



OFFICE OF
INSURANCE COMMISSIONER

FILED

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Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

In the Matter of)

No. D 07- 0193

Kirsten Paterson Molbak,)

ORDER REVOKING LICENSE

Licensee.)

To: Kirsten Paterson Molbak
2815 46th Ave. W.
Seattle, WA, 98199

&

Mary Cotter
Attorney at Law
Ryan, Swanson & Cleveland, PLLC
1201 Third Avenue, Suite 3400
Seattle, WA 98101-3034

IT IS ORDERED AND YOU ARE HEREBY NOTIFIED that your license is **REVOKED**, effective July 5, 2007, pursuant to RCW 48.17.530(1) (b), (e), (f) and (h) and 48.17.540(2).

THIS ORDER IS BASED ON THE FOLLOWING:

1. Kirsten Paterson Molbak has been licensed to sell life and disability insurance in Washington since January 14, 2005.

2. In June 2006, the Office of the Insurance Commissioner received a request for assistance from a consumer, then aged 83, who had attended a "workshop" for seniors entitled "Survival in the 21st Century" put on and conducted by Kirsten Paterson Molbak and her husband, Robert J. Paterson, who also is licensed to sell life and disability insurance in Washington and has been so licensed since February 17, 2004.

3. At this workshop and a subsequent workshop also conducted by the licensees and attended by an OIC investigator, the licensees told attendees that annuities are guaranteed by the state guarantee fund up to \$500,000, and the licensees gave attendees written sales promotional material also making this representation. Attendees were also told and provided sales promotional literature falsely claiming that variable annuities are not covered by the Washington Insurance Guaranty Fund. The licensees also deceptively used and provided a Morningstar evaluation of a single variable annuity and made overly broad and misleading claims that administrative charges in variable annuities are extremely high even though most variable annuities have safe harbor accounts that have no administration fees at all. According to the literature advertising the Paterson/Molbak workshop, over 75,000 seniors have attended the workshop.

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4. These misleading comparisons and misrepresentations were intended to induce seniors to terminate existing variable annuities and convert them to fixed indexed annuities. Following the workshop, the consumer (referenced in paragraph 2 above) was in fact approached by Mrs. Paterson-Molbak and was induced by her to surrender three John Hancock variable annuities that had performed satisfactorily over the years and for which the surrender charge periods had elapsed in order to purchase a new fixed indexed annuity with a new ten year surrender charge period based upon these misleading comparisons and misrepresentations as well as additional misleading comparisons and misrepresentations made by Mrs. Paterson-Molbak in the course of the sale of the new annuity and subsequent thereto.

5. Additional misleading comparisons and misrepresentations made by Mrs. Paterson-Molbak include the following:

(a) Mrs. Paterson-Molbak repeatedly misrepresented the expense and administration fees being charged on the consumer's John Hancock annuities, misusing one page of a Morningstar report to purport to show that the consumer's existing variable annuities through John Hancock imposed annual fees of 2.54% when in fact the consumer's three John Hancock variable annuities imposed an expense fee of 1.25% and an administrative fee of .15% for total annual expense fees of only 1.40%;

(b) Mrs. Paterson-Molbak misinformed the consumer that she was being charged fees on her existing John Hancock variable annuities that totaled \$6,236.85 per year when in fact her total charges on the accounts totaled only \$3,437;

(c) Mrs. Paterson-Molbak misinformed the consumer when she moved her money from her John Hancock annuities to the Great American Life Indexed annuity. Mrs. Paterson-Molbak informed the consumer that they would not be exposed to any losses with the new annuity. The fact is that the surrender charge periods on the consumer's existing annuities had elapsed and the consumer's transferred investment of \$249,927.20 was immediately subject to a new surrender charges of 10% that would reduce her guaranteed minimum surrender value to \$224,844.48 with new surrender charges that would continue for an additional 10 year period;

(d) Mrs. Paterson-Molbak misrepresented to the consumer that the amount of the death benefit provided by the consumer's John Hancock variable annuities would not be reduced when in fact the consumer lost \$62,600.46 in death benefits that she had accumulated for her named beneficiaries; and

(e) Mrs. Paterson-Molbak deceptively and misleadingly compared the risk of loss of account value in the consumer's existing John Hancock variable annuities with the safety of the guaranteed fixed rate of the Great American Life Indexed annuity without informing the consumer of her option of electing a guaranteed minimum rate of return option in her existing annuities without penalty or new surrender charge and without losing the death benefit the consumer had accumulated for her beneficiaries in her existing annuities.

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6. Mrs. Paterson-Molbak also failed to disclose material facts about the annuities she was comparing, including the following:

(a) Mrs. Paterson-Molbak failed to explain the strategy selections in the new annuity she was selling and failed to explain that the "index factor" of 1.50% in the selection she made for the consumer reduced the overall maximum return possible by that percentage;

(b) Mrs. Paterson-Molbak represented to the consumer that the minimum guaranteed interest rate of the new annuity was 3%, yet answered the replacement questionnaire question "The minimum interest rate to be paid is how much?" as "2.75% @ 90%" without calling the consumer's attention to, or explaining, this lower guaranteed interest rate amount;

(c) Mrs. Paterson-Molbak failed to disclose that the consumer was going to be charged \$90 to surrender her existing annuities and incorrectly answered question No. 3 on the replacement questionnaire by indicating there would be no penalties or surrender charges under the existing contracts by reason of the transaction; and

(d) Mrs. Paterson-Molbak falsely answered question No. 8 on the replacement questionnaire by indicating there would be no short or long term effects from the replacement that might be materially adverse.

7. Mrs. Paterson-Molbak violated the following regulations and provisions of the insurance code:

- a. By representing that annuities are guaranteed by the state guarantee fund, Mrs. Paterson-Molbak violated RCW 48.30.075.
- b. By falsely representing that variable annuities are not guaranteed by the state guarantee fund, Mrs. Paterson knowingly made, published, and disseminated false, deceptive, and misleading representations and advertising in the conduct of the business of insurance in violation of RCW 48.30.040.
- c. By deceptively using the Morningstar evaluation of a single variable annuity and making overly broad and misleading claims that administrative charges in variable annuities are extremely high even though most variable annuities have safe harbor accounts that have no administration fees, Mrs. Paterson-Molbak violated both WAC 284-30-660 and RCW 48.30.040.
- d. By making misleading comparisons and misrepresentations intended to induce insureds to terminate existing variable annuities and convert them to a fixed indexed annuities, Mrs. Molbak Paterson engaged in "twisting," in violation of RCW 48.30.180.

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- e. By failing to accurately complete the replacement notice and fairly and accurately answer the questions thereon, Mrs. Paterson-Molbak violated WAC 284-23-440.
- f. By advising the consumer that the new Great American annuity contained the same death benefit as the three replaced John Hancock annuities and by not addressing the consumer's on going inquiries about the new policies' death benefit or lack thereof, Mrs. Paterson-Molbak violated RCW 48.30.090 and RCW 48.01.030.

8. 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).

IT IS FURTHER ORDERED that you return your insurance agent's license certificate to the Commissioner on or before the effective date of the revocation of your license, 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.

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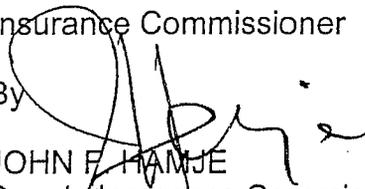
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Please send any demand for hearing to Insurance Commissioner, attention John Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257.

ENTERED AT TUMWATER, WASHINGTON, this 14th day of June, 2007.

MIKE KREIDLER
Insurance Commissioner

By

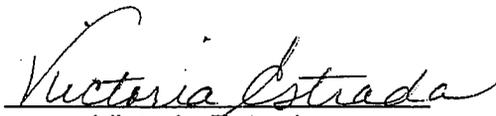

JOHN F. HAMJE
Deputy Insurance Commissioner
Consumer Protection Division

Investigator: Vic Overholt

DECLARATION OF MAILING

I certify under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to **Kirsten Paterson Molbak**.

Dated: June 14, 2007
At Tumwater, Washington


Victoria Estrada

NOTICE OF YOUR RIGHT TO A HEARING

You have the right to demand a hearing to contest this Order. During this hearing, you can present your argument that the Order should not have been entered for legal and/or factual reasons and/or to explain the circumstances surrounding the activities which are the subject of this Order. You may be represented by an attorney if you wish, although in some hearings before this agency parties do choose to represent themselves without an attorney.

Your Demand for Hearing should be sent to John F. Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257, and must briefly state how you are harmed by this Order and why you disagree with it. You will then be notified both by telephone and in writing of the time and place of your hearing. If you have questions concerning filing a Demand for Hearing or the hearing process, please telephone the Hearings Unit, Office of the Insurance Commissioner, at 360/725-7002.

Your Demand for Hearing must be made within 90 days after the date of this Order, which is the date of mailing, or your Demand will be invalid and this Order will stand. If your Demand for Hearing is received before the effective date of this Order, the penalties contained in the Order will be stayed (postponed) until after your hearing.

It is important to know that if you demand a hearing, you will have two options for how it will be handled:

Option 1: Unless you specifically request Option 2, your hearing will be presided over by an administrative law judge from the Office of the Insurance Commissioner. Under this option, upon receipt of your Demand for Hearing, the Insurance Commissioner may refer the case to an administrative law judge. The administrative law judge is an individual who has not had any involvement with this case. The administrative law judge will hear and make the final decision in the case without any communication, input or review by the Insurance Commissioner or staff or any other individual who has knowledge of the case. This administrative law judge's final decision may uphold or reverse the Commissioner's action or may instead impose any penalties which are less than those contained in the Order.

Option 2: If you elect, your hearing will be presided over by an administrative law judge from the Office of Administrative Hearings. That administrative law judge will issue an initial or recommended decision which will then be sent to the Insurance Commissioner. The Insurance Commissioner, or his designee, will review the initial decision and make the final decision. The Insurance Commissioner's final decision in the case may uphold, reverse or modify the initial decision, thereby changing the penalty which is recommended in the initial decision. In writing the final decision, the Insurance Commissioner is not bound by the findings of facts or conclusions of law which were made in the initial decision.