

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

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)  
Proceedings by the Commissioner of Banking  
and Insurance, State of New Jersey, to fine,  
suspend and/or revoke the insurance license of  
Jonas Knopf., Reference No. 8035664. )  
\_\_\_\_\_ )

**ORDER TO SHOW CAUSE**

TO: Jonas Knopf  
1411 Ardenwood Avenue  
Lakewood, NJ 08701

THIS MATTER, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon information that Jonas Knopf (“Respondent”), may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondent is currently licensed as a resident individual insurance producer in the State of New Jersey, pursuant to N.J.S.A. 17:22A-32(a); 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(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)(6), an insurance producer shall not have been convicted of a felony or crime of the fourth degree or higher; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(7), an insurance producer shall not have admitted to or been found to have committed any insurance unfair trade practice or fraud; 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)(17), an insurance producer shall not knowingly facilitate or assist another person in violating any insurance laws; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(18), an insurance producer shall 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 New Jersey; and

WHEREAS, pursuant to N.J.S.A. 17:22A-47(b), an insurance producer shall, within 30 days of the initial pretrial hearing date, report to the Commissioner any criminal prosecution of the producer taken in any jurisdiction. The report shall include a copy of the initial complaint filed, the order resulting from the hearing and any other relevant legal documents; and

WHEREAS, pursuant to N.J.A.C. 11:17-2.8(a), an insurance producer shall not conduct insurance business under a name other than his or her legal name unless the name has been filed with and approved by the Department; and

WHEREAS, pursuant to N.J.A.C. 11:17-2.8(c), no resident business entity shall conduct insurance business unless the business name has been filed with and approved by the Department; 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), 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 not exceeding \$5,000.00 for the first offense and not exceeding \$10,000.00 for each subsequent offense; additionally, the Commissioner may order restitution of moneys owed any person and reimbursement of costs of the investigation and prosecution; and

#### FACTUAL ALLEGATIONS

IT APPEARING, that beginning on June 23, 1980, Respondent was a licensed resident insurance producer in the state of New Jersey; and

IT FURTHER APPEARING, that Respondent was the CEO of Madison Financial Services, Inc., a non-licensed financial services firm with a principal place of business located at 1411 Ardenwood Avenue, Lakewood, New Jersey 08701; and

IT FURTHER APPEARING, beginning in 2009 Respondent, doing business as Madison

Financial Services, Inc., created eleven (11) sham companies as purported subsidiaries (“Madison Sham Companies”) for the purpose of marketing health insurance coverage to individuals who were not in fact employees or dependents of Madison Financial Services, Inc., or the Madison Sham Companies; and

IT FURTHER APPEARING, the Madison Sham Companies purported to do business in Pennsylvania and Virginia; and

IT FURTHER APPEARING, that Respondent created the false appearance of employment status with the Madison Sham Companies for hundreds of individuals residing in New Jersey who applied for group insurance coverage through Blue Cross Blue Shield (“BCBS”) affiliates in Pennsylvania and Washington D.C.; and

IT FURTHER APPEARING, that the purported employees of the Madison Sham Companies paid Respondent inflated insurance premiums and provided him monies for payroll; and

IT FURTHER APPEARING, that Respondent issued the purported employees of the Madison Sham Companies fake payroll checks in order to further the false appearance that they were actual employees; and

IT FURTHER APPEARING, that beginning in 2013, Respondent conspired to submit false applications for over 564 purported employees and their alleged dependents to Capital Blue Cross in Pennsylvania for Madison Sham Companies located in Pennsylvania, specifically Hamburg Staff Training LLC and Lehigh Staff Training LLC; and

IT FURTHER APPEARING, that an investigation initiated by Capital Blue Cross revealed discrepancies in the information submitted by Respondent and the alleged employees of the Madison Sham Companies; and

IT FURTHER APPEARING, that the Pennsylvania Department of Insurance initiated an investigation of Respondent, and Respondent voluntarily surrendered his Pennsylvania non-resident insurance producer license effective June 30, 2014, and

IT FURTHER APPEARING, that effective February 12, 2019, Respondent voluntarily surrendered his Virginia non-resident insurance producer license; and

IT FURTHER APPEARING, that on December 14, 2018, Respondent was charged by criminal complaint in the United States District Court, District of New Jersey (“DNJ”), with one count of conspiring to defraud three health care Blue Cross Blue Shield affiliates in Pennsylvania and Washington D.C., in violation of 18 U.S.C. § 1035 (“DNJ Complaint”); and

IT FURTHER APPEARING, Respondent failed to notify the Department of the DNJ Complaint within 30 days; and

IT FURTHER APPEARING, that on April 19, 2021, Respondent pled guilty to one count of false statements relating to health care matters, in violation of 18 U.S.C. § 1035; and

IT FURTHER APPEARING, that on November 16, 2021, a Judgment in a Criminal Case was entered by the DNJ wherein the Respondent was convicted of one count of making false statements to defraud a health care benefit program, in violation of 18 U.S.C. § 1035, and was sentenced to serve a five-year term of probation and ordered to pay \$1,500,000.00 in restitution to Capital Blue Cross and Independence Blue Cross Blue Shield; and

IT FURTHER APPEARING, Respondent did not notify the Department of his November 16, 2021 conviction and sentencing within 30 days; and

**COUNT ONE**

IT FURTHER APPEARING, that between 2009 and 2017, Respondent conspired with other individuals to execute a scheme to submit hundreds of false health insurance applications to

BCBS affiliates in Pennsylvania and Washington D.C. in violation of N.J.S.A. 17:22A-40(a)(2), (5), (6), (7), (8), (16), and (17); and

**COUNT TWO**

IT FURTHER APPEARING, that Respondent failed to notify the Department of the DNJ Complaint, conviction, and sentencing, in violation of N.J.S.A. 17:22A-40(a)(2), (6), (7), (8) and (18); and

**COUNT THREE**

IT FURTHER APPEARING, that Respondent conducted insurance business through Madison Financial Services, Inc., in the State of New Jersey without a license entity issued by the Department, in violation of N.J.S.A. 17:22A-40(a)(2) and (8), and N.J.A.C. 11:17-2.8(a) and (c); and

NOW, THEREFORE, IT IS on this 20<sup>th</sup> day of June, 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 \$5,000.00 for the first violation and of up to \$10,000.00 for each subsequent violation of the Producer Act, and order Respondent to pay restitution of moneys owed to any person, pursuant to the provisions of N.J.S.A. 17:22A-45(c); and

IT IS FURTHER ORDERED, that Respondent appear and show cause why he should not be required to reimburse the Department for the cost of the investigation and prosecution, as authorized pursuant to 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 Downtin, 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 Department of Banking and Insurance's counsel, Deputy Attorney General Ashleigh B. Shelton at: Division of Law, P.O. Box 117, Trenton, NJ 08625. 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 the hearing.



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Marlene Caride  
Commissioner

Orders/Knopf OTSC Revocation Penalties