



STATE OF MAINE
 DEPARTMENT OF PROFESSIONAL
 AND FINANCIAL REGULATION
 BUREAU OF INSURANCE
 34 STATE HOUSE STATION
 AUGUSTA, MAINE
 04333-0034

ANGUS S. KING, JR.
 GOVERNOR

ALESSANDRO A. IUPPA
 SUPERINTENDENT

**STATE OF MAINE
 DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
 BUREAU OF INSURANCE**

IN RE:

MICHAEL L. HANCOCK

Docket No. INS – 00 - 3041

**DECISION AND ORDER
 REVOKING
 INSURANCE PRODUCER
 LICENSE**

INTRODUCTION

- 1) This matter is before the Superintendent of Insurance, after notice and opportunity for hearing, pursuant to a Petition to REVOKE the resident insurance producer license of Michael L. Hancock, dated January 12, 2001, and filed by the Staff of the Maine Bureau of Insurance.
- 2) The Maine Insurance Code (the “Code”) regulates persons who offer or sell insurance products, including fixed or variable annuities, in the State of Maine. The Superintendent of Insurance has jurisdiction over this matter pursuant to the Insurance Code, Title 24-A Maine Revised Statutes Annotated generally, and, in particular, 24-A M.R.S.A. §§211, 220, 1417, 1448, 2153, 2155, and 2174.

FINDINGS OF FACT

- 3) Mr. Hancock resides at 19 Twin Ponds Drive, Falmouth, Maine 04105.
- 4) Mr. Hancock has been licensed in Maine as an insurance sales person (“producer”) since August 24, 1991. His current license authority is for fixed and variable annuities. His license number in Bureau records is PRR 33519.

Consumer D.B.

- 5) On August 18, 1999 Mr. Hancock advised D.B. of Windham, Maine to transfer approximately \$15,000 from a mutual fund to an annuity. Mr. Hancock also advised Ms. B. to withdraw approximately \$45,400 she had invested in a certificate of deposit which



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had not yet matured, and invest those funds in an annuity. Ms. B. acted upon the above advice. Ms. B. paid a penalty for the early withdrawal of the funds from the certificate of deposit.

6) On October 6, 1999, Mr. Hancock further advised Ms. B. to surrender a \$20,000 annuity and purchase another annuity with the proceeds, as well as to place another \$20,000 from a different annuity into yet another annuity account. Ms. B. relied and acted upon the above advice, unaware that such transactions would cause her to incur significant annuity surrender charges.

7) Five days later, on October 11, 1999, Mr. Hancock advised Ms. B. to place \$22,600 from a different annuity account into another annuity account. Ms. B. relied and acted upon this advice, again unaware that such transactions would cause her to incur significant annuity surrender charges.

8) On July 12, 2000, Mr. Hancock met with Ms. B. and an employee of the Securities Division in the Maine Department of Professional and Financial Regulation (of which Department the Bureau of Insurance is also a part) who had been been investigating Ms. B.'s complaint. Mr. Hancock agreed to take certain corrective actions in connection with Ms. B.'s affairs, as memorialized in a letter from the Securities Division employee to Mr. Hancock, dated July 12, 2000. To date, he has not taken such action.

9) On September 1, 2000, an employee of the Bureau of Insurance wrote to Mr. Hancock, requesting information pertaining to the matters involving Ms. B. and the action he had agreed to take as result of the above meeting, and further pointing out the Maine Insurance Code requirement, at 24-A M.R.S.A. §220, that licensees are required to respond to such inquiries within 14 days in the case of consumer complaints and 30 days in all other cases. To date, Mr. Hancock has not responded to the Bureau's inquiry.

Consumer K.B.

10) On or about May 12, 1999, Mr. Hancock advised K.B. of Parsonsfield, Maine to transfer the funds in her retirement account to an annuity, in response to Ms. B.'s expression of concern about the effect of "Y2K Millennium" issues on the financial market. Mr. Hancock represented the annuity as an appropriate investment for a one-year time frame. In June, 2000, Ms. B. attempted to withdraw this investment through a request directed to Mr. Hancock. After a month with no further information, Ms. B. inquired further and found directly from the company that there had been no such request filed on her behalf. At this time Ms. B. also found that any withdrawal of funds during the first ten years would cause a penalty to be incurred. Ms. B. therefore suffered a penalty which she had previously been unaware would be incurred, and for which Mr. Hancock promised he would reimburse her, which he did not in fact do.

Consumer B.

11) On or about November 4, 1999, Mr. Hancock advised K.B. of Windham, Maine to invest approximately \$77,000 in one annuity and approximately \$59,000 in another annuity, in response to Ms. B.'s expression of concern about the effect of "Y2K Millennium" issues on the financial market. Mr. Hancock represented these investments as temporary. In January, 2000, Ms. B. withdrew approximately \$25,000 from one of the annuities and asked Mr. Hancock why she was assessed a significant penalty. Mr. Hancock advised her that there should not have been a penalty, and that he would correct this apparent mistake, but Ms. B. has not heard further from Mr. Hancock on this subject. Ms. B. was also charged an "index benefit charge" of \$4600 on that annuity, and a similar fee on the other annuity. She did not understand or anticipate any of these fees, nor did Mr. Hancock provide her with valid explanations.

Consumer C.C.

12) In 1998, Mr. Hancock advised C.C. of Gorham, Maine to invest in an annuity toward her children's college education. Ms. C. advised Hancock that her children were nearing college age at that time. He advised Ms. C. that she would be able to withdraw money from the annuity without penalty. Ms. C. accordingly withdrew money from this annuity in September of 2000, yet incurred a penalty.

Consumer E.C.

13) Between May 1999 and September 2000, Mr. Hancock sold three annuities to E.C. of Falmouth, Maine: one for \$29,000, and two in the amount \$48,500 each. At the time of sale, Mr. Hancock personally charged Ms. C. \$650 as a commission for one of them, which Ms. C. paid by check made out to Michael Hancock in that exact amount.

Consumer S.C.

14) On March 24, 1998, Mr. Hancock sold S.C. of Orrs Island, Maine an annuity in the amount of \$30,000. On May 8, 2000 he withdrew that annuity and on May 11, 2000 purchased another annuity. As a result of this switching of annuities, Ms. C. incurred a \$4,196 penalty. Ms. C. did not in fact authorize this transaction.

15) In a different series of transactions, on January 6, 1999 Mr. Hancock sold to Ms. C. an annuity in the amount of \$25,000. On March 20, 2000 Mr. Hancock withdrew these funds, and on March 27, 2000 purchased a different annuity. As a result of this switching of annuities, Ms. C. incurred a financial penalty of \$1,958. Ms. C. had agreed to this transfer because Mr. Hancock told her the return would be greater, but she was never informed of the penalty involved.

Consumers M. & F. F.

16) In late March of 2000, Mr. Hancock advised M. and F.F. of Limington to switch an annuity they had from one annuity company to another, even though the annuity had not reached maturity. They were unaware, because Mr. Hancock failed to inform them, that such a premature transfer would result in a \$39,000 penalty, and agreed to the switch.

17) In August of 2000, Mr. Hancock advised Mr. and Mrs. F. to again switch a portion of their annuity into an investment with his firm, Jeremiah Financial Group. In that regard, Mr. Hancock recommended that Mr. and Mrs. F. withdraw \$80,000 from their annuity, which they accordingly did. They agreed to this transaction unaware that such a premature transfer would result in a \$35,000 penalty, because he failed to inform them.

18) In the course of the above transaction, they received a check in the amount of \$80,000, from the withdrawal out of their annuity. Mrs. F. endorsed it, payable to Jeremiah Financial Group, Mr. Hancock's firm. She did this at Mr. Hancock's direction and personally handed the check to Mr. Hancock. On August 9, 2000, Hancock deposited this check into an account in his name at the Portland Regional Federal Credit Union, and wrote checks on this account, using these funds to pay for groceries, veterinary bills and other apparent personal expenses.

Consumer J.G.

19) J.G., of Portland, Maine, purchased an annuity from Mr. Hancock in May of 1998. Ms. G. advised Hancock that she wanted to be able to have access to \$7,000 of the \$26,000 investment. Mr. Hancock did not advise Ms. G. that this would cause her to incur penalties. Ms. G. withdrew money from this account twice and was penalized on both occasions: \$2000 in May of 2000 incurring a penalty of \$200, and \$3000 in November of 1999 for which she was penalized \$500. Mr. Hancock advised her that the insurer which issued the annuity would send her a check to return her penalty fees, and that if they did not he would pay her the money, which he did not in fact do.

Consumer C.M.

20) Between June 1998 and July 1999, Mr. Hancock sold C.M., of Cumberland, Maine, three annuities. In May of 2000 he advised Ms. M. to surrender one of them and invest in a different annuity, which advice caused her to incur a resulting penalty on the surrendered annuity.

Consumer L.M.

21) On December 20, 1999, L.M. of Standish, Maine provided Mr. Hancock with a check in the amount of \$10,000 for Hancock to make an investment for him in an annuity. Mr. M. paid for his annuity with a check that was payable to Mr. M. and endorsed over to Mr. Hancock. Mr. Hancock never provided Mr. M. with any receipt for this annuity and Mr. M. has never received a copy of the annuity he allegedly purchased. Mr. M. made several inquiries to Mr. Hancock requesting documentation for his investment. In April of 2000, Mr. Hancock told Mr. M. that there had been an accounting error at the annuity firm. Hancock told Mr. M. that his money was in his account, but that there was still some error. Subsequently, Mr. M. contacted the annuity firm and was advised that there was no record of any investment by Mr. M.. To date, Mr. M.'s money is unaccounted for and has not been repaid by Defendant Hancock.

Consumers C. & D. P.

22) Mr. Hancock advised C. and D.P. of Windham, Maine to invest funds resulting from Mr. P.'s 1999 401K rollover in an annuity which Hancock inappropriately represented as a short-term investment, by asserting that it was for the purpose of remaining safe until the market settled down. In accordance with this advice, on July 23, 1999 they purchased an annuity from him in the amount of \$82,211.53. Mr. Hancock advised them that he would contact them concerning the market. He accordingly contacted them in the Spring of 2000 to advise that it was now time for them to change a portion of this investment to a different annuity, representing to them that the funds would be safer there. Mr. and Mrs. P. were assessed a penalty in the approximate amount of \$3500 for the resulting withdrawal of approximately \$35,000, and had not realized or been informed by Mr. Hancock that the transaction would cause them to incur such a penalty.

Consumer E.W.

23) On January 27, 2000, E.W. of Casco, Maine met with Mr. Hancock at the office location of Mr. Hancock's firm, Jeremiah Financial Group, in Windham, Maine, in order to discuss making an investment for his children's education. At that time, Mr. W. agreed to invest \$17,000 in a variable annuity investment. Mr. Hancock directed Mr. W. to make the \$17,000 check payable to Jeremiah Financial Group. Mr. W. completed the check and handed it to Mr. Hancock on January 27, 2000. Mr. W. made several inquiries to Mr. Hancock requesting documentation of his investment. In May of 2000, nearly four months after giving Mr. Hancock \$17,000, Hancock advised Mr. W. that he had just made the investment. Hancock explained that it is typical to wait until the market has improved before making such investments. Hancock advised Mr. W. that he would receive material in the mail about the investment. In July of 2000, Mr. W. still had not received any documentation and, accordingly, Mr. W. called Hancock again. Mr. Hancock advised Mr. W. that he would send the material. Mr. W. has never received

anything from Mr. Hancock aside from the paperwork he was provided on January 27, 2000. On September 11, 2000, Mr. W. called the annuity firm where Mr. Hancock allegedly had made Mr. W.'s investment, and was informed that there has never been an account at that company in his name or in the name of his children.

Consumers P. & V.W.

24) P. and V.W. of Wiscasset, Maine, purchased annuities from Mr. Hancock in April of 1998 and in April and May, 1999. In May of 1999 they advised Mr. Hancock that they would need to withdraw funds to purchase a car within a year. Mr. Hancock did not advise them that any such withdrawal would result in a penalty. They withdrew \$15,000 and incurred a penalty of \$600. They did have other sources of funds, which they would have used had they been aware that they would be assessed a penalty. When they advised Mr. Hancock of the penalty he asserted that it should not have happened and that it was a mistake. He advised them that he would take care of this purported error, and that if the annuity company would not correct the error that he would pay them the \$600, which he did not in fact do.

CONCLUSIONS OF LAW

Misrepresentation

25) Under 24-A M.R.S.A. §1417(1)(B), the superintendent may revoke a producer's license for violation or noncompliance with any applicable provision of Title 24-A.

26) Title 24-A M.R.S.A. §2153 prohibits any person from making any statement misrepresenting the terms of any policy issued or to be issued or the benefits or advantages promised thereby.

27) In addition, 24-A M.R.S.A. §1417(1)(E) specifically provides that the superintendent may revoke a producer's license for material misrepresentation of the terms of any existing or proposed insurance contract.

28) **Consumer K.B.** Mr. Hancock violated 24-A M.R.S.A. § 2153 in connection with K.B. by misrepresenting the nature of annuity policies he sold her, as temporary short term investments, and by failing to advise her of surrender fees and other charges to which she was subject upon making withdrawals.

29) **Consumer B.** Mr. Hancock violated 24-A M.R.S.A. § 2153 in connection with Consumer B. by misrepresenting the nature of annuity policies he sold her, as temporary short term investments, and by failing to advise her of surrender fees and other charges to which she was subject.

30) **Consumer C.C.** Mr. Hancock violated 24-A M.R.S.A. § 2153 in connection with C. C. by falsely advising her that she would be able to withdraw money from an annuity he sold her without penalty, even though she had advised him at the time of the sale of her upcoming need to make such withdrawals.

31) **Consumer J.G.** Mr. Hancock violated 24-A M.R.S.A. § 2153 in connection with J.G. by misrepresenting the illiquid, long-term nature of an annuity policy he sold her, through failing to advise her, at the time of the sale, about the surrender fees to which she would be subject if she were to make the partial withdrawals from the annuity which she had expressed were her intention.

32) **Consumer E.W.** Mr. Hancock violated 24-A M.R.S.A. § 2153 in connection with E.W. by misrepresenting the nature of annuity policies and the manner in which they are purchased.

33) **Consumers P. & V.W.** Mr. Hancock violated 24-A M.R.S.A. § 2153 in connection with P. and V.W. by failing to advise them that their planned withdrawal would subject them to a penalty.

34) Each of the above instances of misrepresentation also constitutes specific grounds for license revocation under 24-A M.R.S.A. §1417(1)(E).

Insurance Twisting

35) Under 24-A M.R.S.A. §1417(1)(B), the superintendent may revoke a producer's license for violation or noncompliance with any applicable provision of Title 24-A.

36) Title 24-A M.R.S.A. §2155 prohibits any person from making any written or oral statement misrepresenting or making incomplete comparisons as to the terms, conditions, or benefits contained in any policy for the purpose of inducing or attempting or tending to induce the policyholder to lapse, forfeit, borrow against, surrender, retain, exchange, modify, convert, or otherwise affect or dispose of any insurance policy.

37) In addition, 24-A M.R.S.A. §1417(1)(E) specifically provides that the superintendent may revoke a producer's license, for material misrepresentation of the terms of any existing or proposed insurance contract.

38) **Consumer D.B.** On October 6, 1999 Mr. Hancock violated 24-A M.R.S.A. §2155 twice in connection with D.B. by fraudulently inducing her to surrender one annuity for the purpose of reinvesting into another annuity, without disclosing or advising that such transfer would cause her to incur significant penalties, and to surrender a portion of another annuity, again without disclosing or advising that such transfer would cause her to incur significant penalties.

39) He further violated 24-A M.R.S.A. §2155 in connection with D.B., by fraudulently inducing her on October 11, 1999 to surrender an annuity for the purpose of reinvesting into another annuity, again without disclosing or advising that such transfer would cause her to incur significant penalties.

40) **Consumer S.C.** Mr. Hancock violated 24-A M.R.S.A. §2155 in connection with S.C. by fraudulently inducing her in March, 2000 to surrender an annuity for the purpose of reinvesting into another annuity, without disclosing or advising that such transfer would cause her to incur significant penalties.

41) **Consumers M. & F. F.** Mr. Hancock violated 24-A M.R.S.A. §2155 twice in connection with M. and F.F. by fraudulently inducing them to surrender portions of their annuity policies without disclosing or advising to them that such transfers would cause them to incur significant penalties.

42) **Consumer C.M.** Mr. Hancock violated 24-A M.R.S.A. §2155 in connection with C. M. by fraudulently inducing her to surrender her annuity policy for the purpose of purchasing another annuity, without disclosing or advising her that the transfer would cause her to incur a significant penalty.

43) **Consumers C. & D. P.** Mr. Hancock violated 24-A M.R.S.A. §2155 in connection with C. and D.P. by fraudulently inducing them to surrender a portion of an annuity policy which he had previously sold them, in order to invest in another annuity which he would sell them, without disclosing or advising them that such transaction would cause them to incur a significant penalty.

44) Each of the above instances of twisting also constitutes specific grounds for license revocation under 24-A M.R.S.A. §1417(1)(E).

Misappropriation or Conversion;
Failure to remit money received in the course of business

45) Title 24-A M.R.S.A. §1417(1)(D) provides that the superintendent may revoke a producer's license for misappropriating or converting of money belonging to others for the licensee's own use, or by failing to remit money received in the course of business belonging to policyholders, insurers, beneficiaries or others.

46) **Consumers M. & F.F.** In connection with M. and F.F., Mr. Hancock fraudulently misappropriated or converted to his own use the proceeds of \$80,000 which they had secured through an annuity withdrawal, acting upon his advice.

47) **Consumer L.M.** In connection with L.M., Mr. Hancock failed to remit money received from L.M. in the course of business for the purposes of investing in an annuity.

48) **Consumer E.W.** In connection with E.W., Mr. Hancock failed to remit money received from E.W. in the course of business for the purposes of investing in an annuity.

Fraudulent, coercive, or dishonest practices

49) Under 24-A M.R.S.A. §1417(1)(H), the superintendent may revoke a producer's license if in the conduct of the licensee's affairs under the license, the licensee has used fraudulent, coercive, or dishonest practices, or has been shown to be incompetent, untrustworthy, financially irresponsible or a source of injury and loss to the public.

50) **Consumer K.B.** Mr. Hancock used fraudulent, coercive, or dishonest practices in connection with K.B. by fraudulently and deceptively advising her that he would reimburse her for the penalty she incurred when she withdrew the funds which she had invested pursuant to his advice.

51) **Consumer S.C.** Mr. Hancock used fraudulent, coercive, or dishonest practices in connection with S.C. by fraudulently liquidating her annuity in May, 2000 without her authority, causing her to incur significant penalties, and purchasing another annuity with the proceeds thereby receiving a commission, also without authority.

52) **Consumer J.G.** Mr. Hancock used fraudulent, coercive, or dishonest practices in connection with J.G. by fraudulently and deceptively advising her that the insurer which issued the annuity would send her a check to return her penalty fees, and that if they did not he would pay it to her directly.

53) **Consumer L.M.** Mr. Hancock used fraudulent, coercive, or dishonest practices in connection with L.M. by fraudulently inducing L.M. to provide him with money for a purported investment in an annuity which monies were not, in fact, used for the annuity described, and as to which Hancock made affirmative statements which were untrue and deceptive.

54) **Consumer E.W.** Mr. Hancock used fraudulent, coercive, or dishonest practices in connection with E.W. by fraudulently inducing him to provide Hancock with money for a purported investment in an annuity which monies were not, in fact, used for the annuity described, and as to which Hancock made affirmative statements which were untrue and deceptive.

55) **Consumers P. and V.W.** Mr. Hancock used fraudulent, coercive, or dishonest practices in connection with P. and V.W. by fraudulently and deceptively advising them that the penalty which they incurred was a mistake, and promising to rectify it, either by causing the annuity company to correct the "error," or by paying them back himself, neither of which occurred.

Excess Charge for Insurance

56) Under 24-A M.R.S.A. §1417(1)(B), the superintendent may revoke a producer's license for violation or noncompliance with any applicable provision of Title 24-A.

57) Title 24-A M.R.S.A. §2174(2) provides that no person shall willfully collect as premium or charge for insurance any sum in excess of the premium or charge applicable to such insurance, and as specified in the policy, in accordance with the applicable classifications and rates as filed with and approved by the superintendent.

58) **Consumer E.C.** Mr. Hancock violated 24-A M.R.S.A. §2174(2) in connection with E.C. by collecting a charge for insurance directly from E.C., in excess of the charges specified in the policy according to the classifications and rates as filed with and approved by the superintendent.

Failure to respond to lawful inquiry from the Bureau of Insurance

59) Under 24-A M.R.S.A. §1417(1)(B), the superintendent may revoke a producer's license for violation or noncompliance with any applicable provision of Title 24-A.

60) Title 24 M.R.S.A. §220 requires licensees to respond to Bureau inquiries within 14 days in the case of consumer complaints and 30 days in all other cases.

61) **Consumer D.B.** As of January, 2001, Mr. Hancock has not responded to the Bureau's letter dated September 1, 2000 requesting information concerning D.B.'s matter and which referred to his legal obligation to provide a timely response.

Inability to meet minimum requirements for insurance producer licensing

62) Title 24-A M.R.S.A. §1448 provides that the superintendent may not continue or permit an insurance producer license to exist unless the person, among other requirements, is "competent, trustworthy, financially responsible and of good personal and business reputation."

63) The instances of misrepresentation, twisting, misappropriation, failure to remit, excess charges for insurance, and fraudulent, coercive, or dishonest practices described above, all of which are realleged for purposes of this paragraph, demonstrate that Mr. Hancock does not meet the minimum requirements of §1448 for continuing to hold an insurance producer license.

ORDER REVOKING LICENSE

The Superintendent of Insurance, after notice and opportunity for hearing, hereby finds that Michael L. Hancock has violated the Maine Insurance Code on numerous occasions as specifically stated in the above Findings of Fact and Conclusions of Law, and that Michael L. Hancock does not meet the minimum requirements for holding an insurance producer license under 24-A M.R.S.A. §1448.

Therefore, the insurance producer license of **Michael L. Hancock**, # PRR 33519, is hereby **REVOKED** pursuant to 24-A M.R.S.A. §1417 and 24-A M.R.S.A. §1448.


The effective date of this Order is February 23, 2001.

NOTICE OF APPEAL RIGHTS

This Decision and Order is a final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedures Act. It is appealable to the Superior Court in the manner provided in 24-A M.R.S.A. §236, 5 M.R.S.A. §11001, *et seq.*, and M.R.Civ.P. 80C. Any party to the proceeding may initiate an appeal within thirty (30) days after receiving this notice. Any aggrieved non-party whose interests are substantially and directly affected by the Decision and Order may initiate an appeal within forty (40) days of the issuance of this Decision and Order. There is no automatic stay pending appeal; application for stay may be made in the manner provided in 5 M.R.S.A. §11004.

PER ORDER OF THE SUPERINTENDENT OF INSURANCE

Dated: 2-22-01



ALESSANDRO A. IUPPA
Superintendent, Maine Bureau of Insurance