

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of) ORDER TO
Banking and Insurance, State of) SHOW CAUSE
New Jersey, to fine, Suspend and/or)
revoke the insurance producer license)
of Justin Reynolds 1140733)

TO: Justin Reynolds
4 Chaucer Drive
Hackettstown, NJ 07840

This matter, having been opened to the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon information that Justin Reynolds ("Reynolds") may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondent Reynolds was a licensed resident insurance producer pursuant to N.J.S.A. 17:22A-33, until his license expired on May 31, 2011; and

WHEREAS, Respondent Reynolds is subject to the provisions of the New Jersey Producer Licensing Act of 2001 ("Producer Act"), N.J.S.A. 17:22A-26 et seq. and the New Jersey Insurance Fraud Prevention Act ("Fraud Act"), N.J.S.A. 17:33A-1 et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(2), an insurance producer shall not violate any insurance law; 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(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-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; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(10), an insurance producer shall not forge another's name to an application for insurance or to any document related to an insurance transaction; and

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

WHEREAS, pursuant to N.J.S.A. 17:22A-40d, the Commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by this act and Title 17 of the Revised Statutes against any person who is under investigation for or charged with a

violation of this 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;

WHEREAS, pursuant to N.J.S.A. 17:33A-4a(4)(b), a person violates the Fraud Act if a person prepares or makes any written or oral statement, intended to be presented to any insurance company or producer for the purpose of obtaining an insurance policy, knowing that the statement contains any false or misleading information concerning any fact or thing material to an insurance application or contract; and

WHEREAS, pursuant N.J.S.A. 17:33A-5c, violations of the Fraud Act subject the violator to a civil penalty of up to \$5,000.00 for the first offense, \$10,000.00 for the second offense, and \$15,000.00 for each subsequent offense. The court shall also award court costs and reasonable attorney fees; and

WHEREAS, pursuant N.J.S.A. 17:33A-5.1, in addition to any other penalty, fine or charge imposed pursuant to the law, a person who is found in any legal proceeding to have committed insurance fraud shall be subject to a \$1,000.00 surcharge; and

WHEREAS, pursuant to N.J.A.C. 11:17A-2.8 no insurance producer shall make any misleading representations of any insurance policies or annuity contracts or insurers for the purpose of inducing, or tending to induce, any person to lapse, forfeit, surrender, terminate, retain, or convert any insurance policy or annuity contract, or to take out a policy of insurance or annuity contract with another insurer; and

WHEREAS, pursuant to N.J.A.C. 11:17A-4.8, an insurance producer shall reply, in writing, to any inquiry of the New Jersey Department of Banking and Insurance ("Department") relative to the business of insurance within the time requested in said inquiry, or no later than 15 calendar days from the date the inquiry was made or mailed in cases where no response time is given; and

COUNT 1 (Producer Act Violation)

IT APPEARING, that NA, Respondent Reynolds' grandmother, had two Metropolitan Life Insurance Company ("MetLife") annuities.

IT FURTHER APPEARING, that, on January 9, 2010 Respondent Reynolds misled NA into surrendering one of her MetLife annuities, and purchasing a new annuity with American National Insurance Company ("American National"); and

IT FURTHER APPEARING, that Respondent Reynolds requested that NA purchase the annuity with American National because he was employed by Northeast Planning Corporation to sell policies for American National and he would earn a commission on the new annuity; and

IT FURTHER APPEARING, that NA transferred funds in the amount of \$122,464.65 from the annuity with MetLife to American National to purchase the new annuity; and

IT FURTHER APPEARING, that as a result of Respondent Reynolds' conduct, NA suffered surrender charges and penalties, while he benefited by earned commissions; and

IT FURTHER APPEARING that Respondent Reynolds used coercive and dishonest practices in the conduct of insurance business, misrepresented the terms of an actual or proposed insurance contract, in violation of N.J.S.A. 17:22A-40a(2), (5), and (8) and N.J.A.C. 11:17A-2.8; and

Count 2 (Producer and Fraud Act Violations)

IT FURTHER APPEARING, that on January 9, 2010, Respondent Reynolds fraudulently submitted an application to American General Life Insurance Company ("American General") for a Deferred Annuity, with an attachment document providing information regarding primary beneficiaries;

IT FURTHER APPEARING, that NA's signature on the January 9, 2010 application and documents were forged by Respondent Reynolds, without the consent of NA, in violation of N.J.S.A. 17:22A-40a(2) and (10); and

IT FURTHER APPEARING, that by forging NA's signature on the January 9, 2010 application and documents, Respondent Reynolds prepared or made a written statement that was intended to be presented to an insurance company, knowing that the statement contained false or misleading information concerning any fact or thing material to an insurance application or contract, in violation of N.J.S.A. 17:33A-4a(4)(b); and

Count 3 (Producer Act Violation)

IT FURTHER APPEARING, that on January 9, 2010, Respondent Reynolds submitted a letter to MetLife's Annuity Department, stating that the funds in the second MetLife annuity should be transferred to the American General annuity; and

IT FURTHER APPEARING, that Respondent Reynolds forged NA's name, without her approval, to the January 9, 2010 letter, and submitted it to Metlife; and

IT FURTHER APPEARING, that the letter dated January 9, 2010 submitted by Respondent Reynolds to MetLife instructed

that any contact regarding the transfer of funds be directed to Respondent Reynolds; and

IT FURTHER APPEARING, that by submitting a fraudulent letter to MetLife and by forging NA's signature, Respondent Reynolds forged another's name to a document related to an insurance transaction and used fraudulent, coercive, or dishonest practices, and demonstrated his incompetence, untrustworthiness, or financial irresponsibility in the conduct of insurance business in this State, in violation of N.J.S.A. 17:22A-40a(2), (8), (10), and (16);

Count 4 (Producer Act Violation)

IT FURTHER APPEARING, that Respondent Reynolds submitted an annuity withdrawal request on April 9, 2010 in the amount of \$15,000.00 to American General, without the consent of NA; and

IT FURTHER APPEARING, that Respondent Reynolds forged NA's signature on the April 9, 2010 withdrawal request form; and

IT FURTHER APPEARING, that Respondent Reynolds forged another's signature as a witness to NA's signature on the April 9, 2010 withdrawal request form; and

IT FURTHER APPEARING, that as a result of the April 9, 2010 fraudulent request, on April 13, 2010, American

General issued a check in the amount of \$15,000.00 to NA;
and

IT FURTHER APPEARING, that NA endorsed the April 13, 2010 check and gave it to Respondent Reynolds, with the belief that it would be invested for NA's benefit; and

IT FURTHER APPEARING, that the April 13, 2010 check was then endorsed by Respondent Reynolds and was not invested for the benefit of NA, but rather converted for the benefit of Respondent Reynolds; and

IT FURTHER APPEARING, that by forging the April 9, 2010 withdrawal request in the amount of \$15,000.00 to American General, without the consent of NA, and endorsing the April 13, 2010 check and using it for his own personal benefit, Respondent Reynolds forged another's name to a document related to an insurance transaction, and used fraudulent, coercive, or dishonest practices, and demonstrated his incompetence, untrustworthiness, or financial irresponsibility in the conduct of insurance business in this State, in violation of N.J.S.A. 17:22A-40a(2), (4), (8), (10) and (16);

Count 5 (Producer Act Violation)

IT FURTHER APPEARING, that Respondent Reynolds submitted an annuity withdrawal request on April 27, 2010

in the amount of \$8,000.00 to American National, without the consent of NA; and

IT FURTHER APPEARING, that Respondent Reynolds forged NA's signature on the April 27, 2010 withdrawal request form; and

IT FURTHER APPEARING, that the total amount of the withdrawal including surrender charges and tax withholdings was \$9,834.08; and

IT FURTHER APPEARING, that as a result of the April 27, 2010 fraudulent request, on April 29, 2010, American National issued a check in the amount of \$8,000.00 to NA; and

IT FURTHER APPEARING, that NA endorsed the April 29, 2010 check and gave it to Respondent Reynolds, with the belief that it would be invested for NA's benefit; and

IT FURTHER APPEARING, that the April 29, 2010 check was then endorsed by Respondent Reynolds and was not invested for the benefit of NA, but rather converted for the benefit of Respondent Reynolds; and

IT FURTHER APPEARING, that by forging the April 27, 2010 withdrawal request in the amount of \$8,000.00 to American National, without the consent of NA, and endorsing the April 29, 2010 check and using it for his own personal benefit, Respondent Reynolds forged another's name to a

document related to an insurance transaction, and used fraudulent, coercive, or dishonest practices, and demonstrated his incompetence, untrustworthiness, or financial irresponsibility in the conduct of insurance business in this State, in violation of N.J.S.A. 17:22A-40a(2), (4), (8), (10), and (16);

Count 6 (Producer Act Violation)

IT FURTHER APPEARING, that Respondent Reynolds submitted an annuity withdrawal request on June 18, 2010 in the amount of \$10,000.00 to American General, without the consent of NA; and

IT FURTHER APPEARING, that Respondent Reynolds forged NA's signature on the June 18, 2010 withdrawal request form;

IT FURTHER APPEARING, that the total amount of the withdrawal including surrender charges and tax withholdings was \$12,354.05; and

IT FURTHER APPEARING, that as a result of the June 18, 2010 fraudulent request, American National issued a check in the amount of \$10,000.00 on June 21, 2014 to NA;

IT FURTHER APPEARING, that NA endorsed the June 21, 2010 check and gave it to Respondent Reynolds, with the belief that it would be invested for NA's benefit; and

IT FURTHER APPEARING, that the June 21, 2010 check was then endorsed by Respondent Reynolds and was not invested for the benefit of NA, but rather converted for the benefit of Respondent Reynolds; and

IT FURTHER APPEARING, that by forging the June 18, 2010 withdrawal request in the amount of \$10,000.00 to American General, without the consent of NA, and endorsing the June 21, 2010 check and using it for his own personal benefit, Respondent Reynolds forged another's name to a document related to an insurance transaction and used fraudulent, coercive, or dishonest practices, and demonstrated his incompetence, untrustworthiness, or financial irresponsibility in the conduct of insurance business in this State, in violation of N.J.S.A. 17:22A-40a(2), (4), (8), (10), and (16);

COUNT 7 (Producer Act Violations)

IT FURTHER APPEARING, that Respondent Reynolds failed to respond to the Department's inquiries on September 27, 2012 and October 17, 2012 within seven (7) calendar days from date of receipt;

IT FURTHER APPEARING, that the September 27, 2012 and October 17, 2012 inquiries by the Department were sent via certified and regular mail to Respondent Reynolds

requesting him to provide a statement with respect to the allegations made by NA; and

IT FURTHER APPEARING, that on October 24, 2012, the Department emailed Respondent Reynolds' prior attorney, Gary Moylen, Esq., who represented Respondent Reynolds in a matter filed in Superior Court of New Jersey, Law Division, Warren County, which arose out of the same issues pertaining NA's annuities; and

IT FURTHER APPEARING, that neither Respondent Reynolds nor Mr. Moylen responded to the Department's email; and

IT FURTHER APPEARING, that on December 12, 2012 and December 14, 2012, the Department sent Mr. Moylen two separate emails advising him that a response to the previous requests have not been forthcoming and requested a response;

IT FURTHER APPEARING, that neither Respondent Reynolds nor Mr. Moylen responded to the Department's emails; and

IT FURTHER APPEARING, that on January 7, 2013 the Department sent a letter first class and certified mail to Mr. Moylen and copied Respondent Reynolds, detailing the attempted communications;

IT FURTHER APPEARING, that Respondent Reynolds did not respond;

IT FURTHER APPEARING, that on January 16, 2014, the Department spoke to Respondent Reynolds who stated that a response to the previous requests would be received on or before January 21, 2013;

IT FURTHER APPEARING, that Respondent Reynolds did not provide a response by January 21, 2013;

IT FURTHER APPEARING, that on January 28, 2013 the Department sent a letter first class and certified mail to Respondent Reynolds and copied Mr. Moylen referencing the January 16, 2013 conversation with Respondent Reynolds,

IT FURTHER APPEARING, that on January 23, 2013, the Department received an email from Mr. Moylen explaining his attempts to communicate with Mr. Reynolds and which had been met with no response;

IT FURTHER APPEARING, that on February 5, 2013, the Department received a letter from Mr. Moylen stating that he had requested Respondent Reynolds to provide a response to the numerous requests made to him;

IT FURTHER APPEARING, that no response has been received and Respondent Reynolds has failed to respond to the Department's inquiries and that the actions and conduct on the part of Respondent Reynolds, as set forth above, violates N.J.S.A. 17:22A-40a(2) and (8); and N.J.A.C. 11:17A-4.8; and

NOW, THEREFORE, IT IS on this 8TH day of DECEMBER, 2015;

ORDERED, that Justin Reynolds appear and show cause why his resident New Jersey insurance producer license should not be suspended or revoked and/or why he should not be subject to civil penalties by the Commissioner pursuant to N.J.S.A. 17:22A-40; and

IT IS FURTHER ORDERED, that Justin Reynolds appear and show cause why the Commissioner should not assess fines of up to \$5,000.00 for the first violation and \$10,000.00 for each subsequent violation of the Producer Act, pursuant to the provisions of N.J.S.A. 17:22A-40 and N.J.S.A. 17:22A-45c; and

IT IS FURTHER ORDERED that Justin Reynolds appear and show cause why, in addition to any other penalty, he should not be required to reimburse the Department for the cost of the investigation and prosecution authorized pursuant to N.J.S.A. 17:22A-45c; and

IT IS FURTHER ORDERED that Justin Reynolds appear and show cause why he should not be fined up to \$5,000.00 for the first violation of the Fraud Act, \$10,000.00 for the second violation, and \$15,000.00 for each subsequent violation of the Fraud Act, pursuant to N.J.S.A. 17:33A-5c; and

IT IS FURTHER ORDERED that Justin Reynolds appear and show cause why he should not be subject to a surcharge in the amount of \$1,000.00, pursuant to N.J.S.A. 17:33A-5.1; and

IT IS PROVIDED that Justin Reynolds has the right to request an administrative hearing, to be represented by counsel or other qualified representative, at their 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 the licensee, 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. Pursuant to N.J.A.C. 11:16-7.8, 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 the 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.



Peter L. Hartt
Director of Insurance