

STATE OF MAINE
BUREAU OF INSURANCE

IN RE:

KEITH W. PAGE

Maine License No. PRR47266

CONSENT AGREEMENT

Docket No. INS-12-222

Keith Page, a Maine-licensed resident insurance producer, the Maine Superintendent of Insurance (“the Superintendent”), and the Office of the Maine Attorney General (“Attorney General”) hereby enter into this Consent Agreement pursuant to 10 M.R.S.A. § 8003(5)(B) to resolve, without an adjudicatory proceeding, violations of the Insurance Code for which the Superintendent may impose discipline pursuant to 24-A M.R.S.A. §§ 1417 and 1420-K.

PARTIES

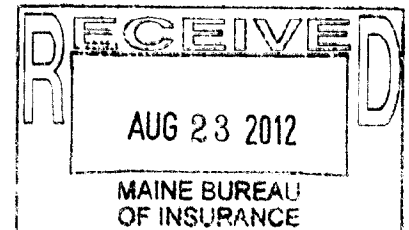
1. The Superintendent of Insurance is the official charged with administering and enforcing Maine’s insurance laws and regulations, and the Bureau of Insurance is the administrative agency with such jurisdiction. The Superintendent has jurisdiction over this matter pursuant to 24-A M.R.S.A. §§ 12-A and 211.
2. Keith Page has been licensed in Maine as an insurance producer with Life and Health and Variable Contracts authorities since 1996. His Maine resident producer license number is PRR47266.

STATUTORY AUTHORITY

3. Under 24-A M.R.S. §§ 12-A and 1420-K, the Superintendent may issue a warning, censure, or reprimand to a licensee, may suspend, revoke or refuse to renew the license of a licensee, may impose conditions of probation on the licensee, may levy a civil penalty, or may take any combination of such actions, for violating any insurance laws, or violating any rule, regulation, subpoena, or order of the Superintendent. Pursuant to 10 M.R.S.A. § 8003(5)(B), the Superintendent may resolve a complaint by entering into a consent agreement with a licensee and with the agreement of the Attorney General.

FACTS

4. From 2000 to 2005, Mr. Page was employed as a “financial specialist” for Allstate Insurance Company. In this capacity, Mr. Page was placed in various Allstate agencies selling life insurance, annuities, and mutual funds. Through this employment, Mr. Page met C.M., the owner of an Allstate agency.



5. Around 2005, Mr. Page left employment with Allstate. He opened his own insurance business, Maine Street Advisors, and a financial planning business, Maine Street Wealth Management.
6. In 2006, C.M.'s husband died. C.M. sold her agency and the building in which it was located. With the proceeds from this sale and her husband's life insurance policy, her net worth was in excess of two million dollars.
7. Mr. Page offered to help C.M. with the sale of the agency and her future financial planning.
8. From August, 2006, to February, 2010, Mr. Page engaged in 17 annuity sales or replacements with C.M. His commissions from these sales and exchanges totaled over \$180,000.
9. Mr. Page sold an annuity from Sun Life Assurance Company of Canada (Policy No. KA 13023900-01) to C.M. on August 25, 2006 in the amount of \$400,000. Mr. Page received a \$40,000 commission from this sale. This annuity had a ten-year surrender-charge period.
10. In late October or early November, 2008, upon Mr. Page's recommendation, C.M. withdrew \$360,000 from this Sun Life annuity for the purpose of purchasing an annuity from American Equity Investment Life Insurance Company. Mr. Page had C.M. withdraw the money and hold it in her bank account until November 4, 2008, when she used it to pay the premium for the American Equity annuity. The American Equity annuity (Policy No. 703705) had a 16-year surrender-charge period. Mr. Page received a \$32,400 commission from this sale.
11. Generally speaking, the Internal Revenue Code subjects annuity owners to tax penalties if they withdraw funds before age 59 ½. These tax penalties can be avoided, however, if the annuity owner is exchanging one annuity for another. This tax-free exchange of annuities, known as a "1035 exchange," is governed by section 1035 of the Internal Revenue Code.
12. Although Mr. Page could have structured the purchase of the American Equity annuity as a 1035 exchange, he failed to do so. Because of this failure, the Internal Revenue Service assessed C.M. a tax penalty for what it determined was a premature withdrawal from her Sun Life annuity. Mr. Page never advised C.M. that the transaction, as structured by him, would result in a tax penalty. Eventually, C.M.'s accountant was able to convince the IRS that C.M. did not owe the penalty. However, this situation would not have occurred had Mr. Page structured the transaction as a 1035 exchange.
13. In addition, Mr. Page failed to disclose to American Life that the purpose of the transaction was to replace, substantially, one annuity for another. Mr. Page completed the annuity application and the suitability acknowledgement form for the purchase of the American Equity annuity on C.M.'s behalf, and she relied upon him to do so. In completing the application on C.M.'s behalf, Mr. Page answered "no" to the question "Will this annuity replace any existing insurance or annuities in this or any other company?" On the application, Mr. Page also answered "no" to the question "Do you have any reason to believe that replacement of existing insurance may be involved?" and signed this response as the selling agent. In completing the suitability acknowledgement form on C.M.'s behalf, Mr. Page indicated that the source of the

funds to purchase the annuity was checking and savings accounts. He further answered “no” to the question “Are you using funds from an existing life insurance policy or annuity contract to purchase this annuity contract?” As a result of the manner in which Mr. Page completed the application and suitability acknowledgment form, American Equity did not know to analyze, as required by Maine law, whether its annuity was a suitable replacement for the Sun Life annuity.

14. Mr. Page sold to C.M. on February 5, 2007 a \$110,000 annuity from Old Mutual Financial Life Insurance Company (Policy No. L9147840). He received a \$7,150 commission from this sale. This annuity had a ten-year surrender-charge period. On April 9, 2010, Mr. Page had C.M. surrender the Old Mutual annuity and purchase an annuity from North American Company for Life and Health (Policy No. 800128944) with the proceeds in the amount of \$107,890.77. The North American annuity had a 14-year surrender-charge period. This transaction was treated as a 1035 exchange. Mr. Page received a \$9,170.72 commission from this sale.

15. Mr. Page advised C.M. to purchase the replacement annuity because the North American annuity had an income account rider option that the Old Mutual annuity did not have. Mr. Page also identified the income account rider on North American’s “Deferred Annuity Suitability Form” as a reason for the transaction. However, when purchasing the North American annuity, Mr. Page did not have C.M. take the income account rider. In 2011, North American asked Mr. Page to explain this discrepancy as part of the Bureau’s investigation into the sale. Mr. Page responded in writing that he did not feel C.M. needed this rider because they had selected that option on three other contracts.

16. C.M. filed a complaint with the Bureau on September 22, 2010, complaining, in part, about the conduct of Mr. Page regarding the numerous annuities he sold to her. Following Bureau investigation, all the insurers still holding in-force annuities for C.M. refunded the premiums for the annuities purchased, with interest and without penalties.

APPLICABLE LAW

17. Title 24-A M.R.S.A. § 2155 provides that “No person shall make or issue, or cause to be made or issued, 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.”

18. Title 24-A M.R.S.A. § 1420-K provides that the Superintendent may impose discipline upon an insurance producer for any of the following causes: “Violating any insurance laws, or violating any rule, regulation, subpoena or order of the superintendent ...” § 1420-K(1)(B); or “Using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business...” § 1420-K(1)(H).

19. Chapter 917 of the Bureau of Insurance Rules provides at Section 6(A): “In recommending to a consumer the purchase of an annuity or the exchange of an annuity that results in another insurance transaction or series of insurance transactions, the insurance producer, or the insurer where no producer is involved, must have reasonable grounds for

believing that the recommendation is suitable for the consumer on the basis of the facts disclosed by the consumer as to his or her investments and other insurance products and as to his or her financial situation and needs.”

20. Chapter 919 of the Bureau of Insurance Rules provides at Section 3 that a producer who initiates an annuity application shall submit to the insurer a statement signed by both the applicant and the producer as to whether the applicant has existing policies or contracts; if the answer is “yes,” the producer shall present and read to the applicant a notice regarding replacements in the form as described in the Chapter; the notice shall list all life insurance policies or annuities proposed to be replaced and shall include a statement as to whether each policy or contract will be replaced or whether a policy will be used as a source of financing for the new policy or contract. Section 8 provides that any failure to comply with this rule shall be considered a violation of 24-A M.R.S.A. § 2155; examples of violations include the intentional incorrect recording of an answer and advising an applicant to respond negatively to any question regarding replacement in order to prevent notice to the insurer.

COVENANTS

21. Mr. Page admits to the Facts as stated above and admits that these Facts constitute a basis for imposing discipline against him as follows:

- a. By submitting answers on the American Equity annuity application and suitability acknowledgment form on C.M.’s behalf that failed to disclose that funds from an existing Sun Life annuity would be used as a source for financing the American Equity annuity, in violation of Chapter 919 of the Bureau of Insurance Rules, 24-A M.R.S.A. §§ 2155, 1420-K(1)(B) and 1420-K(1)(H);
- b. By submitting a false answer as selling agent on the American Equity annuity application to the question whether he had any reason to believe that replacement of existing insurance may be involved in the sale, in violation of Chapter 919 of the Bureau of Insurance Rules, 24-A M.R.S.A. §§ 2155, 1420-K(1)(B) and 1420-K(1)(H);
- c. For advising C.M. to fund the American Equity annuity with proceeds from the Sun Life annuity but failing to advise her that the transaction would cause her to be assessed penalties by the IRS for the withdrawal, which would have been avoided if the transaction had been properly treated as a 1035 exchange, in violation of 24-A M.R.S.A. § 1420-K(1)(H);
- d. For advising C.M. to exchange the Old Mutual annuity for the North American annuity to obtain an income account rider that Mr. Page believed to be unnecessary, in violation of 24-A M.R.S.A. §§ 2155, 1420-K(1)(B) and 1420-K(1)(H); and
- c. For advising North American that C.M.’s exchange of the Old Mutual annuity for the North American annuity was suitable in part because the annuity offered an income account rider, when, in fact, Mr. Page believed such a rider

to be unnecessary, in violation of Chapter 917 of the Bureau of Insurance Rules, 24-A M.R.S.A. §§ 2155, 1420-K(1)(B) and 1420-K(1)(H).

22. Mr. Page agrees that his Maine producer license, Number PRR47266, will be revoked as of the date of the Superintendent's signature below, which signature shall constitute the Superintendent's action of revoking this license.

23. As of the date of Mr. Page's signature, Mr. Page will not conduct the business of insurance, directly or indirectly, or serve in any adjunct or advisory capacity to any person conducting the business of insurance.

24. Mr. Page agrees that the license revocation under ¶ 22 and restrictions under ¶ 23 are permanent, and that he will not reapply for any form of insurance license, or engage in the business of insurance in Maine, at any time in the future.

25. Mr. Page agrees to the imposition of a civil penalty in the amount of Fifteen Hundred Dollars (\$1500.00), payable in monthly installments as follows. Mr. Page shall remit payment of Three Hundred Dollars (\$300.00) by September 1, 2012. Mr. Page shall then remit six consecutive monthly payments of Two Hundred Dollars (\$200.00) each, with the first of these payments due October 1, 2012 and the remaining payments due on the first day of each month thereafter. Payments shall be by check or money order made out to "Treasurer, State of Maine" and delivered to the Bureau.

26. The parties to this Consent Agreement understand that nothing herein shall affect any rights or interest that any person not a party to this Agreement may possess.

27. In consideration of Mr. Page's execution of and compliance with the terms of this Consent Agreement, the Superintendent and Attorney General agree to forgo pursuing against Mr. Page any further disciplinary measures or other civil or administrative sanctions available under the Maine Insurance Code concerning the specific conduct described in this Consent Agreement, other than those agreed to herein.

28. This Consent Agreement is enforceable by an action in Maine Superior Court.

29. This Consent Agreement is not subject to appeal. Mr. Page waives any further hearings or appeals regarding the matters that are the subject of this Consent Agreement.

30. This Consent Agreement may be modified only by a written agreement executed by all of the parties hereto. Any decision to modify, continue, or terminate any provision of this Consent Agreement rests in the discretion of the Superintendent and the Attorney General.

31. This Consent Agreement is a public record subject to the provisions of the Maine Freedom of Access Law, 1 M.R.S.A. §§ 401 through 410, will be available for public inspection and copying as provided for by 1 M.R.S.A. § 408, and will be reported to the Regulatory Information Retrieval System database at the National Association of Insurance Commissioners.

32. Mr. Page agrees that he has read this Consent Agreement, that he understands this Consent Agreement, that he has reviewed the statutory provisions set forth herein, that he has

been advised of his right to consult with counsel and has had an opportunity to consult with counsel before signing this Consent Agreement, and that he enters into this Consent Agreement voluntarily and without coercion of any kind from any person.

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KEITH W. PAGE

Dated: Aug 21, 2012

By: Keith W Page
Keith W. Page

THE MAINE SUPERINTENDENT OF
INSURANCE

Dated: August 28, 2012

By: Eric A Cioppa
Eric A. Cioppa
Superintendent of Insurance

THE MAINE OFFICE OF THE ATTORNEY
GENERAL

Dated: August 24, 2012

By: Jonathan R Bolton
Jonathan R. Bolton
Assistant Attorney General