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Brian K. Kreger
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Hon. Craig L. Olson, OIC
Politick, D. Peterson
Chief Hearing Officer

July 31, 2012

Charles Brown, Esq.
Staff Attorney
Office of the Insurance Commissioner
Legal Affairs Division
PO Box 40255
Olympia, WA 98504

RE: In the Matter of Altig International Co., Licensee
OIC Matter No. 12-0105
Consent Order Levying A Fine And Placing Licensee On Probationary Status

Dear Mr. Brown:

As you know, our firm has been retained to represent Altig International Co. ("AIC" or "Licensee") with respect to the above referenced Matter. Subsequent to our receipt and review of the referenced Consent Order Levying A Fine And Placing Licensee on Probationary Status (the "Order") from the Washington State Office of Insurance Commissioner (the "OIC"), you and I have engaged in several discussions regarding the content and format of the Order. A copy of the OIC's proposed Order is attached for reference.

On behalf of my client, we express our appreciation for your willingness to discuss possible settlement of this matter. However, our efforts to resolve our differences have not been successful. Therefore, by means of this letter, we submit our formal demand for hearing pursuant to the applicable provisions of RCW 48.04.010 and WAC 284-02-070.

This demand for hearing is submitted to enable the Licensee to appeal that portion of the Order in which the OIC (1) levies a fine in the amount of \$150,000, and (2) places the license of the Licensee on probationary status for a two-year period. Please note that this appeal is limited to the OIC's imposition of the penalties of levying the fine and placing AIC's license on probationary status, as stated above. Please note further that, solely for purposes of this demand for hearing and the appeal hereunder, the Licensee does not contest the OIC's Findings of Fact or Conclusions of Law set forth in the Order.

This demand for hearing is based on, but is not limited to, the following:

- The Licensee is aggrieved by the arbitrary and capricious acts of the OIC in imposing and levying a fine in an amount that is: arbitrary and unsupportable by any reasonable standard of fairness; discriminatory; retaliatory; abusive; and disproportionate to the alleged offense.
- The OIC's imposition and levying of a fine in the amount set forth in the Order is grossly inconsistent with the OIC's orders imposing fines in matters of nature and type that are

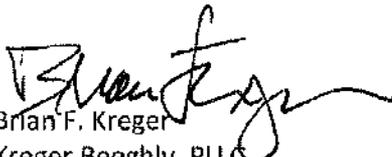
substantially similar to the pending Matter, and, therefore, the OIC's acts in this Matter constitute an abuse of discretion in contradiction of established law.

- The OIC's actions in placing AIC's license on probationary status for a two-year period coupled with the threat of a compulsory revocation of AIC's license for alleged violations of law during the two-year period: violate the Licensee's constitutionally-protected property rights and constitute a taking without due process of law; demonstrate a clear abuse of discretion by the OIC; are arbitrary and capricious; and are patently unfair, inconsistent, and abusive in relation to and in comparison with the OIC's enforcement actions in matters similar to this pending Matter.

This correspondence, by which we make our demand for hearing in the above-referenced Matter, is not intended to be an exhaustive or inclusive recitation of the legal, constitutional, or rational bases and arguments upon which AIC's limited appeal, described above, is based. We reserve the right to present and advance additional arguments and grounds for seeking a reduction in the amount of fine imposed and levied by the OIC's unfair, arbitrary, and discriminatory acts, and a reversal of the OIC's arbitrary, abusive, and unconstitutional actions in placing Licensee's license in probationary status and threatening the compulsory revocation of the license without due process.

As we make this demand for hearing, and appeal, we remain open to continued dialog in the hope that this Matter can be resolved amicably and on mutually agreeable terms without the need to proceed to hearing. If you have any questions or comments, please feel free to contact me any time to discuss this Matter further.

Sincerely,


Brian F. Kreger
Kreger Beeghly, PLLC

Cc. Patricia Petersen, OIC Chief Hearing Officer
R. Aitlg
File

Enc. OIC Consent Order No. 12-0105

Exhibit 1
Consent Order

Exhibit 1
Consent Order



OFFICE OF
INSURANCE COMMISSIONER

In The Matter of

ALTIG INTERNATIONAL CO.,

Licensee.

NO. 12-0105

CONSENT ORDER
LEVYING A FINE AND
PLACING
LICENSEE ON PROBATIONARY
STATUS

The Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.17.060 and RCW 48.17.063, having reviewed the official records and files of the Office of the Insurance Commissioner ("OIC"), makes the following:

FINDINGS OF FACT:

1. Altig International Co. ("Licensee") is a Washington corporation that holds a Washington entity insurance producer license for the lines of life and disability insurance, WAOIC #200663.
2. Between January, 2011, and July 29, 2011, investigators from the Office of Insurance Commissioner visited the Licensee's office in Redmond, Washington where they found unlicensed employees of Licensee making telephone insurance solicitations. Follow up investigation revealed that of 20 call center representatives making insurance solicitation calls from this office, 16 were not licensed by the OIC.
4. Between January, 2011, and July 29, 2011, these unlicensed Licensee call center employees contacted 533 Washington residents who were policy holders of life insurance policies issued by American Income life Insurance Company ("AIL") and offered them riders providing additional benefits.
5. Licensee gave its call center representatives a script and recorded their calls. Neither the scripts nor the recordings of the calls reviewed by OIC investigators asked whether the customer agreed to the policy addition or agreed to pay additional premium and several of the consumers contacted by the OIC indicated they did not want the additional coverage and only

realized it had been added when they noticed an increase in their automatic withdrawals for the premium.

6. The AIL riders offered to Washington residents by the unlicensed call center employees of the Licensee were submitted to AIL by Licensee using the producer license and appointment of a licensed and appointed producer.

CONCLUSIONS OF LAW:

1. By knowingly accepting insurance business from unlicensed call center employees who were required to be licensed under RCW Title 48, the Licensee violated RCW 48.17.530.

2. Mere silence, when an offer is made, does not constitute an acceptance of the offer.

3. Pursuant to RCW 48.17.560, the Commissioner may impose a fine of not more than one thousand dollars for each violation of the insurance code in addition to or in lieu of the revocation, suspension, or refusal to renew a producer's license.

CONSENT TO ORDER:

Licensee, acknowledging its duty to comply fully with the applicable laws of the State of Washington, consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings. The Insurance Commissioner consents to settle the matter in consideration of the Licensee's payment of a fine and on such terms and conditions as are set forth below.

1. Licensee consents to the entry of this Order, waives any and all hearing rights, and further administrative or judicial challenges to this Order.

2. By agreement of the parties, the Insurance Commissioner will impose a fine of \$150,000 (One Hundred Fifty Thousand Dollars), \$50,000 (Fifty Thousand Dollars) of which is suspended, on the conditions that Licensee commit no further violations of the statutes that are the subject of this Order for a period of two years from the date this Order is entered. Licensee understand and agrees that any future failure to comply with the statutes that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violations, in addition to the imposition of the suspended portion of this fine.

3. The producer license of Altig International Co. shall be placed on probationary status during the two year period for which a portion of the fine is suspended, which probation will be revoked and will result in automatic revocation of its licenses in the event Licensee commits further violations of the statutes which are the subject of this Order during the probationary period.

4. Licensee's failure to timely pay this fine and to adhere to the conditions as set forth above will result in revocation of its license, and shall result in the recovery of both the imposed and suspended portion of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

EXECUTED this _____ day of _____, 2012.

ALTIG INTERNATIONAL CO.

Signature/Title: _____

ORDER

Pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby Orders as follows:

1. Licensee shall pay a fine of \$150,000 (One Hundred Fifty Thousand Dollars), \$50,000 (Fifty Thousand Dollars) of which is suspended, on the condition that Licensee commit no further violations of the statutes that are the subject of this Order for a period of two years from the date this Order is entered. Licensee understands and agrees that any future failure to comply with the statutes that are the subject of this Order constitutes grounds for further penalties, which may be imposed in direct response to further violations, in addition to the imposition of the suspended portion of this fine.

2. The producer license of Altig International Co. is placed on probationary status during the two year period for which a portion of the fine is suspended, which probation will be revoked and will result in automatic revocation of their licenses in the event Licensee commits further violations of the statutes which are the subject of this Order during the probationary period.

3. Licensee's failure to timely pay this fine and to adhere to the conditions as set forth above will result in revocation of its license, and shall result in the recovery of both the imposed and

suspended portion of the fine through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this ____ day of _____, 2012.

MIKE KREIDLER
Insurance Commissioner

By _____
Charles D. Brown
OIC Staff Attorney
Legal Affairs Division