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12 Company of the Southwest

**UNITED STATES DISTRICT COURT**

**CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION**

15 JOYCE WALKER, KIM BRUCE  
16 HOWLETT, and MURIEL SPOONER, on  
behalf of themselves and all others  
17 similarly situated,

Case No.: CV 10-9198-JVS(RNBx)

**DECLARATION OF SEAN L. COVI**

18 Plaintiffs,

19 vs.

20 LIFE INSURANCE COMPANY OF THE  
21 SOUTHWEST, a Texas corporation, and  
22 DOES 1-50

23 Defendant.  
24

DECLARATION OF SEAN L. COVI, 10-09198-JVS(RNBx)

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**DECLARATION OF SEAN L. COVI**

I, Sean L. Covi, declare as follows:

1. I have been an independent insurance agent for 17 years. I am licensed by the California Department of Insurance and appointed with Life Insurance Company of the Southwest (“LSW”). In addition to LSW, I am also licensed to sell insurance products from several other companies as well. I am also registered with FINRA and have Series 7, 24, 51, 63 and 65 certifications, and thus am licensed to sell filed securities products such as variable universal life insurance policies and mutual funds.

2. I have sold SecurePlus Paragon and SecurePlus Provider policies issued by LSW in California since September 24, 2006. Every sale of a Paragon or Provider policy is different. I am not required to and do not follow any sort of script from LSW for selling these products. I use different materials and say different things depending on the customer.

3. I have personal knowledge of the facts stated herein and, if called as a witness, I could and would testify competently thereto.

**My Approach to Sales**

4. I provide full financial planning services for my clients, which may (depending upon the particular client’s needs and priorities) include securities investments, retirement saving, and tax planning. I do not utilize a “one size fits all” approach in dealing with my clients.





1           10. If a client has a need and interest in life insurance, I usually address it in detail  
2 at a later meeting (after the initial follow-up meeting in which I present an overview of the  
3 financial plan I am recommending). When I do so, I begin by spending 5-10 minutes  
4 discussing the various types of life insurance (term, whole, variable, permanent) and some  
5 of the pros and cons associated with each of them. After that, the meeting is primarily a  
6 dialogue between me and my client, customized to suit the particular client's unique  
7 financial situation. Generally, I try to start with over-arching concepts and then drill down  
8 into greater details that are relevant to a particular customer.  
9

10           11. I may (and have) recommended any or all of the different types of life  
11 insurance to my clients, depending on which product suits my clients' needs. Within each  
12 type of life insurance, I have recommended various insurers, again depending on the  
13 particular contours of each company's offerings (so, for example, I do not recommend  
14 LSW to my clients if LSW's products are not a fit with my clients' needs).  
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16           12. Every one of my clients is different, and they all have different needs.

17           13. Sometimes, I recommend LSW's Paragon or Provider policies to clients  
18 because they provide long-term death benefit protection with the ability to obtain living  
19 benefits in the event that the client develops a serious illness. I believe that, for some  
20 clients, these features provide important financial protection for their family and heirs.  
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1 for their policy, and they should not base their decision on any firm assumption about the  
2 values associated with the policy. Instead, they should only purchase the policy if they can  
3 afford the policy on a long-term basis. Accordingly, I do not recommend that my clients  
4 purchase Paragon or Provider unless they are capable of and intend on making at least 10  
5 annual premium payments (and oftentimes, many more, including up to and including  
6 annual or monthly premium payments for the rest of their lives).  
7

8 18. If I discuss the policy loan features of Paragon or Provider with my clients, I  
9 tell them that if they have policy loans outstanding, they need to keep their policy in force,  
10 or they may face very substantial tax liabilities.

11 19. When I recommend Paragon or Provider, I inform my clients in some form of  
12 words that the policies charge a cost of insurance that will increase as they grow older. I  
13 tell them that the policies maintain cash values, in part to offset that increasing cost of  
14 insurance.  
15

16 20. I often discuss the various crediting methodologies available under the  
17 Paragon or Provider policies for these cash values. In particular, I tell clients that their  
18 policy will accumulate value based on the returns of the S&P 500 index (filtered through a  
19 participation rate and earnings cap, which I identify for my clients). I tell clients that the  
20 cash value is guaranteed not to go down when the market goes down because the cash value  
21 has a 0% annual floor. In the case of Provider, I also tell them that if, after five years, their  
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1 cash value has not grown a minimum of 2% per year, LSW will retrospectively credit the  
2 difference so that they obtain a minimum of 2% per year over that period. Similarly, in the  
3 case of Paragon, I tell them that if, over their lifetime or upon surrender, their cash value  
4 has not grown a minimum of 2.5% per year, LSW will retrospectively credit the difference  
5 so that they obtain a minimum of 2.5% per year over the duration of the policy.  
6

7 21. I often tell my clients that this crediting methodology means that, on some  
8 years, their policy cash value will not grow at all (0%), some years it will grow at the  
9 earnings cap (e.g., 12% for example), and some years it will grow at some rate between  
10 those two limits on a relatively volatile basis, and that the volatility will have an effect on  
11 their cash values.

12 22. These discussions are dialogues between myself and my clients, who ask  
13 questions along the way that I try to answer to the best of my ability. When I do not know  
14 the answer to a client's question, or when I believe that additional information about a  
15 policy would be useful to my clients, I consult an Agent Guide that I received from LSW  
16 for these products, and report this information to my clients.  
17

18 23. All of the information I provide to my clients is conveyed orally or written  
19 down during our meetings on a notebook.

20 24. I never use any printed materials (other than the questionnaire attached as  
21 Exhibit A) when I present Paragon and Provider to my clients. I never use any "sales  
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1 together, to apply for the policy. Again, my clients often ask questions at this meeting, and  
2 I answer them.

3 **Training Sessions**

4 28. I am the individual primarily responsible for conducting training for agents in  
5 my independent agency. The training sessions that I conduct are not mandatory. These  
6 sessions cover a large range of topics, ranging from discussing specific features of specific  
7 products to general sessions discussing industry-wide issues.

9 29. Every training session I hold is different. I have conducted a few training  
10 sessions that pertained to LSW's Paragon or Provider products. I have personally prepared  
11 these training sessions. LSW does not dictate the substance of these training sessions.  
12 Although I may draw upon materials from LSW for some of these sessions, I never use any  
13 LSW materials without extensive customization (removing some pages that do not fit the  
14 training session and adding others based on my own input). Usually, these sessions  
15 conclude with a question and answer session, during which I answer any questions the  
16 attendees may have on the subjects we discussed.

18 30. I have participated in a few "train-the-trainer" sessions held by LSW. These  
19 sessions were not mandatory—it was my choice to participate in them. The sessions are  
20 informal in nature, and LSW does not require me or the other attendees to implement any of  
21 the recommendations made during these sessions.

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I declare under the penalty of perjury that the foregoing is true and correct. Executed  
this 10 day of July, 2012, at Montpelier, VT.

By: Sean Covi  
Sean Covi