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

In the Matter of: JACK E. SHELTON, an individual, Respondent.	Case No. INS-21-0049 FINAL ORDERS TO CEASE AND DESIST SUSPENDING 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 by and through the Division of Financial Regulation ("Division"), in accordance with Oregon Revised Statutes ("ORS") 731, 732, 733, 734, 735, 737, 742, 743, 743A, 743B, 744, 746, 748 and 750, and the Oregon Administrative Rules ("OARs") promulgated thereunder ("Oregon Insurance Code"), has determined that Jack E. Shelton ("Shelton") engaged in activities constituting violations of the Oregon Insurance Code.

Shelton wishes to resolve and settle this matter with the Director.

Now, therefore, as evidenced by the authorized signatures subscribed on this Order, Shelton hereby CONSENTS to entry of this Order upon the Director's Findings of Fact and Conclusions of Law as stated hereinafter.

FINDINGS OF FACT

The Director FINDS that:

1. Shelton has been licensed as an insurance producer in Oregon since February 18, 2020. Shelton's license number and National Producer Number (NPN) is 19422790.

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2. Shelton's business address is 11863 SW Barcelona St. Wilsonville, OR 97070.

3. From February 18, 2020, through October 21, 2020, Shelton held an appointment with Mutual of Omaha Insurance Company ("Mutual of Omaha").

The MN Application

4. On March 25, 2020, Shelton met with his 21-year-old stepdaughter—who for the purposes of this Order will be identified as MN—and completed a Mutual of Omaha life insurance application ("the MN Application"). On the MN application, Shelton provided his own phone number in place of MN's phone number, and his own email address in place of MN's email address.

5. As part of the MN Application, Shelton completed a new business cover memorandum for Mutual of Omaha. On that memorandum, Shelton was asked whether he was related to MN. He answered this question "no." In addition, Shelton was asked how long he had known MN, to which he answered "today." In actuality, Shelton had married MN's mother in 2015, and had known MN for approximately seven years at the time of the MN Application.

6. As a further part of the MN Application, Shelton completed a payment authorization form authorizing Mutual of Omaha to withdraw premiums for the policy. On the payment authorization, Shelton stated that MN would be the payor on the policy. In actual fact, the premiums for the policy were paid from Shelton's bank account.

The AB Application

7. On March 27, 2020, Shelton met with his 27-year-old daughter—who for purposes of this Order will be identified as AB—and completed a Mutual of Omaha life insurance application ("the AB Application"). On the AB Application, Shelton misstated AB's address, instead providing the address for a Post Office Box registered to Shelton. Shelton also provided his personal phone number in place of AB's phone number, and his email address in place of AB's email address.

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The LRS Application

8. On April 4, 2020, Shelton met with his ex-wife—who for purposes of this Order will be identified as LRS—and completed a Mutual of Omaha life insurance application ("the LRS Application"). On the LRS Application Shelton again provided the address of Shelton's Post Office Box in place of LRS' mailing address. Shelton also provided his personal phone number in place of LRS' phone number, and his personal email address in place of LRS' email address.

9. As part of the LRS Application, Shelton completed a payment authorization form authorizing Mutual of Omaha to withdraw premiums for the policy. On the payment authorization, Shelton stated that LRS would be the payor on the policy. In actual fact, the premiums for the policy were paid from Shelton's bank account.

The KS Application

10. On April 15, 2020, Shelton met with his 23-year-old daughter—who for purposes of this Order will be identified as KS—and completed a Mutual of Omaha life insurance application ("the KS Application"). On the KS application, Shelton provided his own email address in place of KS' email address.

The LS Application

11. On April 16, 2020, Shelton met with his 18-year-old son—who will be identified for purposes of this Order as LS—and completed a Mutual of Omaha life insurance application ("the LS application"). On the LS application, Shelton provided Shelton's email address in place of LS' email address.

The TN Applications

12. On September 2, 2020, Shelton met with his 18-year-old stepdaughter—who for purposes of this Order will be identified as TN—and completed a Mutual of Omaha life insurance application ("the first TN application"). On the first TN application, Shelton

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again provided his personal phone number in place of TN's phone number, and his own email address in place of TN's email address.

13. Mutual of Omaha rejected the first TN application because the application mistakenly identified MN as the policy holder.

14. On September 4, 2020, Shelton again met with TN and completed a second Mutual of Omaha life insurance policy ("the 2nd TN Application"). On the 2nd TN application, Shelton again provided his personal email address in place of TN's phone number. In addition, on the 2nd TN application Shelton indicated that TN was a recreational therapist at Oregon State University. Shelton later admitted that TN was a student at Oregon State University at the time of the 2nd TN Application, and did not work as a recreational therapist. Shelton submitted the 2nd TN application to Mutual of Omaha on September 4, 2020.

15. As part of the 2nd TN Application, Shelton completed a new business cover memorandum for Mutual of Omaha. On that memorandum, Shelton was asked whether he was related to TN. He answered this question "no." In actuality, Shelton had married TN's mother in 2015, and had known TN for approximately seven years at the time of the 2nd TN Application.

16. As a further part of the 2nd TN Application, Shelton completed a payment authorization form authorizing Mutual of Omaha to withdraw premiums for the policy. On the payment authorization, Shelton stated that TN would be the payor on the policy. In actual fact, the premiums for the policy were paid from Shelton's bank account.

Phone Calls with Mutual of Omaha

17. On September 10, 2020, a Mutual of Omaha Underwriter called the phone number provided on the 2nd TN application and asked to speak to TN about her application. Shelton answered the phone and spoke to the underwriter. Shelton identified himself to the underwriter as TN's father and stated that he would leave a message for TN. Shelton did

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not identify himself by name to the underwriter or inform the underwriter that he was the agent who submitted TN's applications.

18. On September 11, 2020, a second Mutual of Omaha underwriter called the phone number provided on the 2nd TN application and asked to speak to TN about her application. Shelton again answered the phone call and spoke to the underwriter. On this call, Shelton denied being the person that the previous underwriter had spoken to on September 10. Shelton again represented to the second underwriter that the phone number provided on TN's 2nd application was TN's phone number.

19. On September 12, 2020, an individual called Mutual of Omaha from Shelton's personal phone number and spoke to a third underwriter. On this call, the individual identified themself as TN and said they were calling about TN's life insurance policy.

20. After a few moments, this call was disconnected. The Mutual of Omaha underwriter then called Shelton's personal phone number to resume the conversation. The individual who answered this call again identified themselves as TN—however, this individual's voice was different than that of the individual who had initially called Mutual of Omaha. On knowledge and belief, the individual who answered this call was Shelton.

21. On knowledge and belief, Shelton—posing as TN—identified Shelton as TN's "friend's dad," and advised the underwriter that Shelton was the insurance agent who had helped TN fill out both the 1st and 2nd TN applications.

CONCLUSIONS OF LAW

The Director CONCLUDES the following:

False Statement on Application for Insurance

22. Pursuant to ORS 746.100, no person may 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."

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23. Shelton violated ORS 746.100 in 13 instances as follows:

(a) By providing his personal phone number and email address on the MN Application in place of the phone number and email address of MN;

(b) By stating on the MN Application that Shelton was not related to MN and was not previously known to Shelton;

(c) By stating on the MN Application that MN would be paying the premiums on MN's life insurance policy, when in fact the premiums were to be paid by Shelton;

(d) By providing his PO box, personal phone number, and email address on the AB Application in place of the mailing address, phone number, and email address of AB;

(e) By providing his email address on the LS Application in place of the email address of LS;

(f) By providing his personal email address on the KS Application in place of the email address of KS;

(g) By providing his PO box, personal phone number, and email address on the LRS Application in place of the mailing address, phone number, and email address of LRS;

(h) By stating on the LRS Application that LRS would be paying the premiums on LRS's life insurance policy, when in fact the premiums were to be paid by Shelton;

(i) By providing his personal phone number and email address on the 1st TN Application in place of the phone number and email address of TN;

(j) By providing his personal phone number and email address on the 2nd TN Application in place of the phone number and email address of TN,

(k) By misrepresenting TN's occupation on the 2nd TN Application;

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(l) By stating on the 2nd TN Application that TN would be paying the premiums on MN's life insurance policy, when in fact the premiums were to be paid by Shelton;

(m) By posing as TN on the phone call with the Mutual of Omaha underwriter.

Authority for Licensing Action

24. Under 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" if a producer uses "fraudulent, coercive or dishonest practices" in the conduct of business.

25. Shelton engaged in fraudulent or dishonest practices for purposes of ORS 744.074(1)(h) by making the false statements described in Paragraph 23, above.

Cease and Desist Authority

26. Under ORS 731.252 (1), because the Director has reason to believe that Shelton has engaged in violations of the Insurance Code, the Director may issue an order to Shelton to cease and desist from violations of the Insurance Code.

Civil Penalties Authority

27. Under ORS 731.988(1), the Director may impose a civil penalty against an individual insurance producer in an amount not to exceed $1,000 for each violation of the Insurance Code. Each violation is a separate offense.

ORDERS

Now therefore, the Director issues the following Orders:

Cease and Desist

28. As authorized by ORS 731.252 (1), the Director ORDERS Shelton to CEASE AND DESIST from violating the Insurance Code.

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License Suspension

29. As authorized under ORS 744.074(1)(h), the Director hereby SUSPENDS Shelton's Oregon insurance producer license for a period of one year, effective on the date this Order is executed by the Director.

Probation

30. After the conclusion of the period of license suspension described above, the Director ORDERS that Shelton's resident insurance producer license shall include the following probationary conditions for a term of three years:

a. Shelton will obey all federal, state, and local laws.

b. Shelton will comply with all applicable insurance statues, rules, and regulations.

c. Shelton will notify the Director within fourteen days of all appointments with insurers or employment within the industry.

d. Shelton will notify the Director within fourteen days if there is a change in appointment or employer.

e. Shelton shall make all applications for insurance that he prepares, assists in preparing, or files during the term of probation available to the Division on request, at Shelton's expense.

f. During each of the three years of the term of probation, Shelton will complete three hours of continuing education in ethics and submit proof of completion to the Director. Proof of completion will be due each year no later than the anniversary of the execution of this Order. This continuing education requirement is in addition to any other continuing education requirements for maintenance of License.

g. The term of this probation will be for three years from the date of entry of this Order without further action by the Division unless the probation period is extended by the Director.

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h. If Shelton fails to comply with the conditions of this License, Shelton agrees to notify the Division of the failure to meet the conditions and surrender the License immediately. If Shelton fails to surrender the License within seven days of providing notification to the Division or from the date that the Division notifies Shelton that the Director believes that there has been a violation of this Order, whichever is earlier, Shelton agrees that his License shall be revoked immediately.

Civil Penalties

31. As authorized by ORS 731.988(1), the Director hereby ORDERS that Shelton be subject to a CIVIL PENALTY of $13,000 for violating ORS 746.100 in 13 instances by making "false or fraudulent statements or representation on or relative to an application for insurance," as described in paragraph 23, above.

32. The Director hereby SUSPENDS payment of $8,000 of the CIVIL PENALTY imposed on Shelton for a period of three years from the effective date of this Order, provided Shelton complies with this order and commits no new violations of the Insurance Code, or of any rules adopted pursuant to the Insurance Code.

33. Shelton shall pay the $5,000 non-suspended part of the CIVIL PENALTY assessed herein against Shelton on the following schedule:

a. The first payment of $1,000 shall be due no later than 11:59 PM Pacific time on Monday, October 3, 2022;

b. The remaining $4,000 shall be due no later than 11:59 PM Pacific Time on Friday, December 16, 2022.

34. The $8,000 suspended CIVIL PENALTY will be waived four years from the effective date of this Order, provided Shelton has complied with the forgoing Order terms and does not commit any further violations of the Insurance Code during the four year period. The Director reserves the right to immediately assess and collect the suspended civil penalty upon a determination that Shelton has violated any term of this Order or has committed any further violation of the Insurance Code.

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

SO ORDERED this 22nd day of November, 2022.

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, JACK E. SHELTON, state that I have read the foregoing Consent Order and that I know and fully understand the contents hereof; that the factual allegations stated herein are true and correct; that I have been advised of my right to a hearing, and that I have been advised of my right to be represented by counsel in this matter; that I voluntarily consent to the entry of this Consent Order without any force or duress, expressly waiving any right to a hearing in this matter, as well as any rights to administrative or judicial review of this Consent Order; that I understand that the Director reserves the right to take further actions against me to enforce this Consent Order or to take appropriate action upon discovery of other violations of the Insurance Code by me; and that I will fully comply with the terms and conditions stated herein.

I understand that this Consent Order is a public document.

s/ Jack Shelton
Signature

State of Oregon

County of Clackamas

Signed or attested before me on this 19th day of September, 2022 by Jack E. Shelton.

Anthony Jack Bates
Notary Public

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