

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Before the Director of the Department of Insurance and Financial Services

In the matter of:

Department of Insurance and Financial Services

**Enforcement Case No. 18-15083
Agency No. 19-356-L**

Petitioner,

v

Nicholas Honkanen
System ID No. 0802058

Respondent.

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Issued and entered
on JUNE 21, 2019
by **Randall S. Gregg**
Senior Deputy Director

FINAL DECISION

I. Background

Nicholas Honkanen (Respondent) is a licensed resident insurance producer. The Department of Insurance and Financial Services (DIFS) received information that Respondent committed a fraudulent insurance act by creating a fictitious, fraudulent insurance application and submitting it to an insurer. After investigation and verification of the information, on February 22, 2019, DIFS issued a Notice of Opportunity to Show Compliance (NOSC) alleging that Respondent had provided justification for revocation of licensure and other sanctions pursuant to Sections 1239(1) and 1244(1)(a-d) of the Michigan Insurance Code (Code), MCL 500.1239(1) and 500.1244(1)(a-d). Respondent failed to reply to the NOSC.

On May 3, 2019, DIFS issued an Administrative Complaint and Order for Hearing which was served upon Respondent at the address he is required to maintain with DIFS. The Order for Hearing required Respondent to take one of the following actions within 21 days: (1) agree to a resolution of the case, (2) file a response to the allegations with a statement that Respondent planned to attend the hearing, or (3) request an adjournment. Respondent failed to respond or take any action.

On June 6, 2019, DIFS Staff filed a Motion for Final Decision. Respondent did not file a reply to the motion. Given Respondent's failure to respond, Petitioner's motion is granted. The Administrative Complaint,

being unchallenged, is accepted as true. Based upon the Administrative Complaint, the Director makes the following Findings of Fact and Conclusions of Law.

II. Findings of Fact and Conclusions of Law

1. Respondent has been an active resident producer holding the life qualification since March 8, 2017. Respondent was appointed with American Income Life Insurance Company (AIL) on March 17, 2017, and was terminated for cause on August 10, 2017.
2. On May 27, 2017, an application for life insurance was submitted to AIL for insured SW. In July 2017, Respondent's Regional General Agent, Steven King, had received a complaint from RW, SW's wife. RW stated that they had never applied for life insurance through AIL. Additionally, the application stated that SW had sickle cell anemia. However, RW explained that would be impossible as her husband is Caucasian. Steven King conducted additional research on the application and discovered the phone number listed on the application matched Respondent's phone number. When Steven King confronted Respondent with his findings, Respondent admitted that he randomly selected SW's name, address, social security number, and driver's license number based off algorithms, so he would appear as a successful agent. Steven King subsequently terminated Respondent's employment.
3. On September 29, 2017, DIFS Staff mailed a letter of inquiry to Respondent at his mailing address of record. On October 13, 2017, the letter was returned from the United States Postal Service (USPS), marked "Not deliverable as addressed, unable to forward." On November 9, 2017, DIFS Staff emailed Respondent using his email address of record. The email contained a copy of the September 29, 2017, letter of inquiry and instructions on how to update address information through the National Insurance Producer Registry (NIPR). On November 13, 2017, Respondent's response was received.
4. In his response, Respondent explained that he began working for AIL in February 2017. After working there three months, he earned the respect of his superiors and peers. Respondent was informed that he would be promoted to a supervising agent in June of 2017. However, in May, his sister passed away, and he traveled to California to attend the funeral and support his mourning family. Respondent further explained that after returning to work he found it hard to focus and consequently had a slow week. Respondent admitted that is when he decided to create a fictitious, fraudulent insurance application. Respondent also admitted that he fictitiously gave the individual cancer to ensure that he wouldn't receive commission on the policy. Respondent stated that he is apologetic for his actions, knows what he did was inexcusable, and will accept any consequences regarding his actions.
5. As a licensee, Respondent knew or should have known that Section 2018 of the Code, MCL 500.2018, provides:

An unfair method of competition and an unfair or deceptive act or practice in the business of insurance include making false or fraudulent statements or representations on or relative to an application for an insurance policy for the purpose of obtaining a fee, commission, money, or other benefit from an insurer, agent, broker, or individual.

6. Respondent has violated Section 2018 of the Code by creating a fictitious, fraudulent insurance application in order to increase his monthly sales.
7. Respondent knew or should have known that Section 4503(b) of the Code, MCL 500.4503(b), provides that

A fraudulent insurance act includes, but is not limited to, acts or omissions committed by any person who knowingly, and with an intent to injure, defraud, or deceive:

* * *

(b) Prepares or assists, abets, solicits, or conspires with another to prepare or make an oral or written statement that is intended to be presented to or by any insurer in connection with, or in support of, any application for the issuance of an insurance policy, knowing that the statement contains any false information concerning any fact or thing material to the application.

8. Respondent has committed a fraudulent insurance act as defined by Section 4503(b) of the Code, MCL 500.4503(b), by creating a fictitious, fraudulent insurance application and submitting it to AIL.
9. As a licensee, Respondent knew or had reason to know that Section 1239(1) of the Code, MCL 500.1239(1), states:

(1) In addition to any other powers under this act, the commissioner may place on probation, suspend, or revoke an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions, and the commissioner shall refuse to issue a license under section 1205 or 1206a, for any 1 or more of the following causes:

(b) Violating any insurance laws or violating any regulation, subpoena, or order of the commissioner or of another state's insurance commissioner.

(e) Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance.

(g) Having admitted or been found to have committed any insurance unfair trade practice or fraud.

(h) Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

10. By violating Section 2018 of the Code, Respondent has provided justification for sanctions pursuant to MCL 500.1239(1)(b) and (g).
11. By intentionally creating a fictitious, fraudulent insurance application Respondent used fraudulent, coercive, dishonest practices and demonstrating untrustworthiness and financial irresponsibility in the conduct of business in this state, thus providing justification for sanctions pursuant to MCL 500.1239(1)(e) and (h).
12. Based upon the actions listed above, Respondent has committed acts that provide justification for the Director to order the payment of a civil fine, and/or other licensing sanctions, including revocation of licensure.
13. On February 26, 2019, a Notice of Opportunity to Show Compliance (NOSC) was mailed by first class mail to Respondent at his mailing address of record, which he is required per the Code to keep current with DIFS. The mail was returned by the USPS marked, "RETURN TO SENDER – ATTEMPTED – NOT KNOWN – UNABLE TO FORWARD."
14. On May 6, 2019, true copies of an Administrative Complaint, Order for Hearing and Notice of Hearing were mailed by first class mail to Respondent at his mailing address of record, which he is required per the Code to keep current with DIFS, and to an additional address that was discovered subsequent to a search conducted by DIFS staff. Both pieces of mail were returned by the USPS marked, "RETURN TO SENDER – ATTEMPTED – NOT KNOWN – UNABLE TO FORWARD."
15. DIFS Staff have made reasonable efforts to serve Respondent and have complied with MCL 500.1238(2).
16. Respondent has received notice and has been given an opportunity to respond and appear and has not responded nor appeared.
17. Respondent is in default and the Petitioner is entitled to have all allegations accepted as true.

III. Order

Based upon the Respondent's conduct and the applicable law cited above, it is ordered that:

1. Respondent shall **CEASE** and **DESIST** from violating the Code.
2. Respondent shall immediately **CEASE** and **DESIST** from engaging in the business of insurance.

3. Pursuant to MCL 500.249, MCL 500.2018, MCL 500.4503(b), MCL 500.1239(1)(b),(e), (g) and (h), and MCL 500.1244(1)(d), Respondent's resident insurance producer license (System ID No. 0802058) is **REVOKED**.

Anita G. Fox, Director
For the Director:



Randall S. Gregg, Senior Deputy Director