IN THE MATTER OF The REVOCATION OF LICENSING AUTHORITY OF:	)	
	)	Hearing No. 09-HR-0594
Edward L. Schainker 824 East Lake Shore Drive Springfield, IL 62712	)	

STIPULATION AND CONSENT ORDER

WHEREAS, Edward L. Schainker ("Respondent"), is a licensed producer in the State of Illinois; and

WHEREAS, Respondent is aware of the actions, steps and remedies which the Director of the Illinois Department of Insurance ("Director") is authorized to take under Section 500-70 of the Illinois Insurance Code (215 ILCS 5/500-70); and

WHEREAS, Respondent is advised that the Illinois Department of Insurance has caused an investigation to be commenced to determine whether or not such causes and conditions exist as would authorize the Director to take such actions and steps or pursue such remedies as are provided in Section 500-70 of the Illinois Insurance Code; and

WHEREAS, Respondent is aware of and understands the nature of this investigation and the charges and his various rights in connection therewith, including the right to counsel, notice, hearing and appeal under Section 500-70 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Department and Respondent do not concede to the various arguments regarding this matter that they each have put forth, but for the purpose of resolving all matters raised by the investigation without the necessity of an administrative hearing, enter into this Stipulation and Consent Order.

WHEREAS, Respondent does not admit to violations of the Illinois Insurance Code or 50 Ill. Adm. Code but for the purpose of resolving all matters raised by the investigation without the necessity of an administrative hearing enters into this Stipulation and Consent Order.

WHEREAS, the Director agrees to dismiss the above-captioned matter, and the Respondent agrees to withdraw the request for a hearing and waive the right to Notice and Hearing as required under the Insurance Code.

NOW THEREFORE, it is agreed by and between Respondent and the Director of the Illinois Department of Insurance as follows:

I. To stipulate that the Department of Insurance alleges the following:

1. Between 1986 and 1999, Respondent developed, marketed and sold to the IFDA Trust a program consisting of purportedly tax-exempt variable universal life insurance policies, as investment vehicles within the trust (The Program).

2. The Program consisted of over 200 variable universal life insurance policies sold by the Respondent that insured the lives of 120 IFDA members and others.

3. In order to induce IFDA Members and others to allow the Program to insure their lives, IFDA arranged for the IFDA Members and others to receive a $25,000 life insurance policy funded by IFDA Services and at no cost to the insured. Respondent assisted in the procurement of these policies

4. The Program was purportedly designed to produce income to IFDA members and to provide, in a timely manner, revenue to cover the Trust Liabilities including the burial expenses of Illinois consumers who purchased Pre-Need contracts from the IFDA Members.

5. The Respondent did not, prior to selling the policies to IFDA, determine or cause to be determined whether there was a correlation between the anticipated timing of the deaths of the IFDA members insured by variable universal life insurance policies and the anticipated timing of the deaths of individual consumers whose money was invested in the IFDA Trust and who purchased pre-need contracts.

6. The Respondent designed, recommended and sold insurance policies to the IFDA, from which he personally derived substantial income, which did not comply with Illinois' insurance interest laws and, further engaged in such conduct without regard to the potential negative impact on nearly 50,000 individuals and families throughout the State.

7. The variable universal life insurance policies sold to the IFDA did not satisfy insurable interest requirements under Illinois law.

II. By entering this Stipulation and Consent Order Respondent makes no admission of wrongdoing or violation of the Illinois Insurance Code.

III. Respondent consents to entry of this Order.

IV. The Respondent and the Director of the Illinois Department of Insurance agree that it is not their intent that by entering into this Stipulation and Consent Order, or the Director's acceptance of it, to limit the discretion of the parties to take any position in the future. Hence, nothing contained herein shall prohibit the parties from advancing

any and all arguments in any other proceeding. The negotiations leading to this Stipulation and Consent Order are and shall remain privileged and may not be utilized for any purpose in any other proceeding by the parties to this Stipulation and Consent Order. This Stipulation and Consent Order, however, will become a public document once entered.

V. The Director agrees to dismiss the above-captioned matter, and the Respondent agrees to withdraw the request for a hearing and waive the right to Notice and Hearing as required under the Insurance Code.

NOW THEREFORE, IT IS HEREBY ORDERED by the undersigned Director of the Department of Insurance of the State of Illinois, pursuant to Section 500-70 of the Illinois Insurance Code that Respondent:

A. Shall surrender all of his Producer licenses issued pursuant to Section 500-35 of the Illinois Insurance Code (215 ILCS 5/500-35).

B. Shall not offer, market, or sell any insurance product similar to the program sold to the IFDA Trusts.

C. Shall verify the insurable interest exists prior to the sale of any policy to an insured

D. Shall pay, within one year of the entry of this Order, a civil forfeiture in the amount of $100,000.00 to the Director of Insurance

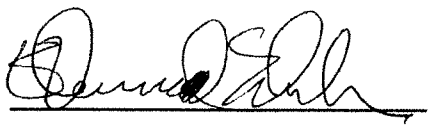
E. Shall not seek licensure pursuant to Section 500-35 of the Illinois Insurance Code (215 ILCS 5/500-35) for a period of three years after the date of this Stipulation and Consent.

F. This matter is hereby dismissed

G. A material violation of the above Stipulation & Consent Order shall subject the Respondent to further administrative action pursuant to the Illinois Insurance Code (215 ILCS 5/1 et seq).

Nothing contained herein shall prohibit the Director of Insurance from taking any and all appropriate action should the Respondent violate any of the provisions of this Stipulation and Consent Order or any provisions of the Illinois Insurance Code or Regulations.

RESPONDENT



Edward L. Schainker
824 East Lake Shore Drive

Springfield, IL 62712

Date: 9/2/09

DEPARTMENT OF INSURANCE

Michael T. McRaith
Director of the Illinois
Department of Insurance

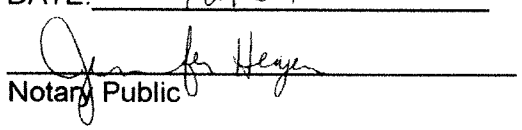
Date: 9-15-9

State of Illinois

County of Sangamon

Subscribed and sworn to before me this

DATE: 9/2/09



Notary Public

OFFICIAL SEAL
JENNIFER HEYEN
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES 6-1-2011