

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of the Office of Financial and Insurance Regulation

In the Matter of:

Robert W. Knabusch
System ID No. 0068326

Enforcement Case No. 10-10946

Respondent.

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Issued and entered
on 7-5, 2011
by Annette E. Flood
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

FINDINGS OF FACTS AND CONCLUSIONS OF LAW

1. At all relevant times, Robert W. Knabusch ("Respondent"), System ID No. 0068326 was a licensed resident producer in the state of Michigan with qualifications in accident and health, life, variable annuities, property, casualty, and crop.
2. On May 12, 2008, Respondent completed an application for life insurance and submitted it to Grange Life Insurance Company ("Grange") along with a check in the amount of the annual premium, issued by Ms. [REDACTED].¹ The application, policy number [REDACTED], listed Mr. [REDACTED] as the proposed insured and Mr. [REDACTED] (Complainant) as the policy owner.
3. Sometime after May 12, 2008, Grange provided Respondent with a notification indicating that additional medical information of the proposed insured would be required prior to the proposed policy going into effect. The requested medical information was never submitted and a premium return check was sent to Respondent in August of 2008. Respondent, however, reportedly failed to deliver the check to Complainant. As a result, Grange sent a second premium refund check, addressed directly to Complainant.
4. Upon receiving this notification from Grange, Respondent and the policy owner agreed to lower the policy amount to \$75,000 from \$100,000 in order to avoid additional medical

¹ This information was deemed personal and confidential by the Office of Financial and Insurance Regulation and was therefore redacted.

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testing. The proposed insured and policy owner acquiesced in this decision and agreed to the lower policy amount.

5. Some time prior to March 2009, Respondent completed a second application for life insurance with a policy amount of \$75,000. According to Respondent, however, this application was never submitted to Grange for issuance of coverage.
6. Around March 2009, Complainant contacted Respondent and asked why he had not received an invoice for the 2009 premium on the life insurance policy. Despite realizing the mistake he made, Respondent failed to indicate to Complainant that a policy had not been issued.
7. Upon assurances from Respondent that a policy was in place, Complainant stopped by Respondent's office to pick up the certificate of insurance. According to Respondent, he knew the policy was not in effect and knowingly produced a falsified certificate of insurance or other documentation to give to Complainant that reportedly confirmed the policy was in effect despite the fact that no policy existed.
8. Respondent failed to take any corrective measures regarding the falsified documentation indicating that a policy was in effect for Complainant. Upon Respondent's assurances, Complainant falsely believed a policy was in effect.
9. Approximately one year later, Complainant again contacted Respondent regarding an annual premium invoice for the 2010 calendar year. At this time, Respondent allegedly reported his mistakes and falsifications to Complainant.
10. To resolve the problems caused, Respondent agreed to pay for the first year premium on a new life insurance policy, identical to the policy that Respondent completed but failed to submit to Grange. After Complainant agreed, a life insurance application was submitted to Grange and policy number [REDACTED] was issued. Respondent also agreed to pay the difference in the annual premium amount between the original policy and the policy that was actually issued by Grange.
11. As a result of Respondent's actions, Complainant believed that a life insurance policy existed for Mr. [REDACTED]⁴ for nearly two years, though no policy was ever issued by Grange.
12. Respondent knew or had reason to know that Section 1239(1)(b) of the Michigan Insurance Code (the Code), allows the Commissioner to place on probation, suspend, revoke, or levy a civil fine under Section 1244 or any combination thereof, for "violating any insurance laws."
13. Respondent knew or had reason to know that Section 1239(1)(g) of the Code, allows the Commissioner to place on probation, suspend, or revoke an insurance producer's license or levy a civil fine under Section 1244, for "having admitted or been found to have committed any insurance unfair trade practice or fraud."
14. Respondent knew or had reason to know that Section 1239(1)(h) of the Code, allows the Commissioner to place on probation, suspend, or revoke an insurance producer's license

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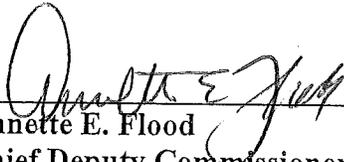
or levy a civil fine under Section 1244, for “using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.”

15. By issuing fraudulent and falsified certificates of insurance and other documentation purporting to evidence a life insurance policy then in effect, Respondent violated Sections 1239(1)(b), (d), (g), and (h) of the Code.
16. By making false statements relative to an application for an insurance policy, Respondent engaged in “an unfair method of competition and an unfair or deceptive act or practice in the business of insurance” in violation of Section 2018 of the Code.

ORDER

Based on Respondent’s stipulation to the findings of fact and conclusions of law above, it is hereby **ORDERED** that:

1. Respondent shall immediately cease and desist from operating in a manner that violates the Michigan Insurance Code.
2. Respondent shall pay to the State of Michigan, through OFIR, a civil fine of \$5,000.00. Respondent shall pay the fines within 30 days of the invoice date indicated on the OFIR invoice.
3. Respondent shall pay restitution to Complainant in the amount of \$650.00, payable within 30 days of the entry of this Order. Proof of payment shall be submitted to the Office of General Counsel, attention Conrad Tatnall.
4. Respondent shall voluntarily surrender his insurance qualification in life insurance.
5. Respondent shall contact OFIR and enroll in the next regularly scheduled Insurance Regulation Seminar. Upon completion of the seminar, Respondent shall provide the Office of General Counsel with proof of successful completion.
6. If the terms of this ORDER are not complied with, Respondent’s Michigan resident insurance producer license with qualifications in accident and health, life, variable annuities, property, casualty, and crop shall be summarily REVOKED.



Annette E. Flood
Chief Deputy Commissioner

STIPULATION

Respondent has read and understands the consent order above. Respondent agrees that the Chief Deputy Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. Respondent waives the right to a hearing in this matter if this consent order is issued. Respondent understands that this stipulation and consent order will be presented to the Chief Deputy Commissioner for approval and the Chief Deputy Commissioner may or may not issue this consent order. Respondent waives any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. Respondent admits the findings of fact and conclusions of law set forth in the above consent order and agrees to the entry of this order. Respondent admits that both parties have complied with the procedural requirements of the Michigan Administrative Procedures Act and the Insurance Code. Respondent has had an opportunity to review the Stipulation and Consent Order and have the same reviewed by legal counsel.


Robert W. Knabusch

Dated: 6/27/2011

The Office of Financial and Insurance Regulation staff approves this stipulation and recommends that the Chief Deputy Commissioner issue the above consent order.


Conrad Tatnall (P69785)
Attorney

Dated: 6/29/11