

(\$2,500.00) in medical expenses in the event of accident or sickness while away from home. Giercyk's benefits were underwritten by National Union Fire Insurance Company of Pittsburgh, P.A., and Virginia Surety Company, Inc.

2. Plaintiff, Ajay Das, is a resident of Princeton, New Jersey who purchased and entered into an insurance contract, which was advertised under the name HealthExtras, that purportedly provided him with a One Million Five Hundred Thousand Dollar (\$1,500,000.00) lump sum Accident Permanent and Total Disability Benefit in the event that they became permanently disabled as a result of an accident, and an Emergency Accident and Sickness Medical Expense Benefit that purported to cover up to Two Thousand Five Hundred (\$2,500.00) in medical expenses in the event of accident or sickness while away from home. Mr. Das's benefits were underwritten by National Union Fire Insurance Company of Pittsburgh, P.A., and Virginia Surety Company, Inc.

3. Plaintiffs, James and Emma Imes, are residents of Cumberland County, North Carolina, who purchased and entered into an insurance contract, which was advertised under the name HealthExtras, that purportedly provided her with a One Million Dollar (\$1,000,000.00) lump sum Accident Permanent and Total Disability Benefit in the event that the named insured became permanently disabled as a result of an accident, and an Emergency Accident and Sickness Medical Expense Benefit that purported to cover up to Two Thousand Five Hundred (\$2,500.00) in medical expenses in the event of accident or sickness while away from home. Mr. and Mrs. Imes benefits were underwritten by Stonebridge Life Insurance Company and Virginia Surety Company, Inc.

4. Defendant National Union Fire Insurance Company of Pittsburgh, P.A., (hereinafter "National Union") was and is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania and has done business at all relevant times in the State of

New Jersey, with its principal office located at 175 Water Street, 18th Floor, New York, NY 10038 and with its registered agent located in Pennsylvania, namely, Corporation Service Company, 2595 Interstate Drive, Harrisburg, PA 17710. Defendant National Union was owned by American International Group, Inc. (“AIG”) and now is a wholly owned subsidiary of Chartis U.S., Inc. Upon information and belief, Defendant National Union, at all times relevant to this action, was licensed as an insurance company and/or underwriter in the State of New Jersey and the United States of America.

5. Defendant American International Group, Inc., d/b/a AIG Group Insurance Trust for the Account of HealthExtras, (hereinafter “AIG”) is a corporation with its principal place of business located at 2 Peach Tree Hill Road, Livingston, New Jersey with a registered agent located in Delaware, namely United States Corporation Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808. Defendant American International Group, Inc., d/b/a AIG Group Insurance Trust for the Account of HealthExtras, at all times relevant to this action, conducted business in the State of New Jersey.

6. Defendant HealthExtras, Inc., (hereinafter “HealthExtras Inc.”) was formed in 1997 under the laws of the State of Delaware and has done business at all relevant times in the State of New Jersey, North Carolina and all states. Upon information and belief, HealthExtras, Inc. was never licensed or authorized by any state conduct insurance transactions, including the marketing and sale of insurance products.

7. Catalyst Health Solutions, Inc. (hereinafter “Catalyst”) was and is a corporation organized and existing under the laws of the State of Delaware and has done business at all relevant times in the State of New Jersey, North Carolina and all states. Upon information and belief, Catalyst was never licensed or authorized by any state to conduct insurance transactions, including the marketing and sale of insurance products.

8. Catamaran Health Solutions, LLC (hereinafter “Catamaran”) is a limited liability company organized and existing under the laws of the State of Delaware and has done business at all relevant times in the State of New Jersey, North Carolina and all states. Upon information and belief, Catamaran has never been licensed or authorized by any state to conduct insurance transactions in New Jersey, including the marketing and sale of insurance products.

9. Upon information and belief, HealthExtras Inc., was incorporated in 1997 and changed its name to Catalyst Health Solutions, Inc. in 2008. Catalyst Health Solutions, Inc. was purchased by SXC Health Solutions in July 2012. Those companies merged together to form Catamaran Health Solutions, LLC in July 2012. Defendant HealthExtras, Inc. has asserted that on October 1, 2008, it changed its name to Catalyst Health Solutions, Inc., and therefore, it no longer exists. However, HealthExtras, Inc. and its successor corporations Catalyst Health Solutions, Inc., and Catamaran Health Solutions, LLC continued to operate under the name of “HealthExtras” to conduct business, service and administer the disability policies that are the subject of this lawsuit until at least August 1, 2012. HealthExtras, Inc. Catalyst and Catamaran have all operated at some time under the name of “HealthExtras” to conduct business, and to service and administer the disability policies that is the subject of this lawsuit until at least August 1, 2012. Contrary to the assertion that the HealthExtras Inc., changed its name, it, along with Catalyst and Catamaran continued to operate under the name “HealthExtras” by communicating in writing with insureds around the country via the United States mail and via electronic mail using the name “HealthExtras” on correspondence. See **Exhibit A**, January 5, 2010 letter to Mario Petruzzo, Plaintiff in the matter of *Petruzzo v. National Union Fire Insurance Company of Pittsburgh, PA, et al.*, 5:12-cv-113-FL (E.D.N.C). Further confusing matters, Catamaran has represented and referred to itself as the “HealthExtras Defendants” in other pending Federal Court actions involving the HealthExtras Scheme that is the subject of this

lawsuit. See Answer of “HealthExtras Defendants” in *Petruzzo v. National Union Fire Insurance Company of Pittsburgh, PA, et al.*, 5:12-cv-113-FL attached hereto as **Exhibit B**. Consequently, the Plaintiffs will refer to these entities separately, but as one Defendant, “Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc.” in this Complaint.

10. HealthExtras, LLC (hereinafter “HealthExtras, LLC”) is a limited liability company, formed and organized under the laws of the State of Delaware by officers and directors of HealthExtras, Inc., and Catalyst in October 2010. In July 2012, HealthExtras, LLC, was owned and operated by Catamaran Corp., a publicly traded company and the parent company of Catamaran Health Solutions, LLC. On August 1, 2012 the Catamaran Corp. sold HealthExtras, LLC to a different entity and caused the HealthExtras Program disability policies that are the subject of this lawsuit to be transferred to HealthExtras, LLC for servicing, administration and collection of insurance premiums. HealthExtras, LLC currently services, administers, collects and allocates premiums for the insurance HealthExtras Scheme complained of herein and continues to use the same trade name of “HealthExtras” used by its corporate predecessors, Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. See **Exhibit C**, October 15, 2013 letter to Ralph Williams, Plaintiff in the matter of *Williams v. National Union Fire Insurance Company of Pittsburgh, PA, et al.*, 6:14-cv-870-MGL (D.S.C.); see also **Exhibit D**, December 3, 2013 letter to Arie Waiserman, Plaintiff in the matter of *Waiserman v. National Union Fire Ins. Co. of Pittsburgh, PA, et al.*, CV 14-00667 (C.D. Cal.). Upon information and belief, HealthExtras, LLC has never been licensed or authorized any state to conduct insurance transactions, including the marketing and sale of insurance products.

11. Defendant Alliant Insurance Services Inc., was and is a corporation organized and existing under the laws of the State of Delaware and has done business at all relevant times in the

State of New Jersey, North Carolina and all states, with its principal office located at 1301 Dove Street, Suite 200, Newport Beach, CA 92660.

12. Defendant Alliant Services Houston, Inc. was and is a corporation organized and existing under the laws of the State of New York and has done business at all relevant times in the State of New Jersey North Carolina and all states.

13. Hereinafter, the Defendants named as Alliant Insurance Services Inc., and Defendant Alliant Services Houston, Inc. will collectively be referenced as “Alliant.”

14. Defendant, Virginia Surety Company, Inc., (hereinafter “Virginia Surety”) was and is a corporation organized and existing under the laws of the State of Illinois with its principal place of business located at 175 West Jackson Boulevard, 11th Floor, Chicago, IL, 60604.

15. Stonebridge Life Insurance Company (“Stonebridge”) is a corporation organized and existing under the laws of Vermont. At all relevant times, Defendant Stonebridge has done business in the State of North Carolina. Stonebridge’s administrative offices are located at 2700 West Plano Parkway, Plano, Texas 75075-8200.

Jurisdiction, Venue and Choice of Law

16. This Court has subject matter jurisdiction pursuant to the Class Action Fairness Act, 28 U.S.C. § 1332(d), because there are 100 or more Class Members and the aggregate amount in controversy exceeds \$5,000,000.00 exclusive of interest and costs. Additionally, at least one Class member is a citizen of a state different from the corporate domiciles of the Defendants.

17. This case is properly maintainable as a class action pursuant to and in accordance with Rule 23(a) of the Federal Rules of Civil Procedure in that:

- The class, which includes an unknown number of persons but certainly more than 100, is so numerous that joinder of all members is impractical;

- There are substantial questions of law and fact common to the class including those set forth in greater particularity herein; and
- This case is properly maintainable as a class action pursuant to Rule 23(b) of the Federal Rules of Civil Procedure, in that:
 - (a) questions of law and fact enumerated below, which are all common of the class, predominate over any questions of law or fact affecting only individual members of the class;
 - (b) a class action is superior to any other type of action for the fair and efficient adjudication of the controversy;
 - (c) the relief sought in this class action will effectively and efficiently provide relief to all members of the class; and
 - (d) there are no unusual difficulties foreseen in the management of this class action.

18. The Defendants, collectively and individually, at all relevant times conducted substantial business in this district, many of the violations occurred in this district, and many of the acts and transactions alleged in this Complaint occurred in this district.

19. The Court has personal jurisdiction over all the Defendants, who have at least minimum contacts with the State of New Jersey because the Defendants conduct business there and have availed themselves of New Jersey's markets through its promotion, sales and marketing efforts as well as the Defendants' issuance of insurance policies and collection of premiums within New Jersey to and from residents of New Jersey.

20. This Court has supplemental jurisdiction over the state law claims pursuant to 28 U.S.C. § 1367.

21. Venue in the United States District Court for the District of New Jersey is proper because Defendants transact business within this District and a substantial part of the events giving rise to the claims at issue in this Complaint occurred in this District.

Preliminary Allegations

22. This matter is not governed by ERISA 29 U.S.C. § 1001, *et seq.*

23. This action arises from the wrongful conduct of Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., HealthExtras, LLC, Alliant, Virginia Surety, AIG and National Union and Stonebridge toward the Plaintiffs and others similarly situated Class members in the United States of America, including but limited to the following: (a) the illegal selling and underwriting of group insurance to consumers who were not members of any lawful, blanket group for which the sale of such an insurance product could be authorized; (b) the false and deceptive advertising, solicitation, sale, and post-sale marketing of disability insurance; (c) the creation of trusts in which to place this insurance to attempt to avoid state insurance regulations and laws; (d) the calculation and collection of excessive premiums or fees charged for this illegal insurance product; (e) conversion of personal property by unilaterally debiting the Plaintiffs' credit card or bank account for an insurance premium in excess of the advertised and contract price; (f) conspiracy among the defendants to create a sham organization operating under the name HealthExtras for the purpose of avoiding the state insurance regulations and laws; (g) conspiracy among the defendants to create a sham organization operating under the name HealthExtras for the purpose of charging excessive illegal premiums for a worthless disability insurance product; (h) conspiracy among the defendants to create a sham organization operating under the name HealthExtras for the purpose of concealing from the public and the State of New Jersey the true nature of the sham organization known as HealthExtras; (i) unjust enrichment; and (j) other misconduct.

24. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG, Stonebrudge, Alliant, HealthExtras, LLC and Virginia Surety have engaged in activities that violate the statutory and common law of the State of New Jersey, North Carolina and all states and have transacted business within the State of New Jersey North Carolina and all states.

25. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG, Stonebridge, Alliant, HealthExtras, LLC and Virginia Surety are jointly and severally liable for the wrongful conduct alleged herein.

26. This case seeks recovery of disgorgement and return of all illegal premiums, treble and punitive damages, interest, as well as injunctive and other equitable relief, attorneys' fees and costs, including costs of investigation reasonably incurred, and other damages.

27. Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., National Union, AIG, Stonebridge, Alliant, HealthExtras, LLC and Virginia Surety have acted, and continue to act in conspiracy and in concert with each other in connection with the claims alleged herein.

28. The Plaintiffs as well as the Class Members have sustained damages that include, but are not limited to conversion of their personal property in the form of debits of illegal insurance premiums, and unauthorized increased premiums by the Defendants for a group disability policy that is illegal and virtually worthless.

Class Allegations

29. Plaintiffs, Stephen Giercyk Ajay Das and James and Emma Imes bring this action, pursuant to Rule 23 of the Federal Rules of Civil Procedure, on behalf of themselves and as representatives of Class Members nationwide who owned, purchased or paid premiums for disability insurance coverage with Defendants for disability insurance product known as HealthExtras from 1999 through the date of class certification.

30. Plaintiffs Stephen Giercyk and Ajay Das bring this action as class representatives to recover damages and/or refunds from these Defendants for violations of N.J.S. § 56:8-1 *et seq.*, the breach of good faith and fair dealing, unjust enrichment, conversion, civil conspiracy, punitive damages, and injunctive relief.

31. Plaintiffs James and Emma Imes bring this action as class representatives to recover damages and/or refunds from these Defendants for violations of N.C.G.S. § 75-1.1*et seq.*, unjust enrichment, civil conspiracy, punitive damages, and injunctive relief.

32. This action satisfies the numerosity, commonality, typicality, adequacy, predominance, and superiority requirements of the Federal Rules of Civil Procedure Rule 23(a)(1-4) and (b)(1).

33. The Plaintiff Classes are defined and proposed as follows:

“HealthExtras Settlement Class” shall mean any individuals who paid for or received any benefits or memberships from or relating to any Benefits Program for which any insurance coverage was underwritten by National Union Fire Insurance Company of Pittsburgh, Pa., Federal Insurance Company, Reliance National Insurance Company, Zurich American Insurance Company, or AMEX Assurance Company.

“Stonebridge Settlement Class” shall mean any individuals who paid for or received any benefits or memberships from or relating to any Benefits Program for which any insurance coverage was underwritten by J.C. Penny Life Insurance Company, or Stonebridge Life Insurance Company.

Collectively, these persons will be referred to as the “Class or Classes.”

34. Plaintiffs reserve the right to modify or amend the definition of the proposed Class before the Court determines whether certification is appropriate.

35. Excluded from the Plaintiff Class are:

- (a) Defendants and any entities in which any Defendant has a controlling interest;
- (b) Any entities in which Defendants’ officers, directors, or employees are employed and any of the legal representatives, heirs, successors or assigns of any Defendant;
- (c) The Judge to whom this case is assigned and any member of the Judge’s immediate family and any other judicial officer or employees assigned to this case;

- (d) Claims for personal injury, wrongful death and/or emotional distress;
- (e) Actual identifiable claims for disability benefits that have already arisen that may be payable under the terms of said disability insurance policies; and
- (f) Any attorneys representing the Plaintiffs or the Class;

36. Numerosity – Fed. R. Civ. P. 23(a)(1). The Class Members are so numerous that their individual joinder is impracticable. The exact number or identification of the Class Members is presently unknown, but it is believed that there are over 100 and most likely thousands of Class Members. The identity of the Class Members is ascertainable. In addition to registration rolls maintained by the Defendants, the Class Members may be located and informed of the pendency of this action by a combination of electronic bulletins, e-mail, direct mail and public notice, or other means.

37. Predominance of Common Questions – Fed. R. Civ. P. 23(a)(2), 23(b)(3). Common questions of law and fact exist as to all the Class Members and predominate over questions affecting only individual Class Members. These common questions include the following:

- (a) Whether Defendants wrongfully advertised or sold disability insurance policies and collected premiums for those insurance policies that were illegal;
- (b) Whether Defendants, Catamaran, National Union, AIG, Alliant and Virginia Surety wrongfully collected and increased premiums for those policies;
- (c) Whether any Defendant or several of the Defendants knew or should have known that selling and collecting premiums for the subject insurance policies was illegal;
- (d) Whether the Defendants have been unjustly enriched at the expense of Plaintiffs and the Class Members;
- (e) Whether Plaintiffs and the Class Members suffered any injury that was proximately caused by the unlawful acts alleged herein;
- (f) Whether the Defendants acted in conspiracy with each other to perform the illegal acts described herein; and

- (g) Whether Plaintiffs and the Class Members are entitled to recover damages proximately caused by the alleged unlawful conduct, including actual damages consisting of restitution of premiums collected for the illegal policies, treble damages, punitive damages, interest, attorneys' fees, filing fees, and reasonable costs of suit.

38. Typicality – Fed. R. Civ. P. 23(a)(3). Plaintiffs' claims are typical of claims of all of the Members of the Class, all of whom owned or purchased disability insurance coverage or paid premiums for disability insurance coverage through a program known as HealthExtras from 1999 through the present date.

39. Adequacy – Fed. R. Civ. P. 23(a)(4); 23(g)(1). Plaintiffs are adequate representatives of the Class because they fit within the class definition and their interests do not conflict with the interests of the Members of the Class they seek to represent. Plaintiffs will prosecute this action vigorously for the benefit of the entire Class and agree to participate in discovery and attend any Court hearings required of them. Plaintiffs are represented by experienced and able attorneys from coordinated law firms that will collectively and jointly serve as Class Counsel. Class Counsel has litigated numerous class actions, and Plaintiffs' counsel intends to prosecute this action vigorously for the benefit of the entire Class. Plaintiffs and Class Counsel can fairly and adequately protect the interests of all of the Members of the Class.

40. Superiority – Fed. R. Civ. P. 23(b)(3). The class action is the best available method for the efficient adjudication of this litigation because individual litigation of Class Members' claims would be impracticable and individual litigation would be unduly burdensome to the courts. Further, individual litigation has the potential to result in inconsistent or contradictory judgments. A class action in this case presents fewer management problems and provides the benefits of single adjudication, economies of scale, and comprehensive supervision by a single court. The class, as defined herein, is ascertainable from the Defendants' records or from records which the Defendants have access and control.

Historical Background and Factual Allegations

41. Beginning in approximately 1997, Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. conceived, designed, and created a Disability Benefit Scheme (the “HealthExtras Scheme”). Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. contracted with the late famed Superman actor, Christopher Reeve to endorse the HealthExtras Scheme. The development of the HealthExtras Scheme was initially funded by private investment with additional capital raised in 1999 through a public stock offering. The HealthExtras Scheme included: (1) a One Million Dollar (\$1,000,000.00) Accidental Permanent and Total Disability Benefit insurance coverage; and (2) a Two Thousand Five Hundred (\$2,500.00) Out of Area Emergency Accident and Sickness Medical Expense Benefit.

42. The insurance coverage for the benefits have been underwritten by several insurance companies because Defendants, Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. have never been licensed or authorized by any State or Department of Insurance to conduct the business of insurance. Defendant HealthExtras, LLC, the new corporate entity until filing for bankruptcy, on January 9, 2015 serviced, administered, collected and allocated premiums for the HealthExtras Scheme has also never been licensed to conduct the business of insurance in any State.

43. The incorporators of Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. including but not limited to David Blair, CEO of HealthExtras Inc., his father Thomas Blair, as well as Edward S. Civera and Chief Financial Officer, Mike Donovan, conceived the HealthExtras Scheme for the purpose of defrauding consumers and gaining an unfair and illegal advantage in the disability insurance market by avoiding state insurance regulations and selling virtually worthless group disability insurance to individuals rather than an actual qualified group.

44. The HealthExtras Scheme operated in the following manner:

- (a) Based on the Group Health Insurance Model Act set out by the National Association of Insurance Commissioners (“NAIC”), the national governing body of the business of insurance, most states, including New Jersey, have enacted regulations that require Blanket Group Disability Policies to be sold only to an employer, or a group which has been otherwise organized and is maintained in good faith for purposes other than that of obtaining insurance.
- (b) Under the Model act and New Jersey law, a group or association may not be controlled by the insurer and the policy must be issued to a group or association which shall be deemed the policyholder.
- (c) Requiring Group Disability Policies to be issued to a “group” allows the group, as the entity with the insurable interest in its members, to scrutinize the terms of coverage and price of coverage to ensure its members are receiving a good insurance product for a fair price. Under these statutes, the Master Policy of insurance is required to be issued to the “group” with certificates of insurance issued by the group to the individual members.
- (d) Catamaran, f/k/a, Catalyst f/k/a HealthExtras Inc. and its incorporators gained an unfair advantage in the disability insurance market by unilaterally creating their own fictitious “group” and directly marketing an illusory disability policy to individual consumers; then once enrolled, placing that consumer in the fictitious “group” to conceal the scheme.

45. Catamaran, f/k/a, Catalyst f/k/a HealthExtras Inc., and its incorporators achieved the unfair advantage and fraud on the public in the following manner:

- (a) HealthExtras Inc. entered into agreements with the nation's largest VISA and MasterCard issuing banks (including but not limited to Citibank, Capitol One and Chase), as well as American Express, and with “other entities” who held branded credit cards for their customers (including but not limited to JC Penny, Sears and Conoco Phillips) allowing Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. access to their credit card customers to market the HealthExtras Scheme in all fifty (50) States of the United States of America.
- (b) These contracts allowed Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. access to financial information of the cardholder to assess the prospect of that individual purchasing the HealthExtras Scheme.
- (c) By agreement, the credit card issuing companies allowed Catamaran, f/k/a, Catalyst f/k/a HealthExtras Inc. to include a marketing flyer in the cardholder’s monthly credit card statements that were delivered to the individual through the United States Mail targeting individual consumers for the HealthExtras Scheme.

- (d) Originally, the marketing flyers offered a One Million Dollar (\$1,000,000.00) disability insurance product called “HealthExtras” for as little as Nine Dollars and Ninety-Five cents (\$9.25) per month or Fourteen Dollars and Fifty cents (\$14.50) per month depending on whether the individual added his or her spouse.
- (e) The marketing flyers contained images of the late famed Superman actor, Christopher Reeve, as well as statements by Mr. Reeve endorsing the HealthExtras Program.
- (f) Included in the marketing flyers was a short application that allowed the individual cardholder to enroll in the HealthExtras Scheme by simply completing the application and sending it via the United States Mail in a prepaid envelope to HealthExtras, 6th Floor Processing Center, 2275 Research Blvd., Rockville, MD 20850-8526. This process allowed Catamaran, f/k/a, Catalyst f/k/a HealthExtras Inc. to enroll large numbers of individual consumers rapidly and with very little expense with no lengthy applications or exams which would be typical of underwriting an individual disability policy.
- (g) Once the individual cardholder sent the application to Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., he or she was designated as a “member” of a fictitious group and placed into a “Trust” created by Catamaran, f/k/a, Catalyst f/k/a HealthExtras Inc., and other Defendants, along with other credit card holders from all the 50 States. Catamaran, f/k/a, Catalyst f/k/a HealthExtras Inc. then began debiting the individual’s credit card on a monthly or yearly basis for the insurance premium. Those premiums were then deposited into a “Trust” for distribution to the underwriters, the brokers and to Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc.
- (h) Catamaran f/k/a Catalyst f/k/a HealthExtras Inc. entered into contracts with various licensed insurance carriers to make application to each state insurance department for approval of a Group Disability Policy and underwrite the disability benefits for the HealthExtras Scheme.
- (i) The HealthExtras Accidental Permanent Disability Policy was first underwritten by Federal Insurance Company, a member of the Chubb Group of Insurance Companies, a successor underwriter to Reliance National Insurance. Then, on January 1, 2005, the underwriter was changed again to Defendant, National Union.
- (j) The underwriters, including National Union, either misrepresented to the state insurance regulators that the Group Disability Policy was intended to be issued to a valid group under state law or simply failed to apply for approval of the Group Disability Policy.

46. This illegal scheme allowed Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., to market and sell the group disability policies directly to individuals and collect premiums directly from individuals, rather than from a real group where members pay membership fees.

47. This illegal scheme allowed Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. to reap enormous profits. After the Initial Public Offering (“IPO”) of HealthExtras Inc., in 1999, in a year 2000 letter to the HealthExtras, Inc., shareholders, CEO David Blair reported that:

Our revenues increased from \$5.3 million in 1999 to \$44.2 million in 2000 as our paid enrollments jumped from 105,000 to 450,000 over that period. The increase in enrollments was primarily attributable to the addition of new marketing partners and obtaining approval to sell our products in more states.

See **Exhibit E**.

48. This enormous immediate profit was created in the insurance market due to the fact Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. avoided state insurance regulations requiring the policy to be sold to an actual valid group, as defined by state law, rather than to individuals. Avoiding insurance regulation, rate oversight and the scrutiny of an actual group allowed Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. to fraudulently market and sell illegal group disability policies known as the HealthExtras Program to individuals on a large nationwide scale. These policies, disguised as inexpensive individual disability policies, were then placed in a sham “Trust for the Account of HealthExtras” to create the illusion of a valid group.

49. The fraudulent HealthExtras Scheme resulted in a huge financial windfall for HealthExtras, Inc. and CEO David Blair. After HealthExtras Inc. and its successor corporation Catalyst Health Solutions were sold for \$4.4 billion to SXC Health Solutions in July 2012, creating the company now known as Catamaran Health Solutions, LLC, David Blair received a \$16 million dollar compensation package in 2012 according to a Securities & Exchange Commission filing. He had earned \$9.4 million in 2011.

50. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. knew that any underwriter of such insurance would necessarily be required to comply with the insurance regulations of the various fifty (50) states and knowingly conceived and developed the HealthExtras Scheme to create the illusion of an illegal group for the purposes of avoiding state insurance regulations and defrauding the public.

51. In accordance with the HealthExtras Scheme, upon information and belief, sometime in the summer of 1999, Plaintiff Stephen Giercyk received marketing materials from Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. which were forwarded to him in mailings from his credit card issuer.

52. Similarly, Plaintiff Ajay Das also received marketing materials from Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. in 1999 which were forwarded to him in mailings from his credit card issuer.

53. Similarly, James and Emma Imes also received marketing materials from Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., in 2000 which were forwarded to them in mailings from their credit card issuer.

54. Prior to the issuance of the marketing materials, Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., retained and utilized the likeness of “Superman” actor, Christopher Reeve, to be the face of its marketing campaign after the famous actor had become paralyzed as a result of an equestrian accident, which was well documented in the national media.

55. Upon information and belief, after expressing an interest in the HealthExtras program, Mr. Giercyk received a letter via the United States mail in 1999 or 2000 from Defendant HealthExtras, Inc. signed by a “Director of Client Services” that included the following statements:

- Enclosed please find the HealthExtras program description you requested. Because lives change in an instant, like Christopher Reeve’s, HealthExtras

was created to provide families with financial security should the unthinkable happen.

- \$1,000,000 cash payment if you are permanently disabled due to an accident. And as a HealthExtras member, you have two tax-free options: a \$1,000,000 lump sum cash payment or a \$250,000 cash payment plus \$5,000 per month for 20 years.
- \$2,500 a year in reimbursements for coinsurance and deductibles for healthcare expenses when you are traveling.

56. Upon information and belief, Plaintiffs Ajay Das and James and Emma Imes received similar letters.

57. These mail solicitations were intended to induce Mr. Giercyk and the Class Members to purchase and retain the specified disability insurance, wherein Defendant Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. specifically offered Mr. Giercyk the opportunity to purchase disability insurance.

58. Because Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. was not a licensed insurance broker in any State, it fraudulently paid for the use of the name The Sklover Group, Inc., which was a real licensed broker and the corporate predecessor to JLT Services Corporation, which is now known as the Defendant, Alliant Services Houston Inc. Since 2005, the name Alliant Services Houston Inc. has been used by the HealthExtras Scheme on correspondence and other documents to create the illusion that HealthExtras is a valid insurance broker. See **Exhibits A, C and D.**

59. This written solicitation was typical of the solicitations used in the HealthExtras Scheme, which offered disability insurance to certain “targeted” credit card customers.

60. Mr. Giercyk enrolled in the HealthExtras “benefit program” and agreed to pay premiums which subsequently appeared as charges/debits on his credit card statements. Defendant Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. accepted the respective named Plaintiffs’ enrollment by letter from the Director, Member Services, that advised the Plaintiffs

that “you have armed yourself with one of the most exciting and affordable disability plans found anywhere in America today.” Additionally, the acceptance letter included a photograph of Christopher Reeve and a message purportedly from him that stated “[b]ecause lives can change in an instant, as mine did, you should have the additional security for yourself and your family that HealthExtras can provide.”

61. Plaintiffs Ajay Das also enrolled in the HealthExtras “Benefit Program” and paid premiums.

Illegal Premium Increases
(Catamaran, National Union, AIG, Alliant and Virginia Surety)

62. The initial annual premium charges of \$95 appeared on Mr. Giercyk’s credit card statements as being from “C Reeve Disability Ins 800-554-6797 MD.” This entry on Plaintiffs’ credit card statements further confirmed to Plaintiffs that they were buying disability insurance coverage.

63. Mr. Giercyk chose to pay his premiums on an annual basis.

64. Plaintiff Giercyk has made payments via his Fleet Bank (and then Bank of America) credit card for accidental disability premiums from September 1999 through the present for the accidental disability policy sold to him by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, Alliant, AIG and Virginia Surety.

65. Plaintiff Ajay Das asserts upon information and belief, that payments were made on an annual basis on his credit card from 1999 through 2002.

66. Upon information and belief, at some time between 2003 and 2005, the Defendants Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, Alliant, AIG and Virginia Surety unilaterally increased Stephen Giercyk’s premium from \$95.00 to \$131.00 per year. This premium increase was made without prior approval as required under New Jersey insurance law.

67. Beginning in 2009, Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, Alliant, AIG, Stonebridge and Virginia Surety again increased the premium to \$167.00 per year in violation of New Jersey law.

68. In 2002, Plaintiff Ajay and Das along with his wife was paying \$186.00 per year. In 2004 that amount was increased to \$210.00 per year. In 2005 through 2008, they paid \$282.00 per year. In 2009 through 2013, they paid \$354.00 per year. Upon information and belief, all other class members had their premiums increased in an amount similar to the increases listed above during the same or similar time periods as outlined above.

69. Unbelievably, these increases occurred even after Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. sought to capitalize on the September 11, 2001 national terrorism tragedy by sending a letter to the Plaintiffs and the Class in 2001 indicating:

As a valued member, we are pleased to inform you that your HealthExtras program fees will not increase in 2002 despite the huge financial impact the September 11th tragedy has had on the insurance industry.

70. On January 1, 2005, Defendant National Union became the underwriter for the One Million Dollar (\$1,000,000.00) Accidental and Permanent Total Disability Benefit.

71. The Plaintiffs' Two Thousand Five Hundred Dollar (\$2,500.00) Emergency Accident and Sickness Medical Expense Benefit has been underwritten by Virginia Surety Company, Inc. from the date of their enrollment to present.

72. The Plaintiffs have paid accidental disability premiums from 1999 through the present for the accidental disability coverage sold to them by Catamaran, f/k/a Catalyst, f/k/a HealthExtras, Inc., a company not licensed to sell insurance in any state.

73. Facing class action litigation regarding this illegal scheme in several jurisdictions, after over fifteen (15) years of collecting premiums for HealthExtras Scheme, the Defendants canceled the insurance effective December 31, 2014. Without explanation, by letter dated

October 20, 2014 and November 14, 2014, the Defendants sent via the United States mail, a letter to the Plaintiffs and all victims of the HealthExtras Scheme, nationwide, indicating all insurance coverage under the HealthExtras Program was canceled as of December 31, 2014. See **Exhibits F and G.**

The HealthExtras Scheme is Fraudulent

74. The marketing materials for the HealthExtras Program represented that it provided affordable coverage for low probability, high consequence events, such as disability. Neither in those materials nor anywhere else, however, did any Defendant ever disclose that nearly all of the purported premiums paid by the victims went to marketing expenses and profits for Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., or fees paid to the banks that made their credit card customer information available to HealthExtras for marketing purposes.

75. For example, when monthly premiums for the One Million Dollar HealthExtras disability benefit were \$15.95 per month, only \$2.24 of that amount was paid to National Union, the purported underwriter of the disability policy. In other words, less than 15% of the premium paid by members for disability coverage actually went to an insurance company. Roughly 80% of the insurance premiums paid to the HealthExtras Scheme by the Plaintiffs and the Class Members has been collected by the HealthExtras entities (HealthExtras, Inc., Catalyst Health Solutions, Inc., Catamaran Health Solutions, LLC and HealthExtras, LLC) and has not paid for insurance coverage or paid for anything that would benefit the Plaintiffs or the Class Members. Those funds have been collected by the HealthExtras entities to further the illegal HealthExtras Scheme and represent a loss to the Plaintiffs and the Class Members as they derived no benefit from the payment of those funds to the HealthExtras Scheme.

76. Persons who purchased purported disability insurance coverage under the HealthExtras Scheme have been denied disability benefits even after suffering catastrophic injuries which rendered them disabled.

77. Although the coverage description disclosed some limitations on coverage under the policy, neither Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., or HealthExtras, LLC, nor any other Defendant disclosed to the victims of the scheme, that only a small fraction of the purported premiums actually went to an insurance company, nor did they disclose there was no intention to pay disability benefits that fell within the terms of coverage. In other words, neither Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. nor any other Defendant ever disclosed that the purported disability insurance coverage was illusory.

The HealthExtras Disability Policy is Illegal Under New Jersey and North Carolina Law

78. In New Jersey and North Carolina a blanket accident health or disability policy may only be issued to an employer or an association maintained in good faith for purposes other than that of obtaining insurance.

79. Blanket group policies differ from individual policies in that a single master policy is issued to a group or association, as opposed to the individual person being insured. Thus, the group or association is the actual policyholder. Each member of the group or association that is provided coverage under the master policy is issued a Certificate of Insurance that summarizes the coverage terms and explains the individual's rights under the master policy.

80. In New Jersey, N.J.S. § 17B:27-32(a)(1)-(7) defines eligible blanket groups as follows:

- (a) Any policy or contract of insurance against death or injury resulting from accident or from accidental means which conforms with the description and complies with the requirements contained in one of the following paragraphs shall be deemed a blanket insurance policy.

- (1) A policy or contract issued to any railroad, steamship, motor bus or airplane carrier of passengers, which carrier shall be deemed the policyholder, covering a group defined as all persons who may become such passengers and whereby such passengers shall be insured against loss or damage resulting from death or bodily injury either while, or as a result of, being such passengers.

A policy or contract covering accidental death or injury to individuals resulting from airline accidents may also be issued under which premiums are paid from funds of the airline and the benefits are payable to the airline or to a trust established for the purpose of funding payments to persons with claims against the airline by reason of the death or bodily injury of individuals.

- (2) A policy or contract issued in the name of any volunteer fire department, first aid or ambulance squad or volunteer police organization which shall be deemed the policyholder and covering all of the members of any such organization against loss from accidents resulting from hazards incidental to duties in connection with such organizations.

- (3) A policy or contract issued in the name of any established organization, whether incorporated or not, having community recognition and operating for the welfare of the community and not for profit which shall be deemed the policyholder and covering all volunteer workers who are members of the organization and who serve without pecuniary compensation against loss from accidents occurring while engaged in the actual performance of duties on behalf of such organization.

- (4) A policy or contract issued to any employer, who shall be deemed the policyholder, covering any group of employees defined by reference to exceptional hazards incident to such employment, insuring such employees against death or bodily injury resulting while or from being exposed to such exceptional hazards.

- (5) A policy or contract issued to a college, school, or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder.

- (6) A policy or contract issued to and in the name of an incorporated or unincorporated association of persons having a common interest or calling, which association shall be deemed the policyholder, having not less than 50 members, covering all the members of such association, or if part or all of the premium is to be derived from funds contributed by the insured members and if the opportunity to take such insurance is offered to all eligible members, then such policy must cover not less than 75% of any class or classes of

members determined by conditions pertaining to membership in the association.

- (7) A policy or contract issued to insure any other substantially similar group approved by the commissioner as eligible for insurance under a blanket insurance policy or contract.

81. New Jersey Insurance Code section 17B:27C-3 defines an association as “a group of 100 or more persons organized and maintained in good faith for purposes other than that of obtaining insurance, in active existence for more than one year, having a constitution and bylaws that provide that: the association holds regular meetings not less than annually to further the purposes of the members; except for credit unions, the association collects dues or solicits contributions from members; and the members have voting privileges and representation on the governing board and committees.” (emphasis added).

82. In North Carolina, N.C.G.S. § 58-51-75(a)(1)-(7), as in effect until June, 2013, defined eligible blanket groups as follows:

(a) Any policy or contract of insurance against death or injury resulting from accident or from accidental means which insures a group of persons conforming to the requirements of one of the following subdivisions (1) to (7), inclusive, shall be deemed a blanket accident policy. Any policy or contract which insures a group of persons conforming to the requirements of one of the following subdivisions (3), (5), (6) or (7) against total or partial disability, excluding such disability from accident or from accidental means, shall be deemed a blanket health insurance policy. Any policy or contract of insurance which combines the coverage of blanket accident insurance and of blanket health insurance on such a group of persons shall be deemed a blanket accident and health insurance policy:

(1) Under a policy or contract issued to any railroad, steamship, motorbus or airplane carrier of passengers, which shall be deemed the policyholder, a group defined as all persons who may become such passengers may be insured against death or bodily injury either while, or as a result of, being such passengers.

(2) Under a policy or contract issued to an employer, or the trustee of a fund established by the employer, who shall be deemed the policyholder, covering any group of employees defined by reference to exceptional hazards incident to such employment, insuring such employee against death or bodily

injury resulting while, or from, being exposed to such exceptional hazard.

(3) Under a policy or contract issued to a college, school or other institution of learning or to the head or principal thereof, who or which shall be deemed the policyholder.

(4) Under a policy or contract issued in the name of any volunteer fire department, which shall be deemed the policyholder, covering all of the members of such department.

(5) Under a policy or contract issued to and in the name of an incorporated or unincorporated association of persons having a common interest or calling, which association shall be deemed the policyholder, having not less than 25 members, and formed for purposes other than obtaining insurance, covering all of the members of such association.

(6) Under a policy or contract issued to the head of a family, who shall be deemed the policyholder, whereunder the benefits thereof shall provide for the payment by the insurer of amounts for expenses incurred by the policyholder on account of hospitalization or medical or surgical aid for himself, his spouse, his child or children, or other persons chiefly dependent on him for support and maintenance.

(7) Under a policy or contract issued in the name of any municipal or county recreation commission or department which shall be deemed the policyholder.

(emphasis added).

83. N.C.G.S. § 58-51-80(b) governs group accident policies which insures a group of persons in the State of North Carolina and sets forth permissible groups that can issue such insurance and requires:

“The association or associations shall have at the outset a minimum of 500 persons and shall have been organized and maintained in good faith for purposes other than that of obtaining insurance; shall have been in active existence for at least five years; and shall have a constitution and bylaws..”

84. Despite these statutory requirements, for those HealthExtras “members” underwritten by National Union and Stonebridge Life, in an extraordinary display of self-dealing, the Defendants created a Trust, which the Defendants own and control, which is called the “AIG Group Insurance Trust, for the Account of HealthExtras.” This is a fictitious, illegal and sham Trust that is alter ego of the Defendants, with premiums collected for the benefit of

them rather than a valid group of persons. There is no constitution or bylaws and the HealthExtras members have no voting privileges or representation on any boards or committees. This Trust was created for the sole purpose of selling the HealthExtras disability insurance to consumers with no supervision or oversight.

85. For those HealthExtras “members” who were underwritten by Stonebridge Life and Virginia Surety, their “group” policy was simply issued to HealthExtras, Inc., as the “Policyholder.” HealthExtras, Inc. was not an employer, or any other organization as defined under any state law.

86. The HealthExtras disability policy issued by Defendants to Plaintiffs and others similarly situated was not issued to a valid blanket group pursuant to New Jersey Insurance Code section 17B:27-32(a) or any other section of the New Jersey Insurance Code, but instead was issued to “AIG Group Insurance Trust, for the Account of HealthExtras,” a group that was and is ineligible pursuant to applicable New Jersey law.

87. The North Carolina Department of Insurance never approved the Stonebridge Policy numbers GM951, GM956, and D459 for sale to the Plaintiffs or for sale to any eligible blanket groups in North Carolina or otherwise to any North Carolina consumers as required under N.C.G.S. § 58-3-150 and N.C.G.S. § 58-51-85 in direct violation of North Carolina law.

88. The illegal group to whom the insurance product was sold consists solely of persons whose only commonality is that they have a credit card and were chosen by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., and others as a good marketing prospect for the policy. In fact, the putative Class Members are not all customers of the same bank or credit card issuer.

89. Accordingly, the disability policy known as the HealthExtras Program sold to Plaintiffs Giercyk and Das and all similarly situated New Jersey residents is illegal under New Jersey statutory law as all New Jersey policyholders do not fall within a lawful blanket group.

The “AIG Group Insurance Trust, for the Account of HealthExtras,” was formed only for and specifically for the purpose of obtaining insurance and for the benefit of Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., National Union, Alliant, AIG and Virginia Surety.

90. The HealthExtras policies sold by Defendants to Plaintiffs, Imes and others similarly situated, was not issued to a valid blanket group or nor any other section of the North Carolina Insurance Code, but instead was issued to a fictitious group under the name HealthExtras, Inc., a group that was and is ineligible pursuant to applicable North Carolina law

91. This illegal scheme devised and perpetrated by the Defendants effectively keeps the members in the dark, and by issuing the policy to a fictitious group, the scheme conceals the true nature of the Master Policy that contains broad harsh exclusions which the various underwriters use to wrongfully deny claims.

92. Accordingly, pursuant to New Jersey Law, the policy issued by the Defendants could not have been approved to be sold to the purported group of persons by the New Jersey Department of Insurance, and is therefore illegal, is against public policy and constitutes an unlawful, unfair and fraudulent business practice, under the New Jersey Consumer Fraud Act.

93. Accordingly, pursuant to North Carolina Law, the policy issued by the Defendants could not have been approved to be sold to the purported group of persons by the North Carolina Department of Insurance, and is therefore illegal, is against public policy and constitutes an unlawful, unfair and fraudulent business practice, under the North Carolina Unfair Trade Practices Act.

94. By illegally selling the policy to a group that was not and could not be a legal blanket group, the Defendants have breached their duty of good faith and fair dealing with the Plaintiffs and Class Members as a matter of law.

95. Plaintiffs, Giercyk and Das and all similarly situated HealthExtras Settlement Class Members were charged premiums for the illegal and illusory coverage provided by these Defendants.

96. The Plaintiffs, nor anyone in the Class have ever been provided a copy of HealthExtras Master Policy issued to the Defendants as the “Policyholder.”

97. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG, Stonebridge Alliant, HealthExtras, LLC and Virginia Surety formed and operate a sham group in order to circumvent regulatory supervision and scrutiny. Because there was no legitimate group, there was no one to look out for the interests of the persons paying for the purported disability coverage. More specifically, there was no legitimate entity or organization to scrutinize the scope of the coverage and whether it was reasonable for the amount paid, determine where the money paid for the purported disability coverage was going (i.e., whether it was being used to purchase insurance coverage or simply fuel for a marketing scheme), or monitor whether covered disability claims were actually being paid.

98. The purpose of the noncompliance with the requirement that the group be “formed for the purposes other than obtaining insurance” by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG and Stonebridge was to avoid the policy being issued to an actual group of persons. If the policy had been issued to an actual group of persons that was organized together for some purpose other than obtaining insurance, the policy, the advertised promises, the excessive premiums, and the broad, harsh exclusions that make recovery under the policy virtually impossible, would have been subject to scrutiny by an actual group of persons. A lawful group of persons would have had the opportunity to determine the relative merit and value of the policy before providing its members with the opportunity to purchase it. Because there was no legitimate group or organization involved, there was no mechanism or structure for

purchasers of disability coverage to communicate with one another concerning cost, coverage, or payment of claims. This illegal scheme devised and perpetrated by these Defendants effectively keeps the “members” in the dark and conceals the true nature of the “Master Policy” which the Defendants refuse to provide to the victims of the HealthExtras Scheme, and National Union and Stonebridge uses to wrongfully deny claims.

99. Defendants concealed from victims of the HealthExtras Scheme that the disability insurance policy they purchased is virtually worthless with no real value to consumers, but the consumer could not readily determine this fact because the Defendants created a sham group. This resulted on preventing oversight by a real group representative.

100. The HealthExtras Scheme succeeded in allowing Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG, Stonebridge, Alliant, HealthExtras, LLC and Virginia Surety to circumvent the law and gain an unprecedented and unfair advantage in the market against companies offering a legitimate disability policy. It derived credibility from a spokesperson who was a well-liked and respected actor who had suffered a tragic accident.

101. The HealthExtras Scheme targeted a large pool of potential customers who, although purportedly members of a group, in fact had no legitimate organization or entity protecting their interests and no mechanism for learning, short of becoming disabled themselves and being denied coverage, that the purported insurance coverage they were being sold was illusory and worthless.

102. Victims of the HealthExtras Scheme had no access to the Master Policy, did not know only a tiny fraction of the money they were paying for coverage ever went to an insurance company, did not know the policy holder was a sham organization and the alter-ego and instrumentality of the perpetrators of the scheme, and did not know the purported disability insurance coverage they were purchasing was illegal, illusory and worthless.

103. Plaintiffs and others similarly situated would have had a confidential relationship of trust and confidence with a legitimate group. By creating a sham group to facilitate the HealthExtras Scheme, Defendants assumed the obligations of that confidential relationship.

A Scheme of False and Deceptive Advertising

104. Upon information and belief, Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., in concert and conspiracy with the other Defendants National Union, AIG, Stonebridge, Alliant, HealthExtras, LLC and Virginia Surety directly targeted Plaintiffs and the Class Members before and after enrollment in the HealthExtras Scheme with direct mail advertisements that included, but are not limited to the following misleading statements:

- (a) This program provides valuable protection in the event you become permanently totally disabled due to an accident.
- (b) This HealthExtras Benefit Program provides you with a \$1,000,000 tax free cash payment if you're permanently disabled due to an accident.
- (c) If an accident leaves you the primary member permanently disabled, you will receive a lump sum payment of \$1,000,000.
- (d) After 12 months of continuing and permanent disability caused by an accident including the inability to work the primary member will receive a payment of \$1,000,000.
- (e) You're covered with a \$1,000,000 tax free cash payment if you are permanently disabled as a result of an accident.

105. However, in sharp contrast to the HealthExtras advertisements, the Master Policy is replete with extremely harsh, restrictive and confusing exclusions and contradictory terms and definitions which intentionally renders the policy virtually worthless to purchasers.

106. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., in concert and conspiracy with National Union, AIG and Stonebridge developed the Master Policy which has never been provided to the victims of the HealthExtras Scheme and with no intent to ever pay disability

claims and the specific intent to deny any disability claims made by victims of the HealthExtras Scheme.

107. Alliant and Virginia Surety agreed to allow their name to be used in the HealthExtras Scheme for a fee with knowledge that the HealthExtras Scheme was not only illegal under New Jersey and North Carolina law but also specifically developed by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG and Stonebridge to provide no real benefit to anyone who enrolled in the HealthExtras Scheme.

108. HealthExtras, LLC, the successor to Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., assumed all agreements that Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. made with National Union, AIG, Stonebridge, Alliant and Virginia Surety.

109. There are many examples in the public record of victims of the HealthExtras Scheme being denied disability benefits after suffering catastrophic injuries.

110. Two specific examples of the predetermined denials developed by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union and AIG and further agreed to by Alliant and Virginia Surety include:

- (a) *Blanza v. National Union Fire Insurance Company of Pittsburgh, Pa., et al.*, Civil Action No. CGC-14-537172, Superior Court of California, County of San Francisco. In this case, James Blanza, who purchased the disability insurance sold through the HealthExtras Scheme was denied coverage after he had been rendered quadriplegic after falling while attempting to repair a backyard fence. Despite the fact that James Blanza suffered “quadriplegia” due to the accident, National Union would not pay his disability claim, and he was forced to sue. This denial by National Union was made despite the fact that “quadriplegia” is a specifically defined term of “Total Disability” in the Description of Coverage.
- (b) *Filyaw v. National Union Fire Insurance Company of Pittsburgh, Pa., et al.*, Civil Action No. 4:10-cv-01628-JMC-SVH, United States District Court for the District of South Carolina, Florence Division. In this case, Mr. Filyaw, who purchased the disability insurance sold through the HealthExtras Scheme was denied coverage after he had been rendered “paraplegic” after being shot with a firearm in the spine. Despite the fact that he was a paraplegic and permanently and totally disabled, his

disability claim was denied, and he was forced to sue. This denial by National Union was made despite the fact that “paraplegia” is a specifically defined term of “Total Disability” in the Description of Coverage.

111. These unconscionable denials of disability claims are a direct result of the HealthExtras Scheme developed by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., and further enhanced by the agreements of National Union, AIG, Stonebridge, Alliant and Virginia Surety to participate in the scheme in order to create the illusion of valid insurance while having no intent to pay claims.

112. Upon information and belief, there are thousands of these unfair and unconscionable denials which are not in the public record.

113. For nearly 14 years, the various underwriters engaged by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. have used the harsh and restrictive exclusions in the HealthExtras Program to deny disability claims while collecting millions of dollars from New Jersey and North Carolina residents and residents in all 50 states.

114. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG, and Stonebridge entered into agreements to develop and market the HealthExtras Scheme that is illegal. Each of these Defendants took actions to create the illusion of a valid group for the purpose of avoiding state insurance regulations in order to market, sell and profit from the HealthExtras Scheme.

115. Upon information and belief, Alliant and Virginia Surety entered into agreements with Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., to allow their name to be used to create the illusion of a valid group for the purpose of avoiding insurance regulations in order to market, sell and profit from the HealthExtras Scheme, which is illegal.

116. Upon information and belief, National Union, AIG, Stonebridge, Alliant and Virginia Surety helped to develop and ratified the marketing material used by Catamaran, f/k/a

Catalyst, f/k/a HealthExtras Inc. to solicit the Plaintiffs and the Class Members for the HealthExtras Scheme.

117. All of the defendants, Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG, Stonebridge, Alliant, Virginia Surety as well as HealthExtras, LLC entered into agreements with each other that formed the HealthExtras Scheme which they knew to be illegal and each Defendant received money and profited from the illegal scheme.

118. Therefore, Plaintiffs and the Class members were charged premiums by these Defendants that were illusory and illegal were thus proximately damaged by the actions of these Defendants as the insurance product they paid for was virtually worthless as there was no intent on behalf of the underwriters to pay claims.

119. As a direct result of Defendants' conspiratorial actions as described herein, Plaintiffs and the putative Class Members have suffered damages that include, but not limited to: (1) paying for an insurance product sold to them through an illegal scheme, where 80% of the premium was collected by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., and represented no benefit to them at all; (2) their credit card and bank accounts were debited for an increased amount they did not authorize and was not authorized and therefore had their personal property taken from them which constitutes illegal conversion of personal property; (3) paying for an insurance product sold to them through an illegal scheme, where the underwriters had no intent to pay claims and was therefore virtually worthless; and (4) paying a premium for an insurance product that was illegal.

A Scheme of Illegal Underwriting of the HealthExtras Disability Policy

120. Although the policy summaries delivered to the HealthExtras members for the Permanent and Total Disability insurance component of the HealthExtras disability policy list Federal Insurance Company, Defendant, National Union Fire Insurance Company of Pittsburgh,

PA, Stonebridge Life Insurance Company and Defendant Virginia Surety as the purported insurers/underwriters, upon information and belief, these underwriters have agreed in writing that Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., will pay certain claims made for disability benefits under the HealthExtras Program.

121. These agreements include but are not limited to a July 17, 2000 letter agreement between HealthExtras and at least one insurer indicating that Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., agreed to pay disability benefits to any person who does not qualify as permanently and totally disabled under the policy, but who is nonetheless unable to perform the material and substantial duties of such person's regular occupation. This scheme effectively transfers the underwriting risk to Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. as the underwriter. Upon information and belief, additional agreements regarding illegal underwriting by Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., may be revealed during discovery in this matter.

122. Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. is not an insurance company and is not licensed to underwrite insurance of any kind in any other state. However, this scheme allows Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., in conspiracy with the other Defendants, to avoid insurance regulations that are designed to protect the public.

123. This conspiracy and scheme is abhorrent and against public policy and constitutes willful acts by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. as well as National Union, AIG, Stonebridge, Alliant and Virginia Surety.

124. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., is not an insurance company and has never been a licensed insurer in any state and an agreement by them and National Union, AIG, Stonebridge, Alliant, and Virginia Surety to pay claims constitutes a conspiracy between

the Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., National Union, AIG, Stonebridge, Alliant, and Virginia Surety to defraud consumers.

**Defendant National Union's Participation
In the HealthExtras Scheme**

125. Defendant National Union's participation in the HealthExtras Scheme includes, but is not limited to the following:

126. Neither the Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., nor HealthExtras, LLC is a licensed insurance Company anywhere.

127. Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. participated in developing the policy language and upon information and belief, determined the amount of premiums charged.

128. The purported underwriter, National Union, accepted nominal payments to lend credibility to the HealthExtras Scheme, but did not possess any intention to pay claims.

129. Defendant National Union has an extensive history of violating insurance laws and regulations applicable to the sale of group insurance.

130. On or about January 7, 2011, Defendant National Union entered into an Interim Consent Order with the Ohio Department of Insurance during the course of an examination of National Union's Accident and Health Division for the period January 1, 2008 through June 30, 2010. The January 7, 2011 Interim Consent Order concerned the marketing of group blanket accident/sickness policies to individuals who were customers of certain banking institutions.

131. On February 14, 2012, Defendant National Union entered into another Interim Consent Order concerning the marketing and sale of non-employer group policies for which premium rates and the classification of risks pertaining thereto had not been approved by state regulators.

132. In September 2012, Chartis, Inc., the parent company of Defendant National Union, entered into a Multi-State Examination Regulatory Settlement Agreement on behalf of

itself and certain of its insurance company subsidiaries, including Defendant National Union, which superseded the Interim Consent Orders dated January 7, 2011 and February 14, 2012. Pursuant to the Multi-State Examination Regulatory Settlement Agreement, Chartis, Inc. agreed to pay, on behalf of itself and certain of its insurance company subsidiaries, including Defendant National Union, a minimum of \$39 million and a maximum of \$51 million in Administrative Penalties.

133. Among the subject matters of the Multi-State Examination Regulatory Settlement Agreement were policy issuance to groups and associations and the use of trusts.

134. Similarly, National Union entered into agreements to develop and market the HealthExtras Scheme that is illegal under New Jersey law and took actions to incorporate the “AIG Group Insurance Trust, for the Account of HealthExtras” which has been used to create the illusion of a valid group for the purpose of avoiding New Jersey insurance regulations in order to market, sell and profit from the HealthExtras Scheme.

135. National Union participated in developing policy series C11695DBG, that has been provided to the victims of the HealthExtras Scheme as well as Master Policy SRG 9540519 which has never been provided to the victims of the HealthExtras Scheme.

136. National Union participated in developing policy series C11695DBG as well as Master Policy SRG 9540519 with no intent to pay disability claims and the specific intent to deny any disability claims made by victims of the HealthExtras Scheme.

137. Upon information and belief, National Union knew that Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. was not a licensed insurance broker and could not legally solicit consumers to purchase the disability insurance known as the HealthExtras Program.

138. Upon information and belief, National Union knowingly allowed Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., as well as HealthExtras, LLC to use its name on pre-printed

forms from the HealthExtras offices in Rockville, Maryland to solicit consumers in New Jersey to buy disability insurance known as the HealthExtras Program.

139. Upon information and belief, National Union knew that the various trusts, as well as the current “AIG Group Insurance Trust, for the Account of HealthExtras” did not constitute a valid group under New Jersey law.

140. Upon information and belief, National Union received fees from the HealthExtras Scheme that it knew to be illegal.

**Participation of Defendant AIG
In the HealthExtras Scheme**

141. Defendant AIG’s participation in the HealthExtras Scheme includes, but is not limited to the following:

142. Upon information and belief, AIG participated in the development of the illegal trust known as the “AIG Group Insurance Trust, for the Account of HealthExtras”.

143. Upon information and belief, the sham trust called the “AIG Group Insurance Trust, for the Account of HealthExtras” was incorporated, developed and controlled by AIG, Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. and National Union. As the Defendants have issued the Master Policy to themselves as the “Policyholder,” this allegation is made upon information and belief because the information necessary to specifically identify all of the Defendants’ interests and ownership of the “AIG Group Insurance Trust, for the Account of HealthExtras” is within the exclusive control of Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc., AIG and National Union.

144. AIG participated in developing policy series C11695DBG, that have been provided to the victims of the HealthExtras Scheme as well as Master Policy SRG 9540519 which has never been provided to the victims of the HealthExtras Scheme.

145. Upon information and belief, AIG has received a portion of the illegal insurance premiums paid by Plaintiffs for the HealthExtras Scheme.

146. Upon information and belief AIG participated in the HealthExtras Scheme with knowledge that it was illegal.

**Stonebridge's Participation In
the HealthExtras Scheme**

147. Stonebridge's participation in the HealthExtras Scheme includes, but is not limited to the following:

148. Stonebridge knew Catamaran, was never licensed to conduct the business of insurance anywhere.

149. Stonebridge knew Catamaran participated in developing the policy language and upon information and belief, determined the amount of premiums charged.

150. The purported disability insurance underwriter, Stonebridge, accepted payments to lend credibility to the HealthExtras Scheme, but did not possess any intention to pay claims and the HealthExtras Policy was worthless.

151. Stonebridge with specific knowledge and intent to violate North Carolina law entered into agreements to develop and market the HealthExtras Scheme that is illegal and took actions to form a fictitious group which has been used to create the illusion of a valid group for the purpose of avoiding North Carolina insurance regulations in order to market, sell and profit from the HealthExtras Scheme.

152. Under the HealthExtras Scheme, Stonebridge underwrote and issued the Policy numbers GM951, GM956, and D459 to the Plaintiffs and other residents of North Carolina for disability coverage in the amount of \$1,000,000.00 without ever having applied for approval with the North Carolina Department of Insurance as required under N.C.G.S. § 58-3-150 and N.C.G.S. § 58-51-85 in direct violation of North Carolina law.

153. Stonebridge participated in developing the policy series at issue with no intent to pay disability claims and the specific intent to deny any disability claims made by victims of the HealthExtras Scheme.

154. Upon information and belief, Stonebridge knew Catamaran was not a licensed insurance broker and could not legally solicit consumers to purchase the disability insurance known as the HealthExtras Program.

155. Upon information and belief, Stonebridge knowingly allowed Catamaran, as well as HealthExtras, LLC to use its name on pre-printed forms from the HealthExtras offices in Rockville, Maryland to solicit consumers in North Carolina to buy disability insurance known as the HealthExtras Program.

156. Upon information and belief, Stonebridge used pre-printed forms with the name “HealthExtras” from its offices in in Plano Texas to solicit consumers in North Carolina to buy disability insurance known as the HealthExtras Program with specific knowledge that the insurance program was illegal.

157. Upon information and belief, Stonebridge knew the fictitious group formed did not constitute a valid group under state law.

158. Stonebridge had specific knowledge that a group of credit card holders are not a valid group for the purposes of accident and health insurance. However, Stonebridge chose to agree to market with the other Defendants and to continue to underwrite the HealthExtras Scheme anyway.

159. Upon information and belief, Stonebridge received fees from the HealthExtras Scheme that it knew to be illegal.

160. In fact, Stonebridge has continued its deceitful participation in the HealthExtras Scheme by mailing the HealthExtras Program cancelation letters via the United States mail, to all victims of the HealthExtras Scheme, nationwide stating:

“Thank you for being a long standing customer of the HealthExtras Program. We are writing to notify you that the respective insurance coverages in the Program, underwritten by Stonebridge Life Insurance Company (“Stonebridge Life”) and Virginia Surety Company (“Virginia Surety”) are terminating as of December 31, 2014. As a result, we regret that we cannot continue the HealthExtras Program.”

See **Exhibit G**.

161. Upon information and belief, neither HealthExtras, Inc., nor any other Healthextras, entity has, has ever had an office in Texas. Despite the fact there has never been a “HeathExtras” office in Texas, Stonebridge sent the November 14, 2014 HealthExtras cancelation letters on “HeathExtras” letterhead falsely claiming that the said letters were sent from the “HealthExtas Administrative Office, 2700 West Plano Parkway, Plano TX 75075.”

**The Alliant Defendants’ Participation
In the HealthExtras Scheme**

162. The Alliant Defendants’ participation in the HealthExtras Scheme includes, but is not limited to, the following:

163. The purported Broker of Record, Alliant, as corporate predecessor to The Sklover Group, Inc., and JLT Services Corporation, accepted nominal payments to lend its name and credibility to the HealthExtras Scheme and to create the illusion of a valid solicitation of a disability insurance policy.

164. Upon information and belief, Alliant knew that Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. was not a licensed insurance broker and could not legally solicit consumers to purchase the disability insurance known as the HealthExtras Program.

165. Upon information and belief, Alliant allowed Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. to use its name on pre-printed forms from the HealthExtras offices in Rockville, Maryland to solicit consumers throughout the United States to buy disability insurance known as the HealthExtras Program. See **Exhibits A, C, and D.**

166. Upon information and belief, Alliant knew that the underwriters of the HealthExtras Program had no intent to pay claims.

167. Upon information and belief, Alliant knew that the various trusts, as well as the current “AIG Group Insurance Trust, for the Account of HealthExtras” did not constitute a valid group.

168. Upon information and belief, Alliant received fees from the HealthExtras Scheme it knew to be illegal.

**The Defendant Virginia Surety’s Participation
In the HealthExtras Scheme**

169. Defendant Virginia Surety’s participation in the HealthExtras Scheme includes, but not limited to the following:

170. Upon information and belief, Virginia Surety, the underwriter for the Two Thousand Five Hundred (\$2,500.00) Out of Area Emergency Accident and Sickness Medical Expense Benefit in the HealthExtras Program, accepted nominal payments to lend its name and ad credibility to the HealthExtras Scheme.

171. Upon information and belief, Virginia Surety knew Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. was not a licensed insurance broker and could not legally solicit consumers to purchase the disability insurance known as the HealthExtras Program.

172. Upon information and belief, Virginia Surety knowingly allowed Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., as well as HealthExtras, LLC to use its name on pre-

printed forms from the HealthExtras offices in Rockville Maryland to solicit consumers in New Jersey to buy disability insurance known as the HealthExtras Program.

173. Upon information and belief, Virginia Surety knew that the various trusts, as well as the current “AIG Group Insurance Trust, for the Account of HealthExtras” did not constitute a valid group under New Jersey law.

174. Upon information and belief, Virginia Surety received fees from the HealthExtras Scheme that it knew to be illegal.

Joint Enterprise and Conspiracy to Deceive the Public

175. All Defendants engaged in a joint enterprise and conspiracy to utilize their efforts to sell, broker, underwrite, collect, allocate and share premiums derived from the HealthExtras Scheme to Plaintiffs and the putative Class Members, for their own individual and mutual benefit, without fully disclosing to Plaintiffs and the putative Class Members that the policies being sold to them did not and could not comply with state law, and said lack of compliance was material information about such policies and a willful violation of state law.

176. Defendants engaged in agreements for a common purpose, a common pecuniary interest, and a joint venture to share illegal profits and all Defendants engaged in at least one act in furtherance of the illegal HealthExtras Scheme.

177. As a direct result of all the Defendants’ conspiratorial actions as described herein, Plaintiffs and the putative Class Members have suffered damages that include, but are not limited to: (1) paying for an insurance product sold to them through an illegal scheme, where 80% of the premium was collected by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc., and represented no benefit to them at all; (2) their credit card and bank accounts were debited for an increased premium amount they did not authorize and was not authorized under state law and therefore had their personal property taken from them which constitutes illegal conversion of personal

property; (3) paying for an insurance product sold to them through an illegal scheme, where the underwriters had no intent to pay claims and was therefore virtually worthless; and (4) paying a premium for an insurance product that was illegal.

178. As a result, the Defendants are jointly and severally liable for any and all damages or restitution that the Plaintiffs and Class Members are entitled to recover in this action.

COUNT ONE
(Breach of the Duty of Good Faith and Fair Dealing)
As to All Defendants

179. Plaintiffs, on behalf of themselves and all other similarly situated Class Members, reassert and re-allege every paragraph contained in this Complaint as if set forth more fully herein and further alleges:

180. The implied covenant is an independent duty and may be breached even where there is no alleged breach of the contract's express terms.

181. Defendants have breached the duty of good faith and fair dealing to Plaintiffs and similarly situated Class Members by engaging in the conduct set forth hereinabove.

182. Defendants, individually and collectively, knew that they could only sell the subject policy to legal "blanket groups", and that issuing the policy to "AIG Group Insurance Trust for the Account of HealthExtras" or to HealthExtras Inc., as a purported policy holder was illegal as this entity is not an authorized "blanket group" under state law.

183. Despite Defendants' collective knowledge, Defendants failed to reveal to Plaintiffs and other similarly situated Class Members that their disability policy was illegal, that their premiums were thus illegal and unapproved, and that they were part of an illegal "blanket group."

184. These Defendants had a legal duty to act in good faith and deal fairly with the persons they purported to insure under their policies.

185. Despite this duty, Defendants sold the illegal insurance coverage to Plaintiffs and other similarly situated Class Members and thus breached the duty of good faith and fair dealing. This breach proximately caused damages to Plaintiffs and other similarly situated Class Members.

186. Plaintiffs and other similarly situated Class Members have been proximately injured as a result of the Defendants' breach of the duty of good faith and fair dealing and are thus entitled to damages proximately caused them by said breach.

COUNT TWO
(Unjust Enrichment)
As to All Defendants

187. Plaintiffs, on behalf of themselves and all other similarly situated Class Members reassert and re-allege every paragraph contained in this Complaint as if set forth more fully herein and further alleges:

188. When seeking to purchase disability insurance, Plaintiffs and the Class Members have a choice of various underwriters, coverage amounts and coverage terms.

189. Plaintiffs and other similarly situated Class Members purchased coverage due to its relatively low price point, its high coverage amount and other market based factors, including the marketing and likeness of HealthExtras Spokesperson, Christopher Reeve.

190. Plaintiffs and the Class Members purchased their disability insurance in order to protect themselves should they suffer disability as a result of an accidental injury.

191. Defendants, individually and collectively, failed to disclose that the insurance coverage being sold to Plaintiffs and the Class Members was illegal under state law in that Plaintiffs and the Class Members were not members of a legal "blanket group."

192. By purchasing the HealthExtras coverage and paying premiums, Plaintiffs and the Class Members conferred a benefit upon the Defendants, without knowledge that the coverage was illegal.

193. Defendants knowingly accepted and retained this non-gratuitous benefit conferred on them by Plaintiffs and the Class Members despite Defendants' knowledge the subject policy was illegal as a matter of state law for the reasons enumerated herein.

194. Plaintiffs and the Class Members have spent and continue to spend hundreds or thousands of dollars in premium payments for an illegal policy that could never be approved by any state.

195. The Defendants have been unjustly enriched in retaining the payments paid by Plaintiffs and the Class Members for the disability coverage.

196. The Defendants' retention of the non-gratuitous benefit conferred by Plaintiffs and the Class Members under these circumstances is unjust and inequitable.

197. No other remedy at law can adequately compensate Plaintiffs and the Class Members for the economic damages resulting from Defendants' wrongful actions as alleged herein.

198. Because Defendants' retention of the non-gratuitous benefit conferred upon it by Plaintiffs and the Class Members is unjust and inequitable, Defendants' must pay restitution to Plaintiffs and the Class Members for its unjust enrichment, as ordered by the Court.

COUNT THREE
(Conversion)
As to All Defendants

199. Plaintiffs, on behalf of themselves and all other similarly situated Class Members, reassert and re-allege every paragraph contained in this Complaint as if set forth more fully herein and further alleges:

200. Defendants, individually and collectively, contracted with the Plaintiffs and the putative Class Members to pay a certain premium for insurance coverage.

201. The Defendants then unilaterally increased those premiums without notice or regulatory approval and debited the credit card or bank accounts of the Plaintiffs and the putative Class Members for the increased amount.

202. By their actions, all of the Defendants and each of them have appropriated the Plaintiffs' personal property for their own use by intentionally exercising dominion and control over the amount of the illegal unauthorized premiums by debiting Plaintiffs' credit card or bank accounts and retaining those unauthorized increased amounts.

203. The illegal unauthorized increase in premiums and subsequent debiting of the Plaintiffs' credit card or bank accounts was an intentional act and deprived the Plaintiffs of their personal property.

204. Plaintiffs and the Class Members, assert that Defendants individually and collectively have converted their funds and that by this conversion, they have been injured and damaged by this conversion.

205. Accordingly, Plaintiffs and the Class Members are entitled to a return of all unauthorized increased premiums and all expenses expended in pursuit of their personal property.

COUNT FOUR
(Civil Conspiracy)
As to All Defendants

206. Plaintiffs, on behalf of themselves and all other similarly situated Class Members, reassert and re-allege every paragraph contained in this Complaint as if set forth more fully herein and further alleges:

207. All Defendants engaged in a conspiracy to utilize their efforts to sell, broker, underwrite, collect, allocate and share premiums derived from the HealthExtras disability insurance policy to the Plaintiffs and the putative Class Members, for their own individual and mutual benefit, without fully disclosing to Plaintiffs and the putative Class Members that the policies being sold to them did not and could not comply with state law, said lack of compliance being material information about such policies. Further, this lack of disclosure constitutes an omission of material fact regarding the HealthExtras policies as the same have no value because the Defendants developed the HealthExtras Program with the specific intent that disability claims would not be paid by the underwriters.

208. Upon information and belief, each of the Defendants took actions to either incorporate or operate the “AIG Group Insurance Trust, for the Account of HealthExtras” which has been used to create the illusion of a valid group for the purpose of avoiding state insurance regulations in order to market, sell and profit from the HealthExtras Scheme, which is illegal. Stonebridge similarly issued the program policy to HealthExtras, Inc., an invalid group.

209. As a result, Plaintiffs and the putative Class Members purchased, paid for and retained HealthExtras disability insurance policies that were illegally solicited, marketed, sold, brokered, serviced, underwritten, and administered by Defendants, and paid to Defendants by monthly, quarterly or annual premiums for an insurance product that provided little or no benefit.

210. In the marketing, sale, brokerage, servicing, underwriting and administration of the illegal policies as set forth herein, all Defendants agreed and conspired, as described herein, for the purpose of lawful activities by unlawful means, or unlawful activities by lawful means.

211. Each Defendant committed at least one overt act, as described herein, in furtherance of the aims of the agreement and pursuant to a common scheme.

212. As a direct result of Defendants' conspiratorial actions, Plaintiffs and the putative Class Members have suffered damages as: (1) they paid a premium for an insurance product that was illegal, (2) they paid for an insurance product where 80% of the premium was collected by Catamaran, f/k/a Catalyst, f/k/a HealthExtras Inc. and represented no benefit to them at all; (3) their credit card and bank accounts were debited for an increased amount they did not agree to and was illegal and (4) they paid for an insurance product where the underwriters had no intent to pay claims and therefore was virtually worthless.

COUNT FIVE
(Violation of the New Jersey Consumer Fraud Act, N.J.S. § 56:8-1 et seq.)
As to All Defendants

213. Plaintiffs, on behalf of themselves and all other similarly situated New Jersey residents, reassert and re-allege every paragraph contained in this Complaint as if set forth more fully herein and further alleges:

214. Defendants' sale and collection of premiums, as described herein, for the "HealthExtras" accidental permanent total disability insurance policy sold to Plaintiffs and all other similarly situated New Jersey residents constitutes unfair and deceptive business practices in violation of the New Jersey Consumer Fraud Act, N.J.S. § 56:8-1 et seq. (hereinafter "CFA").

215. In violation of the CFA, Defendants employed fraud, deception, false promise, misrepresentation and the knowing concealment, suppression or omission of material facts in their sale, marketing, advertisement, and administration of the "HealthExtras" accidental permanent total disability policy in the State of New Jersey.

216. Specifically, Defendants' conduct violates the CFA because it is both a violation of a regulation and it is an unconscionable commercial practice. Specifically, the Defendants' conduct violates New Jersey statutes and regulations because, *inter alia*, the HealthExtras policy was sold as a blanket policy to a group of persons that do not constitute a lawful blanket group.

See N.J.S. § 17B:27-32(a)(1)-(7). Moreover, the Defendants' conduct in selling the policy and collecting premiums violates state statutes and regulations because, *inter alia*, Defendants failed to obtain the proper approvals from the Department of Insurance prior to selling the policies and/or collecting premiums and/or raising the premium rates. Furthermore, this conduct constitutes an unconscionable commercial practice because Defendants knowingly violated these statutes and regulations in order to avoid the scrutiny and oversight that would have come from regulators and a lawful group of policyholders. Defendants' knowledge is evidenced by its affirmative act in issuing the policy to themselves, AIG Group Insurance Trust, an alter-ego of the same entity, Defendant National Union, with premiums collected for the benefit of Catamaran, f/k/a, Catalyst, f/k/a HealthExtras Inc. National Union, Alliant, AIG and Virginia Surety as well as HealthExtras, LLC.

217. The Defendants' conduct described above constitutes affirmative acts and knowing omissions that otherwise violate the CFA because such conduct is and was illegal, deceptive, immoral, unethical, oppressive, fraudulent, unscrupulous and substantially injurious to consumers.

218. Defendants have acted unfairly and deceptively by misrepresenting the quality of the "HealthExtras" accidental permanent total disability policy.

219. Defendants' omissions, detailed herein and below, were unfair and had the tendency to deceive by, *inter alia*:

- (a) Failing to warn potential customers that the policy was not being sold to a lawful group in violation of New Jersey law;
- (b) Failing to obtain the proper approvals from the New Jersey Department of Insurance in violation of New Jersey law; and,
- (c) Disguising the fact that the policy has no value to the actual persons who were and are paying the premiums.

220. Defendants have violated and continue to violate N.J.S. § 56:8-1 *et seq.* as they continue to collect premiums for the illegal policy.

221. Plaintiffs and Class Members have suffered an ascertainable loss caused by Defendants' fraudulent conduct because they would not have purchased and paid premiums for Defendants' policy had they known: (a) the policy was not approved for sale as a blanket policy under New Jersey law; (b) the Master Policy contained extremely restrictive terms, exclusions and definitions of disability which rendered the policy virtually worthless; and (c) Defendants' had not obtained the proper state regulatory approvals prior to marketing and selling the policy.

222. The Policy or Policies sold by Defendants to Plaintiffs and all other similarly situated New Jersey residents is without any value as the same is illegal and meets the needs of no consumer who was targeted for sale of the product.

223. Plaintiffs and other similarly situated New Jersey residents have been proximately injured as a result of the Defendants' deceptive actions and are thus entitled to damages proximately caused to them as allowable under N.J.S. § 56:8-1 *et seq.* in the amount of premiums paid by them and trebled in accordance with statutory law, including attorneys' fees and costs.

COUNT SIX
(Unfair Deceptive Trade Practices Claim Pursuant to NCGS § 75-1.1)
As to Catamaran, and Virginia Surety

224. Plaintiffs, on behalf of themselves and all other similarly situated North Carolina residents, reassert and re-allege every paragraph contained in this Complaint as if set forth more fully herein and further allege:

225. Catamaran's sale, marketing, collection, retention, and allocation of fees and premiums, as described herein, for HealthExtras Scheme from Plaintiffs and all other similarly situated North Carolina residents constitutes a violation of N.C.G.S. § 75-1.1 because

Defendants' conduct was illegal, deceptive, immoral, unethical, oppressive, unscrupulous and substantially injurious to consumers.

226. Virginia Surety's receipt and sharing of sums collected from the Plaintiffs and putative class members, as described herein, by Catamaran constitutes a violation of N.C.G.S. § 75-1.1 because these Defendants' conduct was illegal, deceptive, immoral, unethical, oppressive, unscrupulous and substantially injurious to consumers.

227. Virginia Surety's role in underwriting the unlawful policies constitutes a violation of N.C.G.S. § 75-1.1 because these Defendants' conduct was illegal, deceptive, immoral, unethical, oppressive, unscrupulous and substantially injurious to consumers.

228. The only unifying characteristic of the HealthExtras "group" of insured persons is the fact that these persons have credit card accounts. The HealthExtras Scheme was created for the sole purpose of obtaining and placing insurance in a fictitious group in order to avoid state insurance laws and defraud consumers. A valid group did not exist, was not approved by the North Carolina Department of Insurance and, in fact, could never be so approved pursuant to N.C.G.S. § 58-51-75(a)(1)-(7) or N.C.G.S. § 58-51-85 because the group was formed solely for the purpose of obtaining insurance and for no other reason.

229. These Defendants engaged in "commerce" in the State of North Carolina and these Defendants willfully and deliberately marketed, sold collected and shared illegal fees and premiums from Plaintiffs and other similarly situated North Carolina residents for an insurance policy and premium rates that were not approved and could never be approved by the North Carolina Department of Insurance and is void as a matter of law, all of which constitute violations of NCGS § 75-1.1 as a matter of law in accordance with *Richardson v. Bank of America*, 182 N.C. App. 531 (2007). Accordingly, Catamaran, and Virginia Surety have received illegal premiums since 1999.

230. These Defendants have proximately caused damages to Plaintiffs and similarly situated Class Members by the sale of the subject policies and continuing collection of premiums as the premiums collected by and shared among the Defendants are for policies that were not approved and could never be approved by any state. Accordingly, Plaintiffs and similarly situated North Carolina residents have suffered a monetary loss of premiums paid for the HealthExtras policies that were not approved and could never be approved by the North Carolina Department of Insurance under North Carolina law and are thus void.

231. Plaintiffs and other similarly situated North Carolina residents have been proximately injured as a result of the Defendants' deceptive actions and are thus entitled to damages proximately caused to them as allowable under NCGS § 75-16 in the amount of fees and premiums paid by them and trebled in accordance with statutory law, including attorneys' fees and costs.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs, on behalf of themselves and all Class Members, demand judgment against Defendants as follows:

- (a) An order certifying the proposed Class under Rule 23 of the Federal Rules of Civil Procedure and naming Plaintiffs as Class Representative and their attorneys as Class Counsel to represent the Class Members;
- (b) An order declaring the Defendants' conduct to be deceptive, wrongful, unfair and unconscionable;
- (c) An order entering judgment in favor of Plaintiffs and the Class Members against Defendants;
- (d) An order awarding damages, including restitution, actual damages, treble damages, and punitive and exemplary damages, against Defendants in favor of Plaintiffs and Class Members in an amount to be determined by the Court as fair and just given Defendants' wrongful conduct;
- (e) An order of restitution and all other forms of equitable monetary relief;

- (f) Injunctive relief or an order of non-monetary relief as the Court may deem proper; and
- (g) An order awarding Plaintiffs and the Class their reasonable attorneys' fees and expenses, including costs of experts and of suit.

DEMAND FOR JURY TRIAL

Plaintiffs and the Class Members hereby demand a jury trial on all claims so triable in this action.

Respectfully submitted,

/s/ Kenneth J. Grunfeld

Richard M. Golomb, Esquire
Kenneth J. Grunfeld, Esquire
GOLOMB & HONIK, P.C.
1515 Market Street, Suite 1100
Philadelphia, PA 19102
Phone: (215) 985-9177
Fax: (215) 985-4169
Email: rgolomb@golombhonik.com
kgrunfeld@golombhonik.com

Aaron C. Hemmings, Esquire
(NJ PHV 028074)
Hemmings & Stevens, P.L.L.C.
5540 McNeely Drive, Suite 202
PO Box 90698
Raleigh, NC 27675
Phone: (919) 277-0161
Fax: (919) 277-0162

Joseph "Jay" H. Aughtman, Esquire
(NJ PHV 031677)
Aughtman Law Firm, LLC
1722 Platt Place
Montgomery, AL 36117
Phone: (334) 215-9873
Fax: (334) 213-5663
Email: jay@aughtmanlaw.com

Attorneys for Plaintiffs and the Class

CERTIFICATE OF SERVICE

I, Kenneth J. Grunfeld, Esquire, hereby certify that on this 9th day of **September 2016**, I caused a true and correct copy of the foregoing **Plaintiffs' Further Amended Complaint** to be filed and served via the Court's CM/ECF filing system on all counsel of record.

Date: September 9, 2016

/s/ Kenneth J. Grunfeld

KENNETH J. GRUNFELD, ESQUIRE