

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

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OFFICE OF  
INSURANCE COMMISSIONER  
HEARINGS UNIT

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BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of )

**Docket No. 13-0035**

**DARRYL L. STROM,** )

**FINDINGS OF FACT,  
CONCLUSIONS OF LAW,  
AND FINAL ORDER**

Licensee. )

**TO:** Darryl L. Strom  
2630 161<sup>st</sup> Place  
Mill Creek, WA 98012

**COPY TO:** Mike Kreidler, Insurance Commissioner  
James T. Odiorne, Chief Deputy Insurance Commissioner  
John F. Hamje, Deputy Commissioner, Consumer Protection Division  
Kate Reynolds, Staff Attorney, Legal Affairs Division  
Charles Brown, Acting Deputy Commissioner, Legal Affairs Division  
Office of the Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

Pursuant to RCW 34.05.434, 34.05.461, 48.04.010 and WAC 10-08-210, and after notice to all interested parties and persons the above-entitled matter came on regularly for hearing before the Washington State Insurance Commissioner commencing at 10:00 a.m. on March 26, 2013. All persons to be affected by the above-entitled matter were given the right to be present at such hearing during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence. The Insurance Commissioner appeared pro se, by and through Kate Reynolds, Esq., Staff Attorney in his Legal Affairs Division. Darryl L. Strom appeared pro se.



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**NATURE OF PROCEEDING**

The purpose of the hearing was to take testimony and evidence and hear arguments as to whether the Insurance Commissioner's decision to deny the application of Darryl L. Strom ("Applicant") for a Washington resident insurance producer's license should be upheld. According to the Insurance Commissioner's ("OIC") letter to the Applicant dated January 22, 2013, and amended on February 19, 2013, said denial is based on the OIC's allegations that 1) the Applicant failed to disclose on his application the fact that (a) his real estate license was revoked in 2000; (b) his securities license was revoked by the Washington State Department of Financial Institutions in 1995; and (c) he was barred by the Financial Industry Regulatory Authority ("FINRA") from engaging in the business of securities. As a further basis for denial, the OIC includes 2) the fact that in 1997 the OIC revoked the Applicant's Washington insurance producer's license which he had held up until that time. On January 28, 2013, the Applicant filed a Demand for Hearing to contest the OIC's denial of his license application.

**FINDINGS OF FACT**

Having considered the evidence and arguments presented at the hearing, and the documents on file herein, the undersigned presiding officer designated to hear and determine this matter finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied. This Order is entered pursuant to Title 48 RCW and specifically RCW 48.04; Title 34 RCW including, for good cause shown, RCW 34.05.461(8); and regulations pursuant thereto.
2. Darryl L. Strom ("Applicant") is an approximately 66 year old resident of Mill Creek, Washington. On December 12, 2012 the Applicant applied to the OIC for a Washington resident insurance producer's license. The OIC denied this application, stating as grounds for denial that 1) in his application he failed to disclose the revocation of his real estate license in 2000; 2) in his application he failed to disclose that he had been suspended, then barred, by NASD/FINRA in 1998; and 3) in his application he failed to disclose an administrative action taken by the Washington Department of Financial Institutions Securities Division in 1995. The OIC also based its denial on the prior revocation of the Applicant's Washington insurance producer's license. The Applicant appealed the OIC's denial to the undersigned.
3. The Applicant was first issued a Washington resident insurance producer's license in 1980. [Ex. 8, Amended Findings of Facts, Conclusions of Law and Final Order on Hearing entered March 31, 1997.] In 1990, the OIC determined that he was the subject of some five to ten consumer complaints, which is a significant number of complaints relative to the producer population at large. [Testimony of Cheryl Penn, Compliance Analyst, OIC Licensing division.] In 1990, the Applicant failed to renew his producer's license, and the OIC ordered that his

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producer's license would not be reinstated should he apply for reissuance. In 1993, the Applicant once again applied for and received a Washington producer's license by entering into an agreement with the OIC that he would not violate the Insurance Code or regulations. [Ex. 6, September 13, 1993 Agreement between Applicant and OIC.] From 1993 to 1996 the OIC discovered he had violated the agreements he had made with the OIC in 1993 and that he was again the subject of some seven to eight consumer complaints. [Testimony of Penn.] During his time as a licensed producer, from 1980 to 1996, the Applicant had twenty-two complaints total filed against him concerning his insurance-related activities. [Ex. 8, Amended Findings of Facts, Conclusions of Law and Final Order on Hearing entered March 31, 1997.] Based upon these activities, in 1996 the OIC revoked his producer's license. [Ex. 7, Order Revoking License issued September 4, 1996.] The Applicant appealed the OIC's revocation, and after an adjudicative proceeding the revocation was upheld [Ex. 8]; the Applicant then appealed to the Superior Court, which once again upheld the OIC's revocation of his license. [Ex. 9, Snohomish County Superior Court Findings of Fact, Conclusion of Law and Order entered February 27, 1998; Testimony of Penn.]

4. In December 1994 the Applicant received a license to conduct securities business from the Washington Department of Financial Institutions Securities Division ("State Securities Division"). [Ex. 10, State Securities Division Amended and Restated Statement of Charges, page 8.]

5. On November 29, 1994, the Applicant passed his Series 6 and Series 63 securities examinations, became licensed by the National Association of Securities Dealers ("NASD"), the national self-regulating body of the securities industry which is now called FINRA. From November 30, 1994 to February 9, 1996 worked for/with Securities America, Inc., of Mill Creek, WA. At or about the time the Applicant applied to the NASD/FINRA for a securities license, in reporting the OIC's disciplinary action taken against him, the Applicant falsely stated the facts. Briefly, the Applicant stated with regard to the above detailed OIC disciplinary actions 1) that he was not given a hearing; 2) that he had been suspended for three years; 3) that the case was resolved; and 4) falsely stated the reasons for the OIC's disciplinary proceedings against him as well as the outcome of those proceedings. [Ex. 14, FINRA BrokerCheck Report; Testimony of Penn.]

6. In October 1995 the Applicant was the subject of a Summary Order to Cease and Desist issued by the State Securities Division relative to his illegal activities in the securities business. [Ex. 10.] The State Securities Division also issued a Statement of Charges, Notice of Intent to Revoke Securities Salesperson Registration, and Order Summary Suspending Securities Salesperson Registration Pending a Final Determination against the Applicant on October 16, which was amended and restated on November 20, 1995. The Applicant was advised that he had the right to make a written request for a hearing; because he did not, the State Securities Division thereafter revoked the Applicant's license to conduct the business of securities in Washington. [Ex. 10; Testimony of Penn.] These disciplinary actions were based upon the State Securities Division's determination that the Applicant had conducted numerous illegal activities in the sales

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of securities to numerous individuals including sales to elderly consumers who had invested their life savings with him. On January 8, 1997, the Snohomish County Superior Court issued a preliminary injunction against the Applicant which had been requested by the State Securities Division, finding that the Applicant had continued his illegal activities in the securities business in violation of state law and the State Securities Division's October 16 and November 20, 1995 Orders against him. [Ex. 11, Snohomish County Superior Court Preliminary Injunction entered January 8, 1997.] As alleged herein by the OIC, it is here found that in his response to Question No. 2 in the Applicant's 2012 application for a Washington producer's license the Applicant failed to disclose this disciplinary action as required.

7. In 1998, NASD/FINRA took action against the Applicant, alleging that he had violated numerous statutes and regulations in his conduct as a securities broker/dealer. On May 29, 1998, the NASD/FINRA entered into a settlement agreement with the Applicant whereby the Applicant admitted to various significant violations of securities laws and regulations and agreed to be censured, fined \$69,994 and barred from associating with any member of NASD/FINRA in any capacity. [Ex. 12, May 29, 1998 NASD Disciplinary Order Accepting Offer of Settlement of Darryl Strom; Ex. 13, NASD/FINRA Notices to Members re Disciplinary Actions, at p. 542.] As alleged herein by the OIC, it is here found that in his response to Question No. 2 in the Applicant's 2012 application for a Washington producer's license the Applicant failed to disclose this disciplinary action as required.

8. On November 20, 2000, the Washington State Department of Licensing, Business and Professions Division, revoked the Applicant's license to sell real estate in Washington and barred him from reapplying for a period of ten years beginning February 27, 1998, based upon his activities in the insurance and securities fields and its finding that he had not shown sufficient rehabilitation from his prior misconduct to merit consideration of continued licensing. As alleged herein by the OIC, in his response to Question No. 2 in the Applicant's 2012 application for a Washington producer's license, the Applicant failed to disclose this disciplinary action as required.

9. Cheryl Penn, Compliance Analyst with the OIC Licensing Division, appeared as a witness on behalf of the OIC. Ms. Penn presented her testimony in a detailed and credible manner and presented no apparent biases.

10. Jeff Baughman, Licensing and Education Manager for the Consumer Protection Division of the OIC, appeared as a witness on behalf of the OIC. Mr. Baughman presented his testimony in a detailed and credible manner and presented no apparent biases.

11. Darryl L. Strom, the Applicant, appeared as the sole witness on his own behalf. Based upon observation of his demeanor throughout the proceeding, particularly his hostility toward OIC staff and the proceeding in general, his interruptions in the proceeding and in the statements of others, and unwillingness to admit facts when clearly presented to him in the form of paper documents, it is here found that the statements of the Applicant are not credible. Further, based

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upon his past record, proof of which were entered into evidence in this proceeding, his demeanor during hearing and inability to admit that any of the many past disciplinary actions taken against him – by the OIC, by the State Securities Division, by NASD/FINRA, and by the Washington Department of Licensing Real Estate Division – were due to his activities, the Applicant has not been rehabilitated and cannot be relied on to conduct the business of insurance or any other business involving finances in a manner which is in compliance with applicable laws and regulations.

12. Based upon the above Findings, it is reasonable that the OIC's action denying the Applicant's application for a Washington resident insurance producer's license be upheld.

**CONCLUSIONS OF LAW**

Based upon the above Findings of Fact, it is hereby concluded:

1. The adjudicative proceeding herein was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied. This Order is entered pursuant to Title 48 RCW and specifically RCW 48.04; Title 34 RCW including, for good cause shown, RCW 34.05.458(8); and regulations pursuant thereto.

2. Pursuant to RCW 48.17.530(1), the OIC may place on probation, suspend, revoke, or refuse to issue or renew an insurance producer's license, or may levy a civil penalty in accordance with RCW 48.17.560 or any combination of actions, for (1)(a) providing incorrect, misleading, incomplete, or materially untrue information in the license application; or (1)(c) obtaining or attempting to obtain a license through misrepresentation or fraud. In his response to Question No. 2 in his December 12, 2012 application to the OIC for an insurance producer's license, the Applicant failed to disclose 1) the revocation of his real estate license in 2000; 2) his suspension then bar from NASD/FINRA in 1998; and 3) an administrative action taken by the State Securities Division in 1995, and thereby the Applicant provided incorrect, misleading, incomplete and materially untrue information in the license application in violation of RCW 48.17.530(1)(a). In so doing, the Applicant also attempted to obtain a license through misrepresentation and fraud in violation of RCW 48.17.530(1)(c).

3. Based upon the above Conclusion No. 2, the Applicant violated the above identified insurance laws, as contemplated by RCW 48.17.530(1)(b).

4. Based upon the above Conclusions of Law Nos. 2 and 3, that the Applicant provided incorrect, misleading, incomplete and materially untrue information in his OIC license application in violation of RCW 48.17.530(1)(a) and also attempted to obtain a producer's license through misrepresentation and fraud in violation of RCW 48.17.530(1)(c), and violated these identified insurance laws as contemplated by RCW 48.17.530(1)(b), it is hereby concluded

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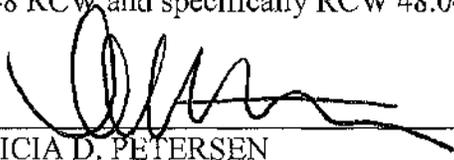
that the OIC's denial of the application of the Applicant for a Washington insurance producer's license should be upheld.

**ORDER**

On the basis of the foregoing Findings of Fact and Conclusions of Law,

**IT IS HEREBY ORDERED** that the Washington State Insurance Commissioner's denial of the Washington resident insurance producer's license application submitted by Darryl L. Strom on December 12, 2012 is **UPHELD**. Further, it is suggested that the OIC should not entertain any future applications from this applicant in the future.

**ENTERED AT TUMWATER, WASHINGTON**, this 27<sup>th</sup> day of June, 2013, pursuant to Title 48 RCW and specifically RCW 48.04 and Title 34 RCW and regulations applicable thereto.

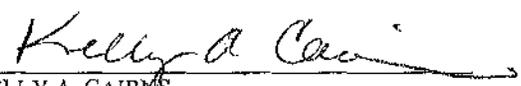
  
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PATRICIA D. PETERSEN  
Chief Presiding Officer

Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned within 10 days of the date of service (date of mailing) of this order. Further, the parties are advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the county of the petitioner's residence or principal place of business; and 2) delivery of a copy of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the petition upon all other parties of record and the Office of the Attorney General.

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Darryl L. Strom, Mike Kreidler, James T. O'borne, John F. Hanje, Esq., Kate Reynolds, Esq., and Charles Brown, Esq.,

DATED this 25<sup>th</sup> day of June, 2013.

  
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KELLY A. CAIRNS