MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

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FILED

MAR 24 2008

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

In the Matter of	)	No. D 08-0023
JONATHAN E. KRUSE,	)	ORDER REVOKING LICENSE
Licensee.	)	

To: Jonathan E. Kruse
2188 SW Freund St.
Oak Harbor, WA 98277

IT IS ORDERED AND YOU ARE HEREBY NOTIFIED that your license is REVOKED, effective April 1, 2008, pursuant to RCW 48.17.530 and 48.17.540(2).

THIS ORDER IS BASED ON THE FOLLOWING:

FACTS:

1. Jonathan E. Kruse holds an insurance agent's license issued by the Washington State Insurance Commissioner.

Matter No. 1

2. On or about February 13, 2007, Mr. Kruse met with Ralph M. Corbin and his wife, F. Shirley Corbin, to discuss taxation of their Social Security income. At that time, the Corbins were satisfied with their existing annuities; a Liberty Bankers Life deferred annuity and a Monumental Life indexed annuity.

3. During that meeting, Mr. Kruse encouraged the Corbins to replace these existing annuities with a "MasterDex 5" annuity from Allianz Life Insurance Company. He told the Corbins the Allianz annuity was currently paying a 12% bonus. He said that the bonus would make up for any surrender fees the Corbins would incur by transferring their savings to the Allianz annuity. Mr. Kruse said that this bonus was only available for the month of February, so the annuity must be purchased within that month. Mr. Kruse also told the Corbins that the new contract had full liquidity, allowing them to withdraw their funds as they wished.

4. The Allianz MasterDex 5 annuity was not paying a 12% bonus. It paid 3% interest, and was paying a 5% bonus at the time of this meeting. In addition, the Corbins would be

able to withdraw only 10% of their money from the Allianz annuity annually before incurring charges.

5. By these misrepresentations, Mr. Kruse induced the Corbins to sign a letter to Monumental Life requesting the surrender of their annuity, with the proceeds after surrender charges being mailed to them. Mr. Kruse also instructed them to give him a check, payable to Allianz in the amount of $141,000. Mr. Kruse advised them to post-date the check to February 27, 2007, by which time they would have received the proceeds from the Monumental annuity.

6. Mr. Kruse did not present the Corbins with any documents regarding their Liberty Bankers Life annuity at this meeting.

7. Mr. Kruse left the Corbins' home. That same day, he faxed the Corbins' signed surrender letter to Monumental life. He also completed the following Allianz forms:

- "Authorization to Transfer Funds," which requests the full amount of the Corbins' Liberty Bankers Life annuity to be transferred to Allianz. Mr. Kruse completed the "certificate of lost contract" section by checking the box indicating the previous annuity has been lost or destroyed. He then forged Mr. Corbin's signature to the certificate section. Mr. Kruse then forged both Corbins' signatures at the bottom of the form and dated the form at "Jacksonville, FL" on "February 13, 2007." He placed his own initials on the line for "witness." Neither the Corbins nor Mr. Kruse were in Jacksonville, Florida on that date.
- "Notice to Applicant Regarding Replacement of Life Insurance," which advises the applicants to take certain steps to ensure that their contemplated change is in their best interests. This form cites Florida, rather than Washington, law. The form allows applicants to request a Comparative Information Form from the proposed company and the current insurer. Mr. Kruse checked the "no" box.
- A five-page "Statement of Understanding" regarding the "InfiniDex 10" annuity (not the "MasterDex 5" the Corbins believed they were purchasing). This form lists the "benefits, features, costs, and risks" of the contract, including the limitations on withdrawal. The form number indicates this form is for use in Florida.
- A "Product Suitability Form," the purpose of which is to "confirm that your annuity purchase suits your current financial situation and long-term goals." Again, the form references the "InfiniDex 10" annuity. The form asks the source for this annuity's premium. The source of funds was to be the rollover of the Corbins' existing annuities. However, the box for "annuity" is not checked. The box for "other" is checked.
- A five-page "Application for Annuity," again with a Florida form number. The application asks, "Do you have any existing annuity contracts or life insurance policies." The "no" box is checked. The next question is "If

yes, will the annuity contract applied for replace or change existing contracts or policies?" Again, the "no" box is checked. Again, the application is for an "InfiniDex 10" annuity. In the box for "Estimated transfer/rollover/1035 amount" has been written "$227,000." The application again indicates it was signed by the Corbins in Jacksonville, FL, on February 13, 2007 and witnessed by Mr. Kruse.

8. Mr. Kruse did not show any of these forms to, or discuss them with, the Corbins.

9. The "MasterDex 5" annuity, which Mr. Kruse discussed with the Corbins, is approved for sale in the State of Washington. The "InfiniDex 10" annuity, which he actually attempted to purchase for them, is not.

10. On March 9, 2007, Mr. Corbin contacted Mr. Kruse to inquire about the status of the new annuity. Specifically, he asked why the check dated February 28, 2007 had not yet been cashed and why he had not received any paperwork regarding either the Liberty Bankers Life annuity or the Allianz annuity. Mr. Kruse told him that the companies were shut down because of snow storms back East, and that he had already rolled over the Liberty Bankers Life annuity to Allianz. When Mr. Corbin asked why the Corbins had not been required to sign a release for the funds from the Liberty Bankers Life annuity, Mr. Kruse told him that a release was no longer required. None of these statements were true.

11. During the course of his attempts to roll the Corbins' annuities into the Allianz annuity, Mr. Kruse called Liberty Bankers Life several times. During at least some of those phone calls, he pretended to be Ralph Corbin, giving Mr. Corbin's address and social security number.

12. The Corbins were able to stop the transfer of funds from their Liberty Bankers Life annuity. However, they incurred a surrender penalty for the Monumental Life annuity of $15,643.31. Allianz agreed to reimburse them this amount in settlement of any claims the Corbins may have against Allianz, and in exchange for assignment of their claims against Mr. Kruse for this penalty.

13. During the OIC's investigation of these matters, Mr. Kruse admitted that he:
- Misrepresented the terms of the Allianz annuity to the Corbins;
- Applied for a Florida annuity on behalf of the Corbins; and
- Forged the Corbins' signatures on the Allianz application.

14. Mr. Kruse alleged the following in his responses to Allianz and to OIC regarding this matter, all of which statements are untrue:
- The Corbins told him that they wanted to liquidate their existing annuities because they needed money to assist their daughter.
- The Corbins expressed "deep disappointment" in their existing annuities.

- Mr. Kruse forged the Corbins' signatures because they had to apply for the Allianz annuity within the month of February but he could not contact them.
- When Mr. Kruse discovered that the Allianz annuity did not pay a bonus of 12%, he contacted the Corbins to notify them of his "mistake."

Matter No. 2

15. Mr. Kruse was appointed under the Shelgren Financial Group's general agency contract with Great American Life Insurance Company. In early October, 2007, after having expressed to OIC his understanding that his license was likely to be revoked, Mr. Kruse contacted the Shelgren Financial Group and requested permission to use Shelgren Financial Group business cards. Prior to this, he had been an independent agent affiliated with the Group. This request made the Group "curious about the status of Agent Kruse's [insurance agent's] license." The Group contacted OIC to inquire about Mr. Kruse.

16. Shelgren Financial Group reviewed Mr. Kruse's application for appointment dated October 16, 2006. On the application, Mr. Kruse had denied the following:

- Are you now or have you ever been the subject of any lawsuit, claim, investigation or proceeding alleging breach of trust or fiduciary duty, forgery, fraud, or any other act of dishonesty?
- Have you ever had your agent's license or registration suspended or revoked, or are you now, or have you ever been the subject of a professional license/registration or market conduct investigation, claim or proceeding?

17. In fact, as of October 16, 2006, Mr. Kruse had been the subject of five such investigations. In 1990, his license had been revoked. That revocation was based upon his making misrepresentations and forging applicants' signatures on insurance applications, and providing inappropriate investment advice motivated by making commissions rather than the best interests of the consumers. He had been investigated twice for replacement violations and once for alleged forgery. He had also been investigated as part of a pre-licensing review when he sought permission to apply for reinstatement of his license.

VIOLATIONS:

1. By making the above-listed verbal and written false statements, the licensee violated RCW 48.01.030.

2. By knowingly making and disseminating false, deceptive, and misleading representations in the conduct of the business of insurance, the Licensee violated RCW 48.30.040.

3. By knowingly making false statements and impersonations in or relative to applications for insurance to an insurer, the Licensee violated RCW 48.30.210.

4. By misrepresenting the terms of the Allianz annuity to the Corbins, the Licensee violated RCW 48.30.090.

5. By misrepresenting information and making misleading comparisons to induce the Corbins to surrender their existing annuities and convert them to an Allianz annuity, the Licensee violated RCW 48.30.180.

6. By representing to Allianz that no existing annuities were being replaced and by failing to provide the Corbins the statutorily-required notice regarding replacement, the Licensee violated WAC 284-43-440(1)(a-b) and –(2)(a) and (c-d).

7. 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:

> (e) If the licensee . . . has, with intent to deceive, materially misrepresented the terms or effect of any insurance contract; or has engaged in . . . any fraudulent transaction.
> (f) If the licensee ... has been guilty of "twisting" as defined in RCW 48.30.180....
> (h) If the licensee ... 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.

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 12th day of March, 2008.

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 ***Jonathan E. Kruse***.

Dated: March 12, 2008
At Tumwater, Washington

Victoria Estrada
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.