conspiracy and used interstate wire communications to send money involved in the conspiracy.

6. Kelco is charged with one (1) count of conspiracy to commit money laundering and twenty-two (22) counts of money laundering. The defendants allegedly transferred money they knew was obtained illegally between and among various companies and financial institutions, and to the people who had fraudulently obtained the life insurance policies.

7. Kelco is charged with one(1) count of forfeiture. The prosecution says defendants should have to forfeit any property involved in or traceable to the money laundering, including three office buildings in Lexington, Kentucky, nine (9) bank accounts the \$13 million obtained from the allegedly illegal policies.

8. On July 23, 2002, the Kentucky Insurance Department suspended Kelco's viatical settlement provider license based on the above-mentioned indictment.

Conclusions of Law

9. L. 2002, HB No. 2640, Sec. 3 provides, in relevant part:

"...(h) Upon the filing of an application and the payment of the license fee, the commissioner shall make an investigation of each applicant and issue a license if the commissioner finds that the applicant:...

(2) is competent and trustworthy and intends to act in good faith in the capacity involved by the license applied for;

(3) has a good business reputation and has had experience, training or education so as to be qualified in the business for which the license is applied for;

(4) if a legal entity, provides a certificate of good standing from the state of its domicile;...”

10. L. 2002, HB No. 2640, Sec. 4 provides, in relevant part:

“(a) The commissioner may...suspend...the license of a viatical settlement provider...in the event that investigation by the commissioner discloses that:...

(2) the licensee or any officer, partner, member or key management personnel...is otherwise shown to be untrustworthy or incompetent;...

(7) the licensee no longer meets the requirements for initial licensure;...”

11. Based on the information contained in paragraphs 3 through 8 above, it appears that Kelco or its officer , partner, member or key management personnel is shown to be untrustworthy or incompetent, in violation of L. 2002, HB No. 2640, Sec. 4(a)(2).

12. Based upon the information contained in paragraphs 3 through 8 above, it appears that Kelco no longer meets the requirements for initial licensure in that an investigation would not find that Kelco is competent and trustworthy and intends to act in good faith in the capacity involved by the license applied for, in violation of L. 2002, HB No. 2640, Sec. 3(h)(2) and L. 2002, HB No. 2640, Sec. 4(a)(7).

13. Based upon the information contained in paragraphs 3 through 8 above, it appears that Kelco no longer meets the requirements for initial licensure in that an investigation would not find that Kelco has a good business reputation and has had experience, training or education

so as to be qualified in the business for which the license is applied for, in violation of L. 2002, HB No. 2640, Sec. 3(h)(3) and L. 2002, HB No. 2640, Sec. 4(a)(7).

14. Based upon the information contained in paragraphs 3 through 8 above, it appears that Kelco no longer meets the requirements for initial licensure in that an investigation would not find that Kelco, a legal entity, could provide a certificate of good standing from Kentucky, the state of its domicile, in violation of L. 2002, HB No. 2640, Sec. 3(h)(4) and L. 2002, HB No. 2640, Sec. 4(a)(7).

15. Accordingly, sufficient grounds exist for the suspension of the viatical settlement provider license of Kelco, Inc., pursuant to L. 2002, HB No. 2640, Sec. 4, until the status of its viatical settlement provider license in Kentucky has been resolved.

16. Based on the facts and circumstances set forth hereinabove, it appears that the use of summary proceedings in the manner set forth herein does not violate any provision of the law, and the protection of the public interest does not require the KID to give notice and opportunity to participate to persons other than Kelco, Inc., all in accordance with the provisions set forth in K.S.A. 77-537(a)

**IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE
THAT:**

1. The Kansas viatical settlement provider license of Kelco, Inc. is hereby suspended until the status of its viatical settlement provider license in Kentucky has been resolved.

Notice and Opportunity for Hearing

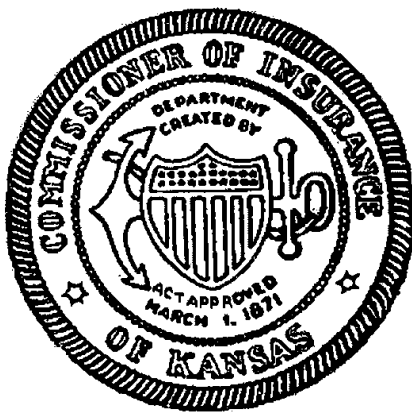
Kelco, Inc., within fifteen (15) days of service of this Summary Order, may file with the KID written request for a hearing on this Summary Order, as provided for by K.S.A. 77-542. In

the event a hearing is requested, such request should be directed to:

Kathy Greenlee
General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

If a hearing is not requested, this summary order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period for requesting a hearing.

**IT IS SO ORDERED THIS __5th__ DAY OF AUGUST, 2002 IN THE CITY OF
TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



_____/s/ Kathleen Sebelius_____
Kathleen Sebelius
Commissioner of Insurance

BY:

_____/s/ Matthew D. All_____
Matthew D. All
Assistant Commissioner of Insurance

Certificate of Service

The undersigned hereby certifies that the above and foregoing Summary Order was served this __5th__ day of August 2002, by depositing the same in the United States Mail, first class postage prepaid, addressed to the following:

Kelco, Inc.
Stephen Keller, President
269 W. Main Street
Lexington, Kentucky 40507

_/_s/ Matthew D. All_____

Matthew D. All