ORDER NO. E22-35

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, suspend and/or revoke the insurance producer license of Larry R. Weinbaum, Reference No. 9697869.	)	**ORDER TO SHOW CAUSE**

To: Larry R. Weinbaum
2 Wendi Way
Manalapan, NJ 07726

THIS MATTER, having been opened by the Commissioner of Banking and Insurance, State of New Jersey ("Commissioner"), upon information that Larry R. Weinbaum ("Respondent") may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondent was licensed as a resident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32(a) from March 22, 1996 until his license expired on August 31, 2020; and

WHEREAS, Respondent is subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to -48 ("Producer Act"), the Producer Licensing regulations, N.J.A.C. 11:17-1.1 to -2.17, 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-40(d), the Commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by the Producer Act and Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes against any person who is under investigation for or charged with a violation of the Producer Act or Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes even if the person's license or registration has been surrendered or has lapsed by operation of law; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(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-40(a)(5), an insurance producer shall not intentionally misrepresent the terms of an actual or proposed insurance contract, policy or application for insurance; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(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-40(a)(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(19), an insurance producer shall not fail to notify the Commissioner within 30 days of the final disposition of any formal disciplinary proceedings initiated against the insurance producer, or disciplinary action taken against the producer, by the Financial Industry Regulatory Authority ("FINRA"), any successor organization, or other similar non-governmental regulatory authority with statutory authority to create and enforce industry standards of conduct, or of any other administrative actions or criminal prosecutions, as required by N.J.S.A. 17:22A-40 and N.J.S.A. 17:22A-47, or fail to supply any documentation the Commissioner may request in connection therewith; and

WHEREAS, pursuant to N.J.S.A. 17:22A-47(c), an insurance producer shall report to the Commissioner any disciplinary action taken against the insurance producer, or any formal disciplinary proceedings initiated against the producer, by FINRA, any successor organization, or other similar non-governmental regulatory authority with statutory authority to create and enforce industry standards of conduct, within 30 days of the final disposition of the matter, which report shall include a copy of the order, consent order or other relevant legal documents; and

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

WHEREAS, pursuant to N.J.S.A. 17:22A-45(c), any person violating the Producer Act is subject to a penalty of up to $5,000 for the first offense and up to $10,000 for each subsequent offense; additionally, the Commissioner may order restitution of moneys owed any person and reimbursement of costs of the investigation and prosecution.

FACTUAL ALLEGATIONS

1. Respondent became a licensed insurance producer in the State of New Jersey on March 22, 1996.

2. On May 21, 2001, Allstate Life Insurance Company ("Allstate") appointed Respondent as an Independent Contractor Exclusive Financial Specialist.

3. When Prudential Insurance Company of America ("Prudential") acquired Allstate's variable annuity business in 2006, Respondent began using Prudential's annuity products for his clients instead of the more limited product base that Allstate provided.

4. Under Respondent's contractual relationship with Allstate, he was paid commissions only in accordance with a payment scale based on production credits for business submitted during the previous quarter of the calendar year.

5. On February 26, 2014, after Prudential observed that Respondent appeared to be reusing a customer's signature on annuity forms, Prudential sent Respondent an email titled "Letter of Education." The email stated that Prudential received a withdrawal form on February 12, 2014 for contract #EXXXX656 that belonged to customer L.S. The form, which was faxed from Respondent's office, contained a signature that was reused from a prior request with an alternate signature date. The email further stated that Prudential Annuities requires a new form signed and dated by the client for each requested transaction, and that: "Reuse of previously submitted forms is not permitted…Additional submission of reused forms from your office may result in termination of your Prudential appointment."

6. On February 27, 2014, Allstate Financial Services, LLC, fined Respondent for failure to follow Prudential's withdrawal procedures by submitting a reused withdrawal request and altered signature date for customer L.S.'s annuity contract.

7. Prudential Annuity Compliance reviewed a tape-recorded telephone conversation dated March 31, 2014, in which Respondent spoke with a Prudential customer service representative and indicated that he wanted to request "indirect transfer" withdrawal paperwork for customer J.M.'s variable annuity contract (policy #EXXXX612). During the conversation, the customer service representative advised Respondent that he should complete J.M.'s annuity transfer via a direct, rather than indirect, transfer. In response, Respondent stated that he did not "want to do it that way because he needed to get credit for it," and that "she knew what he meant."

8. The Prudential customer service representative reported Respondent's statements to Prudential's compliance department, which began reviewing Respondent's annuity policies and reported same to Allstate.

9. J.M.'s variable annuity contract was surrendered on April 8, 2014, and after Prudential received an application for a new "non-replacement" Prudential variable annuity contract, was issued on April 23, 2014 for the same dollar amount as the surrendered contract.

10. Allstate initiated an investigation of Respondent in April 2014.

11. Allstate's investigation revealed that Respondent had frequently obtained advanced commission payments by submitting multiple annuity applications for the same individuals.

12. Allstate's investigation revealed that Respondent had improperly advised customers to replace their annuity products through external transfers to the customer, rather than direct or internal transfers whereby Prudential would request the funds from Allstate. These external transfers exposed these customers to surrender fees and/or tax consequences that they otherwise would not have incurred if a direct or internal transfer had been made.

13. Customer J.M. purchased a Prudential annuity from Respondent in 2007. On June 5, 2014, the annuity contract was surrendered and J.M. paid $6,156.71 in surrender charges. On June 27, 2014, Respondent submitted a new Prudential annuity contract via an indirect rollover in the same amount as the surrendered annuity contract. The application was marked as a non-replacement. Allstate paid Prudential the surrender charges, plus any market adjustment, to make J.M. whole, since Respondent had caused J.M. to incur surrender fees.

14. Allstate's investigation revealed that Respondent had manipulated Allstate's commission system to improperly obtain advanced commissions and Allstate Financial Services

production credit, had falsified customer information on applications, and had breached his Exclusive Financial Specialist Agreement.

15. Allstate's investigation revealed that Respondent attempted to submit 93 Prudential annuity applications on behalf of 21 Allstate employees. Of these 93 applications, 35 were never funded by the customer completing the rollover of their 401(k) or pension fund into the new annuity product.

16. Allstate's investigation revealed that Respondent had entered essentially the same suitability notes on each customer's application.

17. Allstate's review of Respondent's history revealed that he would receive advanced commissions within one week of submitting a Prudential annuity application, but if the annuity was not funded within 90 days of the application, the commission would be reversed and deducted from Respondent's account. Many of Respondent's customers had multiple applications submitted for them which had not been funded, and, as such, had expired with Respondent being charged back for the full amount of the commission.

18. Based on Respondent's pattern of activity regarding Prudential annuities, Allstate began preventing Respondent from submitting multiple annuity applications for the same individual in December 2014.

19. Allstate reviewed Respondent's commission history and determined that as of December 31, 2014, Respondent had received $126,656.40 in advanced commissions, and had a negative balance of $1,023 at year end because he had been charged back more than the amount he had received.

20. Allstate contacted three Allstate employees that Respondent had submitted multiple annuity applications for - F.G., P.H., and C.L. Each of these individuals reported to Allstate that

information contained on the applications was inaccurate, and that they had not requested the submission of some of the applications.

21. From December 2008 through August 2014, Respondent submitted multiple Prudential annuity applications on behalf of Allstate employee F.G.

22. Respondent falsely stated information contained in the applications submitted to Prudential on behalf of F.G.

23. Respondent received $5,501.91 in commissions for an annuity application submitted to Prudential on behalf of F.G., and had the advance commission of three other applications fully reversed.

24. From November 2010 through June 2014, Respondent submitted four Prudential annuity applications on behalf of Allstate employee P.H.

25. Respondent falsely stated information contained in the applications submitted to Prudential on behalf of P.H.

26. Respondent received $4,231.25 in commissions for two annuity applications submitted to Prudential on behalf of P.H., and had the advance commission of two other applications fully reversed.

27. From May 2011 through May 2014, Respondent submitted multiple Prudential annuity applications on behalf of Allstate employee C.L.

28. Respondent falsely stated information contained in the annuity applications submitted to Prudential on behalf of C.L.

29. Respondent received $1,235.60 in commissions for an annuity application submitted to Prudential on behalf of C.L., and had the advance commission of three other applications fully reversed.

30. On June 10, 2015, Allstate, Allstate Assurance Company, American Heritage Life Insurance Company, and Lincoln Benefit Life Company, terminated their Agency Contracts with Respondent for cause. The Notices of Termination stated that the reasons for termination were "allegations of improper submissions of unfunded variable annuity applications to receive unearned advanced commissions and allegations of failure to disclose a bankruptcy and tax liens."

31. On or about May 24, 2016, Respondent entered into Letter of Acceptance, Waiver and Consent No. 2015045735901 ("AWC") with FINRA.

32. FINRA alleged in the AWC that Respondent willfully failed to amend his Uniform Application for Securities Industry Registration or Transfer ("Form U4") to disclose a bankruptcy petition and eight federal tax liens.

33. Respondent consented in the AWC to a six-month suspension and a fine of $5,000.

34. Respondent did not report the AWC or the administrative action taken by FINRA to the Commissioner within 30 days of the final disposition of the matter.

COUNT 1

35. Respondent falsified information on Prudential annuity applications submitted for Allstate employees, and improperly obtained unearned advanced commission payments, each constituting a separate violation, in violation of N.J.S.A. 17:22A-40(a)(2), (5), (8), and (16).

COUNT 2

36. Respondent did not report the AWC or the administrative action taken by FINRA to the Commissioner within 30 days of the final disposition of the matter, in violation of N.J.S.A. 17:22A-40(a)(19) and N.J.S.A. 17:22A-47(c).

NOW, THEREFORE, IT IS on this 13 day of April , 2022

ORDERED, that Respondent appear and show cause why his New Jersey insurance producer license should not be suspended or revoked pursuant to N.J.S.A. 17:22A-40(a); and

IT IS FURTHER ORDERED, that Respondent appear and show cause why the Commissioner should not assess a civil penalty of up to $5,000 for the first violation and up to $10,000 for each subsequent violation of the Producer Act, and order Respondent to pay restitution of moneys owed to any person pursuant to N.J.S.A. 17:22A-45(c); and

IT IS FURTHER ORDERED, that Respondent appear and show cause why, in addition to any other penalty, he should not be required to reimburse the Department of Banking and Insurance for the costs of the investigation and prosecution as authorized by N.J.S.A. 17:22A-45(c); and

IT IS PROVIDED, that Respondent has the right to request an administrative hearing, to be represented by counsel or other qualified representative, at his own expense, to take testimony, to call or cross-examine witnesses, to have subpoenas issued, and to present evidence or argument if a hearing is requested; and

IT IS FURTHER PROVIDED, that unless a request for a hearing is received within twenty (20) days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by Respondent, and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by mailing the request to Virgil Dowtin, Chief of Investigations, Department of Banking and Insurance, P.O. Box 329, Trenton, New Jersey 08625, or by faxing the hearing request to the Department at (609) 292-5337. A copy of the request for a hearing shall also be sent to Jeffrey S. Posta, Deputy Attorney General, Banking and Insurance Section, 25 Market Street, P.O. Box 117, Trenton, New Jersey 08625-0117. The request shall contain the following:

(a) Respondent's full name, address and daytime telephone number;

(b) A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;

(c) A specific admission or denial of each fact alleged in this Order to Show Cause. Where Respondent has no specific knowledge regarding a fact alleged in the Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and

(d) A statement requesting a hearing.

Marlene Caride
Commissioner