MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

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OCT -3 2008

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

In the Matter of **Arthur Cervantes and Northwest Financial Exchange,** Licensees.	NO. D 07-0323 STIPULATION AND ORDER

Pursuant to RCW 34.05.060 and WAC 10.08.230(2)(b), the parties hereby stipulate and agree as follows in resolution of this matter:

STIPULATION

1. Arthur Cervantes holds a resident insurance license for life and disability insurance issued on April 15, 1982, by the Washington State Office of the Insurance Commissioner (OIC). Mr. Cervantes is an owner of, and principal in, Northwest Financial Exchange, a Washington corporation holding an entity insurance license issued by the OIC.

2. An Order revoking the licenses of Mr. Cervantes and Northwest Financial Exchange was entered October 23, 2007. Mr. Cervantes and Northwest Financial Exchange timely requested a hearing pursuant to RCW 48.04.040, and said Order accordingly was stayed and the Licensees' agents' licenses were not revoked.

3. In June, 2006, Mr. Cervantes attempted to sell an annuity to be issued by the National Foundation of America ("NFOA") to a 91 year old Washington resident. The consumer was to transfer ownership to NFOA of two existing Allstate annuities that he owned with a face value of $420,564 as consideration for the NFOA annuity. This sale was never completed. However, between March and August, 2006, Mr. Cervantes sold four other NFOA annuities to other Washington residents who transferred ownership of existing annuities to NFOA in consideration for the NFOA annuities.

4. NFOA was not authorized to transact insurance in Washington nor was NFOA authorized to transact insurance in any other state. Mr. Cervantes did not complete replacement notices as described in WAC 284-23-485 for these NFOA transactions.

5. NFOA has been placed into receivership at the request of the Tennessee Department of Commerce and Insurance and is currently being liquidated. The receiver has advised that there are insufficient assets in the receivership to return to NFOA annuity holders the full value of the assets they transferred to NFOA.

6. In selling the NFOA annuities, Mr. Cervantes agrees that he represented an unauthorized insurer in violation of RCW 48.15.020(2)(a), and that his failure to complete replacement notices for these transactions violated WAC 284-23-440. Mr. Cervantes further agrees to make restitution to each of the Washington consumers to whom he sold a NFOA annuity. Such payments are to be made within ninety days of the entry of the receiver's final order of distribution and shall equal the surrender value of the annuities that each consumer transferred to NFOA less any payments the consumer has received from NFOA or NFOA's receiver. Mr. Cervantes may receive an assignment from these consumers of any future payments they receive in compensation of their NFOA contracts. Mr. Cervantes shall provide proof to the OIC of such restitution within one hundred twenty days from the date of entry of the receiver's final order of distribution.

7. Within thirty days of entry of the subjoined Order, Mr. Cervantes will pay a fine in the amount of five thousand dollars ($5,000).

8. Mr. Cervantes will not sell insurance products to Washington consumers over the age of seventy-five (75) unless a relative or other trusted representative of the senior is present at all meetings between Mr. Cervantes and the senior or the senior signs a disclosure form waiving the right to have a representative present.

9. For a period of two years from the date of entry of the subjoined Order, every six months, Mr. Cervantes will provide the OIC with a list of the Washington consumers over the age of seventy-five to whom he has sold an annuity or life insurance product during the preceding six month period. Each list will include each senior consumer's mailing address and telephone number, the name of the product and insurance company involved, and a statement whether or not the transaction involved a replacement. Mr. Cervantes understands that the OIC will use this information to conduct random market conduct surveys of his senior clients to monitor compliance with insurance code and regulatory requirements. In conducting the random market surveys, the OIC will not refer to any prior complaints or disciplinary action against, or alleged misconduct by, Mr. Cervantes.

10. The parties understand and agree that this settlement fully resolves all issues pertaining to the Order revoking licenses entered June 14, 2007, the statement of supplemental grounds filed by the OIC in this matter, and all issues pertaining to any allegation of misconduct by Mr. Cervantes or Northwest

Financial Exchange known to the OIC as of this date. The OIC will take no disciplinary action other than that described in this Order as a consequence of any conduct known to or investigated by OIC. Mr. Cervantes understands and agrees that by this settlement, he releases any claim or cause of action against the OIC, OIC Investigator, Vic Overholt, and any other OIC employee or representative that Mr. Cervantes or Northwest Financial Exchange may have or that may accrue in the future, whether or not presently known, that is predicated upon, or related in any way to, Mr. Overholt's statements, investigation, acts or omissions in this matter or the OIC's actions or inactions with respect to such investigation or the insurance licenses of Mr. Cervantes or Northwest Financial Exchange. This release includes, but is not limited to, tort or damage claims of any sort, including but not limited to, claims or causes of action sounding in defamation, alleged interference with business or contract expectancies, improper prosecution or initiation of legal action, or alleged civil rights violations.

11. The parties agree that the subjoined Orders may be entered forthwith and without further notice to either party.

SIGNED this 16 day of September, 2008.

Arthur Cervantes

OFFICE OF THE INSURANCE COMMISSIONER

Charles D. Brown
OIC Staff Attorney

ORDER

Pursuant to RCW 48.17.530 and the foregoing Stipulation, Order Revoking Licenses No. D07-032 is hereby vacated and set aside.

ENTERED at Tumwater, Washington, this 1st day of ~~September~~ October, 2008.

John F. Hanjel
Deputy Insurance Commissioner
Consumer Protection Division

ORDER TERMINATING PROCEEDINGS

This matter having come on before the undersigned Chief Hearing Officer of the State of Washington Office of Insurance Commissioner pursuant to the foregoing Stipulation, and the Chief Hearing Officer having reviewed said Stipulation and deeming herself fully advised in the premises, NOW THEREFORE,

IT IS HEREBY ORDERED pursuant to RCW 48.17.530 and the foregoing Stipulation as follows:

1. Licensee Arthur Cervantes shall pay a fine in the amount of five thousand dollars ($5,000) within thirty days and shall otherwise comply with the terms of the foregoing Stipulation.

2. It is hereby ordered pursuant to RCW 48.17.530 and 48.17.560 that OIC Docket Number D 07-0323 is hereby closed and dismissed as settled.

SIGNED AND ENTERED THIS 3rd day of ~~September~~ October, 2008.

PATRICIA D. PETERSEN
Chief Hearing Officer
Office of Insurance Commissioner

Approved for entry/Notice of Presentation Waived:

C. SETH WILKINSON, WSBA #31607
Attorney for Licensees

Charles D. Brown, WSBA #0555
OIC Staff Attorney

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 of a true copy of this document to
C. Brown, S. Wilkinson, J. Hanje, A. Cervantes
DATED this 6th day of October 2008
at Tumwater, Washington.
Signed: Wendy Halloway