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

In the Matter of: JEREMY TRAUTMAN, an Individual, Respondent.	Case No. INS-22-0126 FINAL ORDER TO CEASE AND DESIST, FINAL ORDER REVOKING LICENSE, AND FINAL ORDER ASSESSING CIVIL PENALTY, ENTERED BY DEFAULT

On March 21, 2023, the Director of the Department of Consumer and Business Services for the State of Oregon ("Director"), by and through the Division of Financial Regulation ("Division"), served an Order to Cease and Desist, Proposed Order to Revoke License, and Proposed Order to Assess Civil Penalty ("Notice") on Jeremy Trautman ("Respondent").

The Notice offered Respondent an opportunity for a hearing if requested within 20 days of service of the Notice. The Notice further informed Respondent that if a hearing was not conducted because Respondent did not timely request a hearing or otherwise defaulted, then the designated portion of the Division's file and all materials submitted by Respondent in this case would automatically become part of the contested case record for the purpose of proving a prima facie case.

The Director did not receive from Respondent a request for a hearing and did not conduct a hearing.

FINDINGS OF FACT

The Director FINDS that:

1. On August 2, 2016, Respondent was issued an Oregon resident insurance producer license ("License"). Respondent's national producer number is 18037950.

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2. At all relevant times, Respondent was employed by Velapoint LLC ("Velapoint") and sold health insurance products on its behalf.[1]

Audits and Disciplinary Problems

3. Velapoint conducts Quality Assurance Audits ("Audits") of its producers to evaluate them on product and compliance criteria.[2] It conducts two to three Audits a month on each producer.

4. Velapoint utilizes a Performance Improvement Plan ("PIP") process, whereby discipline is supposed to proceed along the following steps:

A. Verbal Warning[3]

B. Written Warning

C. Probation

D. Termination

5. In early 2020, the Division requested disciplinary information for numerous producers employed by Velapoint, including Respondent.

6. Between January 2019 and February 2021, Respondent failed 25 of 55 (45.45%) of his Audits.

7. Between January 2019 and September 2022, Respondent received at least 18 verbal or written warnings.

8. The foregoing failures and warnings were for a variety of reasons, including:

A. Repeatedly failing to read the Enrollment Confirmation Statement ("ECS") to consumers;[4] [5]

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[1] Velapoint's national producer number is 8966319.
[2] Compliance criteria includes, but is not limited to, getting proper HIPAA consent, reading all application questions verbatim, determining whether the customer is eligible for a Special Enrollment Period, and discussing ACA policy options with the customer.
[3] Velapoint does not require verbal warnings to be documented with Human Resources, so those referenced in this order are those which were documented.
[4] The ECS includes a recitation of each product the consumer is purchasing, including its cost. This allows the consumer to make an informed decision as to whether to confirm the purchase.
[5] At one point, Respondent was found to have made an ECS omission or misstatement in 81 of 107 Audits.

B. Failing to disclose applicable premiums;

C. Failing to read mandatory disclosures;

D. Failing to obtain HIPAA authorizations;

E. Providing inaccurate or incomplete information;

F. Failing to appropriately read mandatory health questions;

G. Designating beneficiaries without consumer authorization or notification;

H. Bundling products;

I. Failing to utilize secure pauses to access sensitive consumer information; and

J. Making inappropriate statements to consumers, such as that he was too busy to continue assisting them.

Beat Your Best Program

9. From 2019 through the 2022, Velapoint ran a bonus program during the ACA open enrollment period.[6] This program, called "Best Your Best" ("BYB"), awarded points to individual producers for each health insurance product they sold. Products included ACA policies,[7] short-term medical ("STM") policies,[8] and supplemental insurance policies.

10. Velapoint sells a variety of STM and supplemental policies, including those offered by National General ("NG").

11. Under BYB, different products had different point values. For example, ACA

[6] During the open enrollment period, ACA-compliant health insurance is available to all consumers regardless of whether they had a qualifying life event.

[7] ACA policies, among other attributes, prohibit discrimination based on pre-existing conditions and/or gender, and also include essential health benefits that may be excluded from non-ACA policies.

[8] STMs are health insurance policies with limited durations, typically several months to a year. STMs are not required to offer essential health benefits covered by ACA policies, including benefits related to maternity, mental health, and pre-existing conditions.

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policies were worth .7 points. STM policies, and NG policies in particular,[9] were worth more. Supplemental policies had independent point values as well.

12. BYB points earned by producers converted into a variety of benefits, including cash bonuses, trips, gift cards, TVs, iPads, and gaming consoles. In addition, for each NG product sold producers earned an entry for weekly prize raffles.

13. Velapoint distributed written materials to its producers in connection with BYB. The materials encouraged producers to sell insurance products in particular combination with each other in order to earn more points.

14. On or around December 2, 2019, during the open enrollment period, Respondent spoke with a consumer seeking medical coverage. Respondent offered him a "bundle" that included an NG STM policy and at least four supplemental policies. The consumer said he wanted to think it over but Respondent discouraged this, stating he was "super slammed" and had to respond to unanswered voicemails. The consumer enrolled in the recommended coverage. Trautman earned 6.3 BYB points and an $85 cash bonus for this transaction.

15. The Audit for this call found that Respondent:

A. Provided inaccurate information for the STM policy and a hospital supplement;

B. Omitted information for the STM policy and numerous supplements;

C. Failed to state that a medical supplement didn't cover pre-existing conditions;

D. Failed to ask the consumer to name a beneficiary;

E. Added the consumer's spouse to the application without permission; and

F. Told the consumer he couldn't provide additional options because he

[9] Velapoint and NG share the same parent company.

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was receiving other calls.

16. Respondent later stated he did not provide the consumer with further assistance because he was "super tired" and had been trained to close every call with a sale.

17. On or around November 2, 2020, during the open enrollment period, Respondent spoke with a consumer seeking medical coverage. The consumer was not a United States citizen. Respondent gave the consumer various coverage options and the consumer repeatedly said he was confused. Respondent sold the consumer a STM policy and four supplemental policies. Respondent didn't ask the consumer clarifying questions about his citizenship to determine whether he qualified for an ACA policy.[10] Respondent earned 5.7 BYB points and a $125 cash bonus for this transaction.

18. The Audit for this call found that Respondent:

A. Provided inaccurate information for numerous supplements;

B. Omitted information for the limited medical supplement; and

C. Failed to identify numerous applicable fees in the ECS.

19. On or around November 11, 2020, during the open enrollment period, Respondent spoke with a consumer seeking medical coverage for herself and her daughter. Respondent did not review ACA policies with her. Rather, he directed her to the ACA website and told her to "get back to him." He sold the consumer a STM policy and four supplemental policies. Trautman earned 5.4 BYB points and an $85 cash bonus for this transaction.

20. The Audit for this call found that Respondent:

A. Provided inaccurate information for a dental supplement;

B. Omitted information for the STM policy and numerous supplements; and

C. Omitted the cost of the dental supplement.

[10] Documented immigrants can qualify for ACA policies.

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21. On or around December 1, 2020, during the open enrollment period, Respondent spoke with a consumer seeking medical coverage for herself and her husband. He sold the consumer a STM policy and three supplemental policies. Respondent referred to these products as a "package" and failed to provide the consumer with an ECS. He did not list each product or its cost to the consumer. Respondent earned 5.2 BYB points and an $60 cash bonus for this transaction.

22. The Audit for this call found that Respondent:

A. Provided inaccurate information for a dental supplement;

B. Failed to state that the STM policy didn't cover pre-existing conditions;

C. Omitted information for the STM policy ; and

D. Failed to discuss applicable waiting periods for a critical illness supplement.

23. Respondent was the third highest earner for the 2019 BYB, earning $9,780 in cash bonuses along with a trip to Mexico. For that period, he sold 45 ACA policies and 500 STM and supplemental policies combined. He was the fourth highest earner for the 2020 BYB, earning $12,264 in cash bonuses. For that period, he sold 13 ACA policies and 440 STM and supplemental policies combined.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

24. Respondent demonstrated incompetence and untrustworthiness in the conduct of his business, and the Director may revoke his License under ORS 744.074(1)(h), by:

A. Bundling insurance products to consumers without sufficiently describing the distinctions between them, as set forth in Paragraphs (8), (14), (17), and (21).

B. Selling insurance products to consumers without sufficient regard for their needs and/or requests, including recommending STM and supplemental

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policies over ACA-compliant policies because of his personal financial incentives, as set forth in Paragraphs (9) – (23); and

C. Failing to provide accurate and complete information to consumers in connection with the sale of insurance products, as set forth in Paragraphs (8) and (14) – (22).

25. Respondent used coercive and dishonest practices, and the Director may revoke his License under ORS 744.074(1)(h), by:

A. Bundling insurance products to consumers without sufficiently describing the distinctions between them, as set forth in Paragraphs (8), (14), (17), and (21).

B. Selling insurance products to consumers without sufficient regard for their needs and/or requests, including recommending STM and supplemental policies over ACA-compliant policies because of his personal financial incentives, as set forth in Paragraphs (14) – (22); and

C. Making inappropriate statements to insurance-seeking consumers to pressure them to purchase particular products and/or prevent them from purchasing ACA-compliant policies, as set forth in Paragraphs (14) and (19).

26. Respondent made false statements and representations in connection with insurance applications, in violation of ORS 746.100, by:

A. Bundling insurance products to consumers without sufficiently describing the distinctions between them, as set forth in Paragraphs (8), (14), (17), and (21); and

B. Recommending STM and supplemental policies over ACA-compliant policies because of his personal financial incentives, as set forth in Paragraphs (9) – (23).

27. Under ORS 744.074(1)(b), the Director may revoke Respondent's License for

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committing the foregoing violations of ORS 746.100.

28. Because the Director has reason to believe that Respondent has been engaged, is engaging, or is about to engage in violations of the Insurance Code, the Director may issue an order to Respondent to cease and desist, pursuant to ORS 731.252(1).

29. Under ORS 731.988(1), the Director may impose a civil penalty of up to $1,000 *per violation* upon any person who violates a provision of the Insurance Code.

ORDERS

Now therefore, the Director issues the following ORDERS:

30. As authorized by ORS 731.252(1), the Director hereby ORDERS Respondent to CEASE AND DESIST from violating ORS 744.074(1)(h) and/or ORS 746.100.

31. As authorized by ORS 744.074(1)(b) and (h), the Director hereby REVOKES Respondent's License for the foregoing violations of ORS 744.074(1)(h) and ORS 746.100.

32. As authorized by ORS 731.988(1), the Director hereby ORDERS that Respondent be subject to a CIVIL PENALTY of $5,000 as follows:

A. $4,000 for violating ORS 744.074(1)(h); and

B. $1,000 for violating ORS 746.100.

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33. This is a "Final Order" under ORS 183.310(6)(b). Subject to this provision, the entry of this Order does not limit further remedies that may be available to the Director under Oregon law.

SO ORDERED this 20th day of April, 2023.

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

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

NOTICE OF RIGHT TO JUDICIAL APPEAL

You are entitled to judicial review of this order in accordance with ORS 183.482. You may request judicial review by filing a petition with the Court of Appeals in Salem, Oregon, within 60 days from the date this order is served.

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