STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCIAL REGULATION

In the Matter of: JORGE PADILLA LAZOS and KAREN PADILLA SOLANO, Respondents.	Case No. INS-24-0005 FINAL ORDER TO CEASE AND DESIST, ORDER SUSPENDING RESIDENT INSURANCE PRODUCER LICENSE AND ASSESSING CIVIL PENALTIES, AND CONSENT TO ENTRY OF ORDER

The Director of the Department of Consumer and Business Services for the State of Oregon ("Director"), acting in accordance with Oregon Revised Statutes ("ORS") chapters 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750 ("Insurance Code"), has conducted an investigation of Jorge Padilla Lazos ("Jorge") and Karen Padilla Solano ("Karen") (collectively, "Respondents"). The Division determined that Respondents violated certain provisions of the Insurance Code and the Oregon Administrative Rules ("OAR") promulgated under those laws. Respondents have resolved this matter with the Director by agreeing to the suspension of their Oregon nonresident insurance producer licenses and to the assessment of civil penalties, as more fully described below.

Now, therefore, as evidenced by the signatures subscribed herein, Respondents hereby CONSENT to the entry of this Order.

The Director makes the following Findings of Fact, Conclusions of Law, and Orders.

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FINDINGS OF FACT

The Director FINDS that:

1. Jorge was first licensed as an Oregon resident individual insurance producer on July 13, 2015. Jorge's National Association of Insurance Commissioners ("NAIC") national producer number is 17646257.

2. Karen was first licensed as an Oregon resident individual insurance producer on February 23, 2016. Karen's NAIC national producer number is 17844474.

3. Respondents are married, and worked out of Jorge's office, under an arrangement whereby Respondents shared customers seeking to purchase insurance. Generally speaking, Karen worked directly with customers who applied for insurance and assisted them through the application process, while Jorge supervised, reviewed, and signed off on the insurance policies that were issued upon approval.

4. Jorge held appointments with insurance carriers American National Insurance Company ("ANICO"), the Progressive Corporation ("Progressive"), and Foremost Property and Casualty Company ("Foremost") to issue life, health, property, and casualty policies. Karen held an appoint with ANICO as a sub-producer under Jorge's appointment. She also held appointments with Liberty Mutual and the Hartford to issue commercial policies, but her use of these appointments was minimal to nonexistent. Rather, Karen worked with Jorge to issue policies for their customers using his appointments.

5. When a customer submits an application for insurance, the insurance producer will enter the customer's name and date of birth into ANICO's system, which will then automatically fill in the last four digits of the customer's Social Security number ("SSN") because the system is capable of pulling the SSN from credit reporting records. The insurance producer is then required to confirm the last four digits of the SSN that the system pulls with the customer to verify. ANICO requires its producers to verify their customers' SSNs because ANICO will not issue policies to persons who do not possess a valid SSN.

6. However, if a customer has no credit history, does not have a SSN, or if their name or date of birth were entered incorrectly by the producer, then ANICO's system will not return any SSN results for that customer. In that case, the insurance producers are required to obtain a SSN directly from the customer and input the number manually into ANICO's system.

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7. In 2019, ANICO's Corporate Investigative Services ("CIS") opened an investigation into the agency Respondents worked for as a result of inaccurate information submitted on insurance policy applications (the "2019 Investigation"). ANICO opened the investigation after finding approximately 75 accounts within the agency in which there were SSN discrepancies. Although there were several agents in the agency Respondents worked for that had accounts with noted discrepancies, Jorge was the central focus of the 2019 Investigation because he was responsible for the overwhelming majority of these discrepancies.

8. A second ANICO Investigation (the "2023 Investigation") into Respondents' business and insurance practices was triggered as a result of an automotive accident on October 26, 2022 involving an Oregonian who will henceforth be identified by his initials "EA." EA filed a claim with his insurer, ANICO, related to the accident. In the course of investigating that claim, ANICO found that EA's SSN belonged to a person who had died December 21, 2021, and that the same SSN was also being used by at least four other individuals, all of whom were customers in Respondents' book of business. The investigators also discovered that EA's spouse had an undisclosed felony conviction. ANICO requires its licensed insurance producers to inquire as to the criminal history of customers and their spouses prior to issuing a policy.

9. On May 3, 2023, after concluding the 2023 Investigation, ANICO terminated the producer appointments of both Respondents "for cause," as a result of their use of "fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere." On or about May 8, 2023, ANICO provided notice of the Respondents' terminations to the Division.

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10. In response to a request from the Division, ANICO provided documentation related to the 2023 Investigation to the Division, which supported ANICO's decision to terminate Respondents' appointments for cause.

11. The 2023 Investigation found that since the conclusion of the 2019 Investigation, Respondents had been responsible for issuing:

- 12 policies in which the insureds' SSNs were being used by other individuals;
- 12 policies in which the insureds' SSNs belonged to different individuals than those listed on the polices; and
- 71 policies in which no results were returned with SSN input, which required the insureds' SSNs to be entered manually by the Respondents.

12. The 2023 investigation also reviewed a "small portion" of the active policies that were still active from the 2019 Investigation and concluded:

- 4 policies remained active in which the insureds' SSNs belonged to individuals who were deceased;
- 16 policies remained active in which the insureds' SSNs were being used by other individuals;
- 2 policies remained active in which the insureds' SSNs belonged to different individuals than those listed on the polices; and
- 14 policies remained active in which no results were returned with SSN input, which required the insureds' SSNs to be entered manually by the Respondents.

13. ANICO requires that all of its policy holders have valid SSNs. Respondents have claimed that when they were unable to obtain SSNs from their customers, or if their customers admitted to not having a SSN, Respondents would refer these customers to Progressive or Foremost for policies, which do not typically require SSN verification.

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14. Following the 2019 Investigation, ANICO gave Respondents written guidance for best practices that included requesting applicants' Social Security cards if their SSNs could not otherwise be verified.

15. However, Respondents admitted that they did not verify that their customers had a Social Security card or ask for any other evidence that a particular SSN provided by a customer actually belonged to that person. If a customer's SSN auto populated into ANICO's system, Respondents asserted that they would verify the last four digits of the SSN with the customer. If a customer's SSN was wrong in the ANICO system, or if the customer provided a SSN, then Respondents would, at most, look the SSN up on a website that would confirm whether the SSN *existed*, but did not verify whether it actually belonged to the customer.

16. Respondents admitted in an interview with a Division Investigator that ANICO pays more commissions than Progressive or Foremost. Thus, Respondents had a financial incentive to either remain willfully ignorant as to whether a particular customer had a valid SSN, or possibly even to use an existing SSN that they knew belonged to someone else.

17. The Division also opened an investigation into Christian Espinoza ("Espinoza"), who was first licensed as an Oregon resident individual insurance producer on January 29, 2018. Espinoza's NAIC national producer number is 18339909. Espinoza worked in Jorge's office, was trained by Jorge on how to sell ANICO insurance policies, and was also terminated by ANICO for "[u]sing fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere."

18. Espinoza's termination differed in some respects to Respondents', but it was similar in that he also had an inordinate number of customers in his book of business who did not have valid SSNs. These included eight SSNs that belonged to deceased individuals, 15 SSNs that belonged to different individuals than the policy holders, and 21 SSNs that

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he input manually into the ANICO system. Like Respondents, Espinoza lacked a reasonable explanation for all of these discrepancies.

19. In his testimony to CIS in ANICO's internal investigation, Espinoza admitted, among other things, that he does not verify the last four digits of his customers' SSNs when they are automatically generated in ANICO's system, and that it was Respondents who trained him not to do so.

20. Upon the completion of its 2023 Investigation, ANICO concluded that, because of the inordinate number of policies from Respondents' book of business that contained inaccurate SSNs, it was very unlikely that all of the individual insurance applicants provided false information or, alternatively, that Respondents could not have been unaware that they were submitting false information. The Division's investigation came to the same conclusion.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

21. Pursuant to ORS 744.074(1)(h), the Director may revoke an insurance producer license and may take other actions authorized by the Insurance Code in lieu thereof or in addition thereto, for using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

22. Respondents failed repeatedly to confirm the legitimacy of the SSNs of their insurance buying customers, despite their knowledge from the 2019 Investigation that their book of business contained numerous SSN discrepancies. Respondents also issued ANICO policies to customers that they either knew or should have known did not possess valid SSNs, despite Respondents' being fully aware that ANICO required all of its policy holders to possess valid SSNs. Respondents did so either intentionally or in willful ignorance—in order to increase their commissions—or, alternatively, did so without taking reasonably

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necessary steps to verify that the SSNs that their customers were providing did not belong to someone else.

23. Respondents' repeated failure to confirm the legitimacy of the SSNs of their insurance buying customers, even in the light most favorable to Respondents, demonstrates evidence of their incompetence, untrustworthiness, and/or financial irresponsibility in the conduct of business in this state. Alternatively, in the light least favorable to Respondents, this repeated failure to verify the legitimacy of the SSNs of their insurance buying customers is evidence of their fraudulent, coercive, or dishonest practices. Regardless of which scenario is true, both provide ample evidence to warrant the revocations of their non-resident insurance producer licenses pursuant to ORS 744.074(1)(h).

24. Pursuant to ORS 744.074(1)(b), the Director may revoke an insurance producer license and may take other actions authorized by the Insurance Code in lieu thereof or in addition thereto, for violations of any insurance laws. Pursuant to ORS 746.075(2)(f), a person may not, in connection with an offer or sale of any insurance, obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statement, in light of the circumstances under which it was made, not misleading.

25. Respondents' repeated failure to confirm the legitimacy of the SSNs of their insurance buying customers, and the use of those invalid SSNs in the sale of insurance, was, at best, an omission to state a material fact necessary in order to make the statement, in light of the circumstances under which it was made, not misleading, and in many cases may have been outright untrue statements. These misleading and/or untrue statements in their customers' insurance applications allowed Respondents to obtain money through higher commissions than they would have otherwise been entitled, and each instance was, therefore, a violation of ORS 746.075(2)(f) and more generally, a violation of an insurance law.

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26. Pursuant to ORS 746.100, no person shall make a false or fraudulent statement or representation on or relative to an application for insurance, or for the purpose of obtaining a fee, commission, money or benefit from an insurer or insurance producer.

27. By using their insurance buying customers' invalid SSNs in in their customers' insurance applications, and by inputting unverified and fraudulent SSNs into ANICO's system in order to bypass verification protocols, Respondents made repeated false or fraudulent statement or representation on or relative to an application for insurance. These statements and representations allowed Respondents to obtain money through higher commissions than they would have otherwise been entitled, and each instance was, therefore, a violation of ORS 746.100 and more generally, a violation of an insurance law.

28. Pursuant to ORS 731.252(1), whenever the Director has reason to believe that any person has been engaged or is engaging or is about to engage in any violation of the Insurance Code, the Director may issue an order, directed to such person, to discontinue or desist from such violation or threatened violation.

29. Because the Director has reason to believe that Respondents have violated ORS 744.074(1)(h), the Director may issue an order directed to Respondents to discontinue or desist from those violations under ORS 731.252(1).

30. Pursuant to ORS 731.988(1), the Director may impose a civil penalty of up to $1,000 per violation upon an individual insurance producer who violates the Insurance Code.

ORDERS

The Director issues the following ORDERS:

31. Pursuant to the authority of ORS 731.252(1), the Director hereby ORDERS Respondents to CEASE AND DESIST from violating ORS 744.074(1)(b), 744.074(1)(h), 746.075(2)(f), and 746.100.

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32. Pursuant to ORS 744.074(1)(b) and 744.074(1)(h), the Director hereby SUSPENDS Respondents' resident insurance producer licenses for a period of three years from date that this order is fully executed.

33. As authorized by ORS 731.988(1), the Director hereby ORDERS that Jorge be subject to a CIVIL PENALTY of $3,000 for multiple violations of ORS 744.074(1)(b), 744.074(1)(h), 746.075(2)(f), and 746.100.

34. Additionally, as authorized by ORS 731.988(1), the Director hereby ORDERS that Karen be subject to a CIVIL PENALTY of $3,000 for multiple violations of ORS 744.074(1)(b) and 744.074(1)(h).

35. The Director SUSPENDS the entire $3,000 of the CIVIL PENALTY imposed against Jorge, provided that he:

A. Complies with all legal requirements to keep his insurance producer license active over the course of the suspension period;

B. Does not violate the terms of this Consent Order; and

C. Does not commit any further violations the Oregon Insurance Code for a period of five years.

36. The Director SUSPENDS the entire $3,000 of the CIVIL PENALTY imposed against Karen, provided that she:

A. Complies with all legal requirements to keep his insurance producer license active over the course of the suspension period;

B. Does not violate the terms of this Consent Order; and

C. Does not commit any further violations the Oregon Insurance Code for a period of five years.

37. The $3,000 suspended CIVIL PENALTY imposed against Jorge will be waived five years from the effective date of this Order, provided he has complied with the foregoing Order terms and does not commit any further violations of the Insurance Code

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during that five year period. Jorge's failure to satisfy any term of this Order will render all suspended CIVIL PENALTIES immediately due and owing.

38. The $3,000 suspended CIVIL PENALTY imposed against Karen will be waived five years from the effective date of this Order, provided she has complied with the foregoing Order terms and does not commit any further violations of the Insurance Code during that five year period. Karen's failure to satisfy any term of this Order will render all suspended CIVIL PENALTIES immediately due and owing.

39. This Order is a "Final Order" under ORS 183.310(6)(b). Subject to that provision, entry of this Order does not limit or prevent further remedies available to the Director under Oregon law to enforce this Order or take action for violations of this Order or of the Insurance Code not covered by this Order.

IT IS SO ORDERED.

Dated this 9th day of October 2024.

ANDREW R. STOLFI, Director
Department of Consumer and Business Services

/s/ Dorothy Bean
Dorothy Bean, Chief of Enforcement
Division of Financial Regulation

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CONSENT TO ENTRY OF ORDER

I, Jorge Padilla Lazos, state that I have read the foregoing order and I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. I desire to resolve and settle this matter with the Director. I voluntarily, without any force or duress, consent to the entry of this order, expressly waiving any right to a hearing in this matter. I understand that the Director reserves the right to take further actions to enforce this order or to take appropriate actions upon the discovery of other violations of the Oregon Insurance Code or laws regulated under the Division's statutory authority, and I will fully comply with the terms and conditions stated herein.

I further understand that this consent order is a public document.

Dated this 8th day of October 2024.

/s/ Jorge Padilla Lazos
Jorge Padilla Lazos

State of Oregon

County of Multnomah

Signed or attested before me on this 8th day of October, 2024

By Athona G. Marcus.

/s/ Athona G. Marcus
Notary Public

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CONSENT TO ENTRY OF ORDER

I, Karen Padilla Solano, state that I have read the foregoing order and I know and fully understand the contents hereof. I have been advised of the right to a hearing and of the right to be represented by counsel in this matter. I desire to resolve and settle this matter with the Director. I voluntarily, without any force or duress, consent to the entry of this order, expressly waiving any right to a hearing in this matter. I understand that the Director reserves the right to take further actions to enforce this order or to take appropriate actions upon the discovery of other violations of the Oregon Insurance Code or laws regulated under the Division's statutory authority, and I will fully comply with the terms and conditions stated herein.

Dated this 8th day of October 2024.

/s/ Karen Padilla Lazos
Jorge Padilla Lazos

State of Oregon

County of Multnomah

Signed or attested before me on this 8th day of October, 2024

By Athona G. Marcus.

/s/ Athona G. Marcus
Notary Public

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