

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of Banking)	
and Insurance, State of New Jersey, to fine)	CONSENT
Karl M. Friedman, Reference No.)	ORDER
9140943 and Friedman Benefits Group, Inc.,)	
Reference No. 9838073.)	

To: Friedman Benefits Group, Inc.
1930 Marlton Pike East, Ste E29
Cherry Hill, NJ 08003

Karl M. Friedman
410 Castle Drive
Cherry Hill, NJ 08003

This matter, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon information that Friedman Benefits Group, Inc (“FBG, Inc.”), currently licensed as a resident business entity insurance producer, pursuant to N.J.S.A. 17:22A-32b, and its designated responsible licensed producer, Karl M. Friedman (“Friedman”), currently licensed as a resident individual insurance producer, pursuant to N.J.S.A. 17:22A-32a, may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Friedman and FBG, Inc. (collectively “Respondents”) are subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to - 48 (the “Producer Act”), and the regulations governing Insurance Producer Standards of Conduct, N.J.A.C. 11:17A-1.1 to 11:17D-2.8; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a, the Commissioner may place on probation, suspend, revoke or refuse to renew an insurance producer's license, and may levy a civil penalty, for a violation of the Producer Act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(2), an insurance producer shall not violate any insurance law, regulation, subpoena or order of the Commissioner or of another state's insurance regulator; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(4), an insurance producer shall not improperly withhold, misappropriate or convert any monies or properties received in the course of doing insurance business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(8), an insurance producer shall not use fraudulent, coercive or dishonest practices, or demonstrate incompetence, untrustworthiness or financial irresponsibility in the conduct of insurance business in this State or elsewhere; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(18), an insurance producer shall not fail to notify the commissioner within 30 days of his conviction of any crime, indictment, or the filing of any formal criminal charges, or the suspension or revocation of any insurance license or authority by a state, other than this State, or the initiation of formal disciplinary proceedings in a state, other than this State, affecting the producers insurance license; shall obtain the written consent pursuant to sections 1033 and 1034 of Title 18, United States Code (18 U.S.C. ss. 1033 and 1034); and shall supply any documents that the Commissioner may request in connection therewith; and

WHEREAS, pursuant to N.J.S.A. 17:22A-47a, an insurance producer shall report to the Commissioner any administrative action taken against the insurance producer in another jurisdiction or by another governmental agency in this State within 30 days of the final disposition

of the matter and the report shall include a copy of the order, consent order or other relevant legal documents; and

WHEREAS, pursuant to N.J.A.C. 11:17C-2.1(a), all premium funds shall be held by an insurance producer in a fiduciary capacity and shall not be misappropriated, improperly converted to the insurance producer's own use, or illegally withheld by the licensee; and

WHEREAS, pursuant to N.J.A.C. 11:17C-2.2(a), all premium funds shall be remitted to the insurer or other insurance producer, as applicable, within five business days after receipt of the funds, subject to certain restrictions; and

WHEREAS, pursuant to N.J.A.C. 11:17C-2.3(a), an insurance producer shall establish and maintain a trust account into which shall be deposited cash, checks and other instruments payable to the insurance producer under specified circumstances; and

WHEREAS, pursuant to N.J.A.C. 11:17C-2.3(b), the account shall be designated a "Trust Account" on the bank records and those words shall be displayed on the face of the checks on that account; and

WHEREAS, on or about December 31, 2016, Respondents submitted separate health insurance applications for JA and MLC to Horizon Healthcare Services, Inc. ("Horizon"); and

WHEREAS, during the period of December 31, 2016 through August 9, 2017, the Respondents accepted seven monthly premium payments totaling \$8,902.45 from insureds JA and MLC; and

WHEREAS, during the aforementioned time period, Respondents submitted a total of \$492.90 in premiums to Horizon towards JA and MLC's coverage, which resulted in the

cancellation of JA's health policy for nonpayment of premium and prevented the placement of MLC's coverage, in violation of N.J.S.A. 17:22A-40a(2), (4) and (8), N.J.A.C 11:17C-2.1(a) and N.J.A.C. 11:17C-2.2(a); and

WHEREAS, Respondents deposited JA and MLC's monthly premiums into an account that was not designated as a trust account, in violation of N.J.S.A. 17:22A-40a(2) and (8) and N.J.A.C. 11:17C-2.3(a) and (b); and

WHEREAS, Respondent Friedman failed to report to the Commissioner within 30 days of administrative action taken against his insurance producer license in the states of California, New York and South Carolina, in violation of N.J.S.A. 17:22A-40a(2) and (18) and N.J.S.A. 17:22A-47a; and

WHEREAS, Respondents returned the premium they failed to remit to Horizon to JA and MLC and assert that the failure to remit was due to administrative error; and

WHEREAS, the Respondents:

- 1) Have admitted responsibility for the aforementioned violations; and
- 2) Have cooperated with the investigation conducted by the New Jersey Department of Banking and Insurance ("Department"); and
- 3) Have asserted that the violations cited in this Consent Order were not willful; and

WHEREAS, cause does exist under N.J.S.A. 17:22A-40a and N.J.S.A. 17:22A-45c to impose a fine; and

WHEREAS, Respondents have waived their right to a hearing on the aforementioned violations and consented to payment of a fine in the amount of twenty-five thousand dollars (\$25,000.00); and

WHEREAS, this matter should be resolved upon the consent of the parties without resort to a formal hearing;

NOW, THEREFORE, IT IS on this *28th* day of *March*, 2019

ORDERED AND AGREED, that the Respondents shall pay a fine in the amount of \$25,000.00 to the Department; and

IT IS FURTHER ORDERED AND AGREED, that said fine shall be paid by certified check, cashier's check or money order made payable to the "State of New Jersey, General Treasury," which shall be paid upon execution of this Consent Order by Respondents; and

IT IS FURTHER ORDERED AND AGREED, that the signed Consent Order, together with the fine payment of \$25,000.00 shall be remitted to:

New Jersey Department of Banking and Insurance
Attention: Virgil Downtin, Chief of Investigations
9th Floor, Consumer Protection Services, Enforcement Unit
P. O. Box 329
Trenton, New Jersey 08625-0329

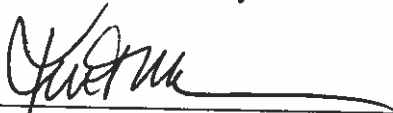
and

IT IS FURTHER ORDERED AND AGREED, that the provisions of this Consent Order represent a final agency decision and constitute a final resolution of the violations contained herein; and

IT IS FURTHER ORDERED AND AGREED, that Respondents shall cease and desist from engaging in the conduct that gave rise to this Consent Order.

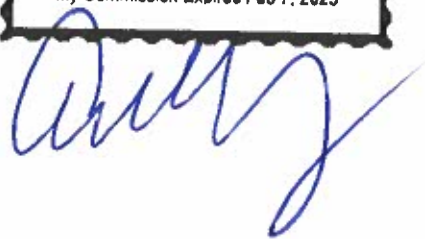

Marlene Caride
Commissioner

Consented to as to
Form, Content and Entry

By: 
Karl M. Friedman, as the Designated
Responsible Licensed Producer for
Friedman Benefits Group, Inc.

By: 
Karl M. Friedman, Individually

EUN SOOK KANG
Notary Public - State of New Jersey
My Commission Expires Feb 7, 2023



Date: 3/25/2019