



OFFICE OF
INSURANCE COMMISSIONER

<i>In the Matter of</i>)	No. 11-0276
)	
ALAN HAUGEN,)	ORDER REVOKING LICENSE
<i>Licensee.</i>)	

To: Alan Haugen
14910 Seabeck Hwy. NW
Seabeck, WA 98380

IT IS ORDERED AND YOU ARE HEREBY NOTIFIED that your license is **REVOKED**, effective **December 9, 2011**, pursuant to RCW 48.17.530 and 48.17.540(2).

THIS ORDER IS BASED ON THE FOLLOWING:

1. Alan Haugen has been licensed to sell life and disability insurance in Washington since 1981 and holds WAOIC Producer License #17419.
2. Remi and Geraldine Bell are husband and wife and are Washington residents.
3. In 1999, Mr. Haugen, who had held himself out to the Bells as a certified estate planner, sold two annuities to the Bells issued by IL Annuity and Insurance Company for \$207,000 and \$27,500 respectively. These purchases were funded by rolling over the Bell's IRAs, then invested in equities and bonds.
4. The IL annuities purchased by the Bells had a guaranteed minimum interest rate of 3.5% with additional yield possible based on the annuity holder's selected "cash value strategy," which strategy could be changed by the annuity holder once every two years. The initial cash value strategy recommended by Mr. Haugen and selected by the Bells was the guaranteed convertible bond strategy. The IL annuities had ten years of surrender penalties starting at 10% in the first year and declining to 1% in year ten.
5. In 2001, Mr. Haugen sold the Bells two passive investments denominated as limited liability partnership interests for a price of \$150,000, \$100,000 of which investment came from funds withdrawn at Mr. Haugen's suggestion from the IL annuity Mr. Haugen had sold to Mr. Bell in 1999. The managers of these purported partnerships were supposed to purchase and then collect delinquent debts and to make a profit for passive investors such as the Bells through these collections efforts. These investments were not registered as securities nor was Mr. Haugen licensed to sell securities. These partnerships eventually failed and the Bells lost \$50,000 of their \$150,000 investment.



6. In withdrawing funds from Mr. Bell's IL annuity to fund the investments in the debt collection scheme, the Bells incurred a surrender fee of \$14,070.

7. At Mr. Haugen's urging, in January 2003 the Bells replaced what remained of their IL annuities with two annuities issued by American National Insurance Company in a §1035 exchange involving upfront premiums to American National Insurance Company of \$76,889 and \$23,571 for the two new annuities. On one copy of the replacement form required by WAC 284-23-440 for this transaction, Mrs. Bell's signature is dated 9 days after the sale and Mr. Haugen's signature is dated 14 days after the sale. On another, Mr. Haugen's signature is dated 1/23/2003 on the replacement for Mrs. Bell but 2/10/03 on the form for Mr. Bell.

8. Both replacement forms for the replacement of the Bell's IL annuities contain incorrect information. Both incorrectly state the amount of surrender penalties on the replaced annuities (question # 3.) Mr. Haugen's answer on the replacement forms for Mr. Bell's annuity indicates a surrender penalty of \$2,410 when the actual surrender penalty was \$5,509.86. Mr. Haugen's answer to this question on Mrs. Bell's form is \$969.00 when the actual surrender penalty was \$1,683.64.

9. Question 5 asking whether interest earnings are a consideration in the replacement is answered "no" on both replacement forms. The guaranteed interest rate under the two American National Insurance Company annuities that were being purchased was 3.25% with a 6% bonus at the end of year one, representing \$4,018.45 for both annuities. Contrary to Mr. Haugen's representations to the Bell's, the bonus was less than the \$7,193.50 in surrender charges imposed by IL Annuity and Insurance Company on the two surrendered annuities.

10. Question 8 on the replacement forms for the surrender and replacement of the Bell's IL annuities asks if there are short or long-term effects from the replacement that might be materially adverse and is answered "no." Because of the lower guaranteed rate and additional years of surrender penalties under the replacement annuities, these answers should have been "yes."

11. In April and May, 2005, Mr. Haugen returned to Mr. and Mrs. Bell, then age 77 and 79 respectively, and induced them to replace the two American National Insurance Company annuities he had sold them in 2003 with two new annuities issued by OM Financial Life Insurance Company.

12. The OM Financial Life annuities Mr. Haugen sold to the Bells were not approved for sale or use in Washington and Mr. Haugen failed to complete Washington replacement forms for the replacement transaction.

13. These replacement OM Financial Life annuities imposed 14 years of surrender charges commencing at 17.5%, reducing to 1% in year 14, and they provided a minimum interest rate of only 1.45%. Contrary to Mr. Haugen's representations to the Bell's, the first year interest rate bonus provided in the OM Financial Life contracts did not equal or offset the surrender charges of \$7,008 and \$1,965 for the surrendered American National Income Life contracts.

14. At Mr. Haugen's direction, the Bells' purchase of the OM Financial Life annuities was processed through a custodian trust domiciled in Colorado where Mr. Haugen was also licensed, with the trust designated as the titular owner of the annuities.

15. In 2006 due to the financial losses occasioned by Mr. Haugen's misrepresentations and advice, the Bells became unable to pay bills. Their daughter then became involved in their finances, discovered the series of replacement transactions in which Mr. Haugen had involved her parents over the years, and subsequently filed a complaint with the OIC. The Bells' efforts through their daughter to unwind the OM Financial Life annuities transaction and obtain a refund of the funds they had invested in the annuities through the Colorado trust was initially frustrated and substantially complicated by the trust's designation as the owner of the annuities.

16. By failing to complete a Washington replacement form for the surrender and replacement of the Bell's American National annuities, Mr. Haugen violated WAC 284-23-440(2)(a).

17. In selling the Bells annuities that were not approved for sale in Washington, Mr. Haugen used and delivered forms that were not approved by the Commissioner in violation of RCW 48.18.100.

18. By providing incorrect and misleading information on the Washington replacement forms that he did fill out, Mr. Haugen committed multiple violations of WAC 284-23-440(2)(a).

19. By failing to provide the completed notices to the Bells at or prior to the time of taking their 2003 annuity applications, Mr. Haugen violated WAC 284-23-440(1).

20. By making misleading or deceptive statements relative to the business of insurance, Mr. Haugen violated RCW 48.30.040.

21. By repeatedly inducing the Bell's to surrender and replace annuities through misrepresentations or misleading comparisons, Mr. Haugen committed twisting and multiple violations of RCW 48.30.180.

22. By misrepresenting the terms, benefits, and advantages of policies, Mr. Haugen violated RCW 48.30.090.

23. RCW 48.17.530 provides that: (1) The Commissioner may suspend, revoke, or refuse to issue any license . . . for any cause specified in any other provision of this code, or for any of the following causes:

(b) If the licensee . . . willfully violates . . . any provision of this code . . .

(e) If the licensee . . . has, with intent to deceive, materially misrepresented the . . . effect of any insurance contract; or has engaged in . . . any fraudulent transaction;

(h) If the licensee or applicant has shown himself to be, and is so deemed by the commissioner, incompetent, or untrustworthy, or a source of injury and loss to the public.

By reason of your conduct, you have shown yourself to be, and are so deemed by the Commissioner, untrustworthy and a source of injury and loss to the public and not qualified to be an insurance agent in the State of Washington. Accordingly, your license is revoked pursuant to RCW 48.17.530(1)(b), (e), and (h).

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IT IS FURTHER ORDERED that you return your insurance agent's and agency license certificates to the Commissioner on or before the effective date of the revocation of your licenses, as required by RCW 48.17.530(4).

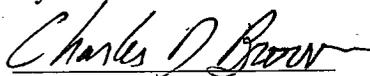
NOTICE CONCERNING YOUR RIGHT TO A HEARING. Please note that a detailed summary of your right to contest this Order is attached. Briefly, if you are aggrieved by this Order, RCW 48.04.010 permits you to demand a hearing. Pursuant to that statute and others: You must demand a hearing, in writing, within 90 days after the date of this Order, which is the day it was mailed to you, or you will waive your right to a hearing. Your demand for a hearing must specify briefly the reasons why you think this Order should be changed. If your demand for a hearing is received by the Commissioner before the effective date of the revocation, then the revocation will be stayed (postponed) pending the hearing, pursuant to RCW 48.04.020. Upon receipt of your demand for hearing, you will be contacted by an assistant of the Chief Hearing Officer to schedule a teleconference with you and the Insurance Commissioner's Office to discuss the hearing and the procedures to be followed.

Please send any demand for hearing to Insurance Commissioner, attention Kelly Cairns, Paralegal, Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40255, Olympia, WA 98504-0255.

ENTERED AT TUMWATER, WASHINGTON, this 21st day of November, 2011.

MIKE KREIDLER
Insurance Commissioner

By


CHARLES D. BROWN
OIC Staff Attorney

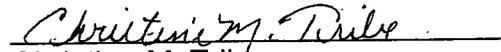
CERTIFICATE OF MAILING

The undersigned certifies under the penalty of perjury under the laws of the State of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the State of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing ORDER REVOKING LICENSE on the following individual via US Mail.

Alan Haugen
14910 Seabeck Hwy. NW
Seabeck, WA 98380

SIGNED this 21st day of November, 2011, at Tumwater, Washington.


Christine M. Tribe