

BEFORE THE STATE AUDITOR
AND COMMISSIONER OF INSURANCE
HELENA, MONTANA

IN THE MATTER OF:)	CASE NO. INS-2005-19
)	
Richard Pankowski, Jefferson Pilot, Financial Insurance Company, and Jefferson Pilot Life Insurance Company)	CONSENT AGREEMENT and FINAL ORDER
)	
Respondents.)	

The State Auditor and the Commissioner of Insurance of the state of Montana (Commissioner), and the Montana Insurance Department (Department) pursuant to the authority of the Insurance Code of Montana, § 33-1-101, *et seq.*, Montana Code Annotated (2005)(MCA), makes the following fact assertions, which, if true, justify and support disciplinary treatment:

FACT ASSERTIONS

1. The time period relevant to this action is June 2003 through July 2004.
2. Richard Pankowski [Pankowski] became a licensed insurance producer on or about October 31, 2003, identified with license number 946584.
3. Pankowski became appointed to sell insurance for Jefferson Pilot Financial Insurance Company and Jefferson Pilot Life Insurance Company [collectively Jefferson Pilot] on or about November 6, 2003.
4. Pankowski began contacting chiropractors in Montana in early 2003 holding himself out as a business consultant doing business as or for Customized Business Strategies, Inc., [CBS] located in Pittsburgh, Pennsylvania.
5. Pankowski contacted MW, a chiropractor living and conducting business in Montana. Pankowski entered into a consulting contract with MW for purposes of business

consulting on or about July 8, 2003. A check for \$3,000 issued from MW's business account to CBS on or about July 1, 2003 and is recognized in the consulting contract as payment in full for services offered and rendered during the term of the contract.

6. Pankowski then offered and sold "Key Man" life insurance policy from Jefferson Pilot Financial to MW as part of the business consultation. Pankowski indicated this was an important addition to MW's business plan and that it was a powerful savings tool for the business because it could be written off as a business expense. MW already had a life insurance policy when Pankowski advised MW to purchase the "Key Man" policy.

7. The application for the "Key Man" policy MW purchased indicates MW signed it in Pittsburgh, Pennsylvania. However, MW indicates the application for this policy was signed in Montana. The application MW signed was dated as signed on September 9, 2003.

8. On or about July 31, 2003, RG signed an application for life insurance with Jefferson Pilot Financial. Pankowski provided the application to RG as part of Pankowski's consultation provided through Pankowski's business, CBS.

9. Pankowski advised RG to transfer three whole life policies RG owned into one Jefferson Pilot product. Pankowski convinced RG that this was a better retirement vehicle than the whole life policies RG owned. Pankowski failed to file any replacement forms regarding this change from the whole life policies to the Jefferson Pilot life insurance product.

10. The application indicates RG signed it in Pittsburgh, Pennsylvania. However, the application was signed in Montana.

11. Pankowski advised RG that the monthly premium for this product would be \$500. The actual cost to RG each month was \$719.54. Additionally, RG was never advised of the

\$3,948.85 expense charge associated with the Jefferson Pilot Financial product, nor was RG advised of the \$277.75 monthly charge that was in addition to the premium charge.

12. RG experienced a devastating loss to RG's business in or about July 2004 causing RG to close the business for a period of at least eight months. During that period, RG sought to have a reduction in his premium. At that time the premiums were deducted from the policy. RG contacted Pankowski's business, CBS. No response was provided from CBS. RG then contacted Jefferson Pilot Financial who provided RG with a "Change of Policy" form. RG sought advice from CBS on how to complete the form. Again no response was provided from CBS. A written request to change RG's representative from Pankowski to a Jefferson Pilot Financial advisor located in Montana was submitted to Jefferson Pilot Financial on or about January 4, 2005. More time passed without response from either Jefferson Pilot Financial, CBS, or Pankowski. In or around April 2005, RG received another form to change the amount of premium and policy. To date the premium remains at the original cost.

13. On or about September 29, 2003, SA signed an application for life insurance with Jefferson Pilot Financial. Pankowski was the agent on that policy.

14. Sometime in July 2003, Pankowski met with DS in Pankowski's capacity as a business consultant with his business, CBS. Pankowski was hired in his consulting capacity to advise DS with regard to DS business. On or about September 29, 2003, DS signed an application for life insurance with Jefferson Pilot Financial. Pankowski was the agent on that policy.

15. The application DS signed does not indicate that other life insurance policies were transferred or cashed in to purchase the Jefferson Pilot product. However, DS indicates that such

transaction did occur and that DS surrendered the policies identified in the application for the purpose of purchasing the Jefferson Pilot product. No replacement forms were filed as a result of this transaction.

16. Sometime in 2003, Pankowski entered into a consulting contract with JS to provide business consultation with his company, CBS. On or about September 30, 2003, JS signed an application form for life insurance with Jefferson Pilot Financial. Pankowski was the agent for this transaction.

17. On or about October 15, 2003, MB signed a contract to purchase a Jefferson Pilot Life annuity. Pankowski was the agent for this transaction. It appears the date was altered next to three of the signatures on this application, without initials or signatures indicating knowledge of the change. Three of the signatures appear to have been changed to reflect November (11) as the month the signatures were affixed to the documents, rather than October (10) when the signatures were actually affixed to the documents.

18. The application forms used by Pankowski when he solicited sales of Jefferson Pilot life insurance products were not approved in Montana in three specific instances: the application signed by MW, RG and an application signed by JH. All applications were signed in Montana and are required to be approved by the Montana Insurance Department.

19. The policies issued by Jefferson Pilot Financial were not on forms approved for use in Montana in three specific instances: policies issued to MW, RG and JH.

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Based on the foregoing Fact Assertions, if proven, the Department relies on the following:

CONCLUSIONS OF LAW

1. The State Auditor is the Commissioner of Insurance pursuant to § 2-15-1903, MCA.
2. The Insurance Department is under the control and supervision of the Commissioner pursuant to § 33-1-301, MCA.
3. A person may not transact a business of insurance in Montana or a business relative to a subject resident, located or to be performed in Montana without complying with the applicable provisions of this code pursuant to § 33-1-102, MCA, including, but not limited to, those applicable provisions set forth in the Conclusions of Law of the Notice of Proposed Agency Disciplinary Action and Opportunity for Hearing.
4. The Commissioner shall administer the Department of Insurance to protect insurance consumers pursuant to § 33-1-311, MCA.
5. Pursuant to § 33-17-201(1), MCA, a person may not sell, solicit or negotiate insurance unless licensed as an insurance producer under this chapter.
6. Insurers appointing producers in this state must appoint licensed insurance producers and file notice of the appointment with the Department of Insurance pursuant to §§ 33-17-231 through -236, MCA.

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STIPULATIONS AND CONSENT

I.

By and through its attorney of record, Jefferson Pilot stipulates and consents to the following:

1. To use only forms approved for use in Montana when transacting insurance business in Montana;
2. To abide by the terms of settlement agreements reached with Montana insurance consumers RG, MW and DS and the terms of the "Insurance Consultation Agreement" executed on January 5, 2007;
3. To comply with all the provisions of the Insurance Code of Montana; and
4. To waive the right to a hearing on the above-mentioned Fact Assertions, and, by entering into this Consent Agreement, Jefferson Pilot neither admits nor denies the Fact Assertions in this Consent Agreement and Final Order.

II.

By and through his attorney of record, Richard Pankowski stipulates and consents to the following:

1. To immediately relinquish his Montana insurance producer license by submitting the same to the Montana Department of Insurance;
2. To immediately relinquish his Montana insurance consultant license by submitting the same to the Montana Department of Insurance;
3. To refrain from applying for a Montana insurance producer or consultant license for a period of ten (10) years from the date of this Consent and Final Order; and

4. To waive the right to a hearing on the above-mentioned Fact Assertions and by entering into this Consent Agreement, Richard Pankowski neither admits nor denies the Fact Assertions in this Consent Agreement and Final Order.

III.

Jefferson Pilot and Richard Pankowski further agree:

1. That they have read this Consent Agreement and Final Order and know and fully understand its contents and effect;

2. That they been advised of their right to be represented by legal counsel and, if represented by legal counsel, acknowledge that their legal representation was satisfactory;

3. That they specifically and affirmatively waive a contested case hearing and all rights to appeal under the Montana Administrative Procedure Act, Mont. Code Ann. § 2-4-101, *et seq.*, and elect to resolve this matter on the terms and conditions set forth herein;

4. That they understand that the Stipulation and Consent Agreement is part of the file which is public record and as a public record it may not be sealed;

5. That they understand that this Stipulation and Consent Agreement constitutes the entire agreement between the parties, there being no other promises or agreements, either express or implied;

6. That this Stipulation and Consent Agreement becomes effective and an order of the Commissioner upon all parties signing; and

7. That upon the signing of the Final Order by the Commissioner or his representative, this Consent Agreement and Final Order will be an order of the Commissioner and failure to comply with the same may constitute separate violations of the Montana Insurance

Code, pursuant to Mont. Code Ann. § 33-1-318 and/or other applicable statutes or rules, and may result in subsequent legal action by the Department.

IV.

1. Pursuant to the stipulation and consent of Jefferson Pilot, the Commissioner, under authority of the Insurance Code of Montana and § 2-4-603, MCA, hereby agrees that if the terms and conditions of this Stipulation and Consent Agreement are fully met, the Commissioner will not initiate any civil, criminal or administrative action against Jefferson Pilot regarding any of the insurance transactions as alleged and contained therein.

2. In consideration for the Commissioner not initiating any civil, criminal or administrative action, Jefferson Pilot fully and forever releases and discharges the Office of the State Auditor, the elected State Auditor and all employees and contractors of the State Auditor's Office from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out of the above-entitled administrative action.

V.

1. Pursuant to the stipulation and consent of Richard Pankowski, the Commissioner, under authority of the Insurance Code of Montana and § 2-4-603, MCA, hereby agrees that if the terms and conditions of this Stipulation and Consent Agreement are fully met, the Commissioner will not initiate any civil, criminal or administrative action against Richard Pankowski regarding any of the insurance transactions as alleged and contained therein.

2. In consideration for the Commissioner not initiating any civil, criminal or administrative action, Richard Pankowski fully and forever releases and discharges the Office of

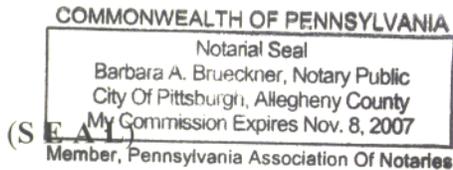
the State Auditor, the elected State Auditor and all employees and contractors of the State Auditor's Office from any and all actions, claims, causes of action, demands, or expenses for damages or injuries, whether asserted or unasserted, known or unknown, foreseen or unforeseen, arising out of the above-entitled administrative action.

DATED this 16 day of July, 2007.

[Signature]
Richard J. Pankowski

[Signature]
Customized Business Strategies Incorporated
by Richard J. Pankowski

SUBSCRIBED AND SWORN to before me this 16 day of July, 2007.



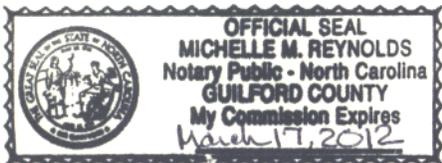
[Signature]
Notary Public for the State of Pennsylvania
Print Name: Barbara A. Brueckner
Residing at 200 Joyce Dr. Pgh PA 15212
My commission expires 11/08/2007.

[Signature]
Jefferson-Pilot Financial Insurance
Company
by Jeffrey L. Smith
(Printed name)

[Signature]
Jefferson Pilot Life Insurance
Company
by Jeffrey L. Smith
(Printed name)

SUBSCRIBED AND SWORN to before me this 11th day of July, 2007.

(SEAL)



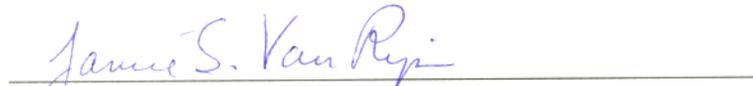
[Signature]
Notary Public for the State of North Carolina
Print Name: Michelle M. Reynolds
Residing at Greensboro, North Carolina
My commission expires 3/17/2012.

APPROVED BY:



Jacqueline T. Lenmark
KELLER, REYNOLDS, DRAKE,
JOHNSON & GILLESPIE, P.C.
50 South Last Chance Gulch, Third Floor
P. O. Box 598
Helena, Montana 59624
Attorneys for Respondents

ACCEPTED ON BEHALF OF THE DEPARTMENT OF INSURANCE

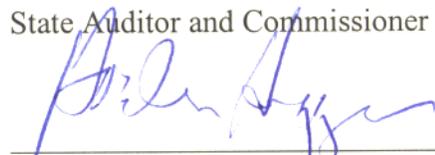

Janice S. VanRiper, Deputy Commissioner of Insurance

FINAL ORDER

Pursuant to the authority vested by the Montana Insurance Code and upon review of the foregoing Consent Agreement and good cause appearing therefore, IT IS ORDERED that the foregoing Consent Agreement between the Insurance Department and is adopted as the Final Order as if set forth fully herein.

DATED this 24 day of July, 2007.

JOHN MORRISON
State Auditor and Commissioner of Insurance


By: GORDON HIGGINS
Deputy State Auditor