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

In the Matter of: CHRISTIAN ESPINOZA, Respondent.	Case No. INS-24-0006 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 Christian Espinoza ("Respondent"). The Division determined that Respondent violated certain provisions of the Insurance Code" and the Oregon Administrative Rules ("OAR") promulgated under those laws. Respondent has resolved this matter with the Director by agreeing to the suspension of his Oregon nonresident insurance producer license and to the assessment of civil penalties, as more fully described below.

Now, therefore, as evidenced by the signature subscribed herein, Respondent hereby CONSENTS 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. Respondent was first licensed as an Oregon resident individual insurance producer on January 29, 2018. Respondent's National Association of Insurance Commissioners ("NAIC") national producer number is 18339909.

2. Respondent held appointments with insurance carrier American National Insurance Company ("ANICO").

3. Jorge Padilla Lazos ("Lazos") and Karen Padilla Solano ("Solano") trained Respondent in the selling of insurance.

4. In 2019, ANICO's Corporate Investigative Services ("CIS") opened an investigation into the agency that Lazos 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 that Lazos worked for that had accounts with noted discrepancies, Lazos was the central focus of the 2019 Investigation because he was responsible for the overwhelming majority of these discrepancies. Respondent was aware of this investigation, but asserted that because he was new to the agency, the issue did not involve his practices.

5. When one of Respondent's customers submitted an application for insurance, Respondent would enter the customer's name and date of birth into ANICO's system, as Lazos and Solano trained him to do, which would 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. Respondent was then required to confirm the last four digits of the SSN that the system pulls with the customer to verify them. ANICO requires its insurance 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. On or about February 17, 2023, CIS opened a new investigation into Respondent's business practices (the "2023 Investigation"). It is known across the insurance industry that young drivers have higher rates due to their lack of experience. ANICO considers drivers over the age of 21 without three years documented driving history as inexperienced operators, and therefore requires that a "inexperienced operator surcharge" be applied to drivers aged 16-20 years of age or to drivers over the age of 21 years who had not been licensed to operate a motor vehicle in the prior 36 months. The 2023 Investigation was opened after CIS discovered that Respondent had rarely applied the inexperienced operator surcharge to relevant policies, which resulted in a significant loss of revenue for ANICO.

8. During the course of 2023 Investigation. On July 21, 2023, CIS received information that one of Respondent's insured customers, hereafter referred to as "LCD," had advised a claims representative that he did not have a SSN or a visa; though he did have a valid driver's license. It was discovered that the SSN that Respondent had entered into ANICO's system at the time that LCD had applied for insurance actually belonged to person who had been deceased since 1995.

9. CIS examined both LCD and Respondent under oath. LCD claimed that he had advised Respondent that he did not have a SSN. Respondent claimed that ANICO's system had auto-populated the SSN after he had entered LCD's other personal information, and that he had not bothered to verify the SSN with LCD because Lazos and Solano had not trained him to do so. Respondent further stated that Padilla had trained him to fill out an application, and that he was also not trained to ask the "underwriting questions" concerning potential customers, which include such questions about past felonies, other drivers in the household, or prior accidents not listed on a motor vehicle report. Rather, Respondent claimed that he assumed that customers would advise him if there were any updates needed after the customers reviewed their insurance proposals.

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10. CIS reviewed approximately 12.5% of Respondent's book of business and found eight policies in which the insureds' SSNs belonged to deceased individuals and an additional 21 policies in which no results were returned with SSN input, which required the insureds' SSNs to be entered manually by the Respondent.

11. ANICO requires that all of its policy holders have valid SSNs, and if a potential insured does not have one, then ANICO will not issue a policy for that individual.

12. At the conclusion of the 2023 Investigation, Espinoza was 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." ANICO notified the Division of Respondent's termination on or about October 27, 2023. ANICO's 2023 Investigation concluded that, because of the inordinate number of policies from Respondent's 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.

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CONCLUSIONS OF LAW

The Director CONCLUDES that:

13. Pursuant to ORS 744.074(1)(h), the Director may place a licensee on probation or suspend, revoke or refuse to issue or renew 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.

14. Respondent failed repeatedly to confirm the legitimacy of the SSNs of his insurance buying customers, despite having at least some knowledge from the 2019

Investigation that SSN discrepancies had been an issue for Lazos, who had trained him. Respondent also issued ANICO policies to customers that they either knew or should have known did not possess valid SSNs, despite Respondent's being fully aware that ANICO required all of its policy holders to possess valid SSNs. Respondent did so either intentionally or in willful ignorance or, alternatively, did so without taking reasonably necessary steps to verify that the SSNs that his customers were providing did not belong to someone else.

15. Respondent's repeated failure to confirm the legitimacy of the SSNs of their insurance buying customers, even in the light most favorable to Respondent, 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 revocation or suspension of his non-resident insurance producer licenses pursuant to ORS 744.074(1)(h).

16. Furthermore, Respondent's failure to attach the inexperienced driver surcharge to many of his customers' policies that should have included it demonstrates a lack of competence on the part of Respondent.

17. Pursuant to ORS 744.074(1)(b), the Director may place a licensee on probation or suspend, revoke or refuse to issue or renew 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.

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18. Respondent's repeated failure to confirm the legitimacy of the SSNs of his 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 his customers' insurance applications may have allowed Respondent to obtain money through higher commissions than he 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.

19. 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.

20. By using his 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, Respondent made repeated false or fraudulent statement or representation on or relative to an application for insurance. These statements and representations allowed Respondent to obtain money through higher commissions than he 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.

21. 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.

22. 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).

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23. 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:

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

25. Pursuant to ORS 744.074(1)(b) and 744.074(1)(h), the Director hereby SUSPENDS Respondent's resident insurance producer license for a period of two years from date that his order is fully executed.

26. As authorized by ORS 731.988(1), the Director hereby ORDERS that Respondent 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.

27. The Director SUSPENDS the entirety $3,000 of the CIVIL PENALTY, provided that:

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

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

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

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

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29. 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 5th day of August ,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, Christian Espinoza, 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 2nd day of August 2024.

/s/ Christian Espinoza
Christian Espinoza

State of Oregon

County of Washington

Signed or attested before me on this 2nd day of August , 2024

By Christian Espinoza.

/s/ Kira S. Roberts
Notary Public

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