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BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF CALIFORNIA
SAN FRANCISCO

In the Matter of the Licenses and Licensing
Rights of
WILLIAM ARTHUR SASSMAN II,

Respondent.

**DECISION AND ORDER ADOPTING
PROPOSED DECISION**

File No: SAC 10715-AP

OAH No. 2009060426

This matter was heard by Administrative Law Judge Karen J. Brandt of the Office of Administrative Hearings on November 3, 2009 in Stockton, California, and November 5 and 9, 2009, in Sacramento, California. Thereafter, the Administrative Law Judge submitted the attached Proposed Decision dated November 19, 2009 to the Commissioner under the provisions of California Government Code Section 11517. The Proposed Decision was received by the Insurance Commissioner on November 25, 2009.

The Proposed Decision is hereby adopted by the Insurance Commissioner as his decision in this matter and is ordered officially filed.

In accordance with Government Code section 11521, the following notice is provided to you concerning reconsideration of this Decision. You may file a petition for reconsideration of this Decision. However, the Commissioner's power to order reconsideration expires on the date set by the Commissioner as the effective date of the Decision.

Petitions for reconsideration should be directed to:

Patricia K. Staggs
Deputy General Counsel
California Department of Insurance
45 Fremont Street, 23rd Floor
San Francisco, CA 94105

BEFORE THE
INSURANCE COMMISSIONER
DEPARTMENT OF INSURANCE
STATE OF CALIFORNIA

In the Matter of the Accusation Against:

WILLIAM ARTHUR SASSMAN II,

Respondent.

Case No. SAC 10715-AP

OAH No. 2009060426

PROPOSED DECISION

This matter was heard before Karen J. Brandt, Administrative Law Judge, Office of Administrative Hearings, State of California, on November 3, 2009, in Stockton, California, and November 5 and 9, 2009, in Sacramento, California.

Bruce S. Wiener, Senior Staff Counsel, represented the Insurance Commissioner (complainant or Commissioner), Department of Insurance (Department), State of California.

William Arthur Sassman II (respondent) was present and was represented by John M. Latini, Attorney at Law.

Evidence was received, the record was closed, and the matter was submitted on November 9, 2009.

AMENDMENTS TO THE ACCUSATION

On the first day of hearing, complainant dismissed paragraphs VI and VII (relating to Dennis Roggero), and XIII, XIV, XV, and XVI (relating to Grace Kodama) from the Accusation.

FACTUAL FINDINGS

1. Since March 31, 1992, and at all times relevant to this matter, respondent has been individually licensed by the Commissioner to act as an Accident and Health Agent and Life-Only Agent. Respondent was also the owner and sole transactor on the organizational licenses of Formulating Insurance Agency, LLC, (FIA) which was licensed by the

Commissioner to act as an Accident and Health Agent and Life-Only Agent from November 10, 2003, to November 30, 2007. Complainant seeks to revoke respondent's license and licensing rights for making misrepresentations to elderly individuals to induce them to invest in companies owned by respondent or insurance products.

2. On September 21, 2006, the California Corporations Commissioner issued an Amended Desist and Refrain Order against respondent, FIA, and InTex, LLC (InTex). As set forth in the Amended Desist and Refrain Order, the California Corporations Commissioner found that: (1) beginning in or about June 2000, respondent, as the Chief Executive Officer of InTex, offered or sold investments in the form of investment contracts in InTex in order to raise capital to produce a product called "Notefloat"; (2) beginning in or about March 2002, respondent offered or sold investments in FIA in the form of investment contracts for the purpose of managing and servicing members' accounts with respect to investment of stock and options; (3) respondent and FIA claimed to offer financial planning, estate planning, and insurance services to retired Californians, who invested approximately \$55,000 in InTex but did not receive any return on their investments; (4) respondent and FIA represented to investors that they could get a 9 to 11 percent return on their investments in FIA, and some investors cashed out annuities or rolled over other investments, but did not achieve the level of represented returns; (5) respondent did not have a permit or other form of qualification authority from the Department of Corporations to offer or sell these securities in California; (6) the California Corporations Commissioner was of the opinion that the investment contracts in InTex and FIA were securities subject to qualification under the California Corporate Securities Law of 1968, and had been offered or sold without being qualified in violation of Corporations Code section 25110; and (7) the California Corporations Commissioner was of the opinion that the investment contracts in InTex and FIA were offered or sold by means of written or oral communications that included an untrue statement of material fact or omitted to state a material fact necessary in order to make the statements not misleading, in violation of section 25401 of the Corporate Securities Law of 1968. The Amended Desist and Refrain Order ordered respondent, InTex, and FIA to desist and refrain from: (1) further offer or sale of securities in California until qualified or exempt; and (2) offering or selling any security in California, including investment contracts, by means of any written or oral communication which included an untrue statement of material fact or omitted to state a material fact necessary in order to make the statements not misleading.

Respondent's Transactions with Gordon Buckle

3. Gordon Buckle was born on November 7, 1926. He was 83 years old at the time of hearing. He is married to Marlene Buckle.

4. On May 12, 1997, Mr. Buckle purchased an annuity with The Hartford, a national insurance company, through investment services provided through Schools Credit Union.

5. Respondent had a contract with Annuity Service Center, a lead generating service, that sent postcards to individuals living in certain zip codes to solicit business for respondent. In November 2005, Annuity Service Center sent a postcard to Mr. Buckle. On the back of the postcard, in large print, there was a notice, which stated:

NOTICE

Dear Annuity Holder:

This notice is to inform you that you may have an annuity that has reached the end of its surrender period.

Please contact Bob Walker in the annuity service center to discuss your options. (Bolding and capitalization in original.)

On the front of the postcard, under Mr. Buckle's address, in small print was a Privacy Act Notice. That notice, in relevant part, stated, "...Annuity Service Center is a registered trade name of Investors Union, LLC, a third-party agency, and is being sent to you as a holder of an in-force annuity contract. This agency does not have a direct affiliation with the insurance carrier through which you are currently contracted. The agency is contracted with agents licensed to conduct insurance business in your state. This notice should be disregarded if you do not currently have an in-force annuity contract...."

6. Because the only annuity that Mr. Buckle had was with The Hartford through Schools Credit Union, the Buckles assumed that the postcard was sent by the credit union and related to Mr. Buckle's Hartford annuity. Mrs. Buckle therefore called the 800 number included on the postcard and set up an appointment with respondent.

7. Respondent met with the Buckles at their home on November 30, 2005. At the first visit, respondent gave the Buckles a brochure entitled "Will you outlive your money?" that explained the benefits of investing in an annuity. Respondent also gave the Buckles his business card, which stated that he specialized in estate planning and asset preservation, and included the initials "FIA" and the words "Formulating Ins. Agency, LLC." Respondent did not, however, give the Buckles any written information about FIA. Respondent showed the Buckles a Certificate of Approval, which stated that respondent had passed the Ethics Check System, had met all the qualifications set forth by the National Ethics Bureau, and was an approved member. Although respondent did not explicitly tell the Buckles that he was affiliated with the Schools Credit Union, the Buckles "assumed" that he was.

8. Mrs. Buckle testified that respondent told them that Mr. Buckle's Hartford annuity was not earning much interest and recommended another product issued by FIA that would earn more interest. According to Mrs. Buckle, respondent did not describe FIA to the Buckles, tell them that FIA was his business, explain that the FIA product was not an annuity, or advise them that changing Mr. Buckle's investment might result in tax consequences. Given respondent's representations and the Buckles' assumptions that

respondent was affiliated with Schools Credit Union and that Mr. Buckle's money would be invested in another annuity, Mr. Buckle signed an Authorization to Transfer Funds form to transfer all the funds in his Hartford annuity to FIA. The Hartford issued a check dated December 2, 2005, in the amount of \$127,283.10 to FIA for the surrender of Mr. Buckle's annuity.

9. Respondent testified that, on November 30, 2005, he discussed with the Buckles various options for investing Mr. Buckle's annuity funds, including in FIA. According to respondent, he explained that an investment in FIA would not be an annuity and that the Buckles appeared to understand this. Respondent asserted that he did not give the Buckles any written information about FIA because he did not have any FIA information with him at the time, but offered to send such information later. Respondent also testified that he told the Buckles at the first meeting that they would obtain an 8 percent return on Mr. Buckle's investment in FIA.

10. Mrs. Buckle's testimony was credible. Respondent's testimony was not. Respondent had a contract with Annuity Service Center to send a postcard to the Buckles that referred to annuities. The only written information he gave to the Buckles on November 30, 2005, – the brochure entitled "Will you outlive your money?" – explained the advantages of investing in an annuity. It strains credulity that respondent would not have brought written information with him about FIA if he wanted the Buckles to fully understand that the FIA product he was offering was not an annuity. The only logical inference that can be drawn from the evidence is that respondent induced Mr. Buckle to invest in FIA without fully explaining to the Buckles the nature of the product they were purchasing or the risks involved.

11. James Oliver works for a company that offers investment services to customers of Schools Credit Union. He is responsible for managing Mr. Buckle's annuity account. In December 2005, Mr. Oliver conducted a regular annual review of Mr. Buckle's Hartford annuity account and learned that Mr. Buckle had surrendered his annuity. Mr. Oliver contacted the Buckles to inquire about the surrender, and was informed that the Buckles had received the postcard described in Finding 5, and had assumed that it had been sent by the Schools Credit Union and that Mr. Oliver had sent out respondent to help them with their annuity. When Mr. Oliver informed the Buckles that their assumptions were not correct, the Buckles became alarmed and brought to Mr. Oliver all the information they had received from respondent. Mr. Oliver discussed with the Buckles the potential tax consequences of the transaction. He also called The Hartford and confirmed that all the money in Mr. Buckle's annuity had been paid to FIA. Mr. Oliver then met with respondent, who explained that the money would not be invested in an annuity, but would be used to invest in an "options strategy." Respondent told Mr. Oliver that Mr. Buckle would earn an 8 percent rate of return if he left his money in FIA for one year.

12. After meeting with respondent, Mr. Oliver told the Buckles that they would incur a significant tax burden as a result of the transaction and recommended that they get their money back from respondent.

13. On December 12, 2005, Mrs. Buckle called respondent and asked him to return the money he had received from The Hartford for the surrender of Mr. Buckle's annuity. Respondent asked the Buckles to give him a couple of days and he would send more information to them.

14. Respondent sent a letter dated December 12, 2005, to Mr. Buckle. In his December 12, 2005 letter, respondent stated:

I understand you are a very conservative investor. This is why I suggested this 8% fixed one year renewable term. Due to your age that is why a short term is appropriate. You will not have any taxes due to this account since it is deferred. Our company is similar to the Hartford since it is not controlled by the credit union. You will receive exemplary service as well as the interest without stock market risk. [¶] I strongly suggest that you experience this product for one year and you can cancel at that time in December 2006. [¶] Please call me if you have additional questions. I want you fully informed about your investment without hearsay. (Underlining, bolding, and capitalization in original.)

Respondent enclosed with his letter a two-page Executive Summary 2005 about FIA.

15. On December 14, 2005, when Mrs. Buckle received respondent's December 12, 2005 letter, she called respondent and asked him to return Mr. Buckle's money.

16. The Buckles did not receive any money from respondent in December 2005. On January 12, 2006, respondent sent a letter to the Buckles, which stated:

We had a conversation on December 12, 2005 after 1:34pm about the possibility of the account being reversed back to Hartford. After sending the proposal back to you I waited your response 2-3 days later. After your denial on keeping the account with our company, then the reversal started about the 15th of December. So it's been two weeks or so not a month. The check was sent by the Hartford by regular mail as it was sent back by FIA regular mail. This will be remedied in the mean time. All I can do is watch the process as time progresses due to the holidays and the New Year.

17. On January 20, 2006, the Department received a Request for Assistance filed by Mrs. Buckle. Mrs. Buckle's request was referred to Elizabeth Saenz, a Senior Insurance Compliance Officer with the Department. On January 26, 2006, Ms. Saenz called respondent. Respondent told Ms. Saenz that he had replaced Mr. Buckle's annuity with an annuity from National Western Life Insurance Company (National Western). On January 26,

2006, Ms. Saenz notified National Western that the Buckles had requested that the transaction be cancelled within the free look period, but that they had not received their money back. By letter dated February 15, 2006, National Western informed Ms. Saenz that it had no record of any contract issued to the Buckles, and requested that respondent provide a statement in response to the Buckles' complaint.

18. In February 2006, the Buckles' son went to respondent's office and threatened to bring in the FBI if his parents' money was not returned. On February 7, 2006, respondent sent an FIA check in the amount of \$127,283.10 to The Hartford. The Hartford confirmed that it received this money from respondent and reinstated Mr. Buckle's annuity. The Hartford did not charge the Buckles a surrender fee. Mr. Buckle lost \$1,900 in interest on his annuity during the period it was surrendered to respondent.

Respondent's Transactions with Ruth Wehe

19. Ruth Wehe was born on September 28, 1925. She was 78 years old when she first began working on transactions with respondent in 2003.

20. Respondent worked with Ms. Wehe on three transactions: (1) respondent helped Ms. Wehe create a revocable living trust; (2) respondent advised Ms. Wehe to surrender four annuities she had with Bankers Life and Casualty Company (Bankers Life) and to purchase two annuities from National Western; and (3) respondent advised Ms. Wehe to sell oil company stocks and invest in FIA.

21. With regard to the surrender of the four Bankers Life annuities, respondent informed Ms. Wehe that she would get a higher rate of interest if she invested her money in annuities offered by National Western. Respondent told Ms. Wehe that the rate of interest she could expect to receive from National Western was between 9 and 13 percent. Based upon respondent's representations, Ms. Wehe decided to replace her Bankers Life annuities with the National Western annuities recommended by respondent. During their discussions about this replacement, respondent did not advise Ms. Wehe that she would incur a penalty or surrender charges as a result of this replacement. According to Ms. Wehe, respondent told her that the replacement was a "rollover" that would not give rise to any surrender fees or penalties.

22. At hearing, respondent denied that he told Ms. Wehe that she would not incur any surrender fees or penalties when she replaced her Bankers Life annuities with National Western annuities. He testified that he told her to check with her tax preparer during the 30-day free look period to determine whether she would incur any penalties or tax consequences.

23. Ms. Wehe's testimony was credible. Respondent's testimony was not. The evidence established that respondent led Ms. Wehe to believe that she would not incur any surrender charges when she replaced her Bankers Life annuities with the National Western

annuities he recommended. In fact, Ms. Wehe incurred \$6,068.45 in surrender charges when she surrendered her four Bankers Life annuities.

24. In April 2004, respondent met with Ms. Wehe and her daughter Joy Copeland and advised Ms. Wehe to invest in FIA. At the time, Ms. Wehe held stock in ChevronTexaco Corporation. Ms. Wehe was ill and needed money to pay for her medications and other bills. With respondent's assistance, Ms. Wehe cashed in her ChevronTexaco stock, kept \$25,000 to pay for her medications and other bills, and invested \$114,144.70 in FIA. On April 12, 2004, Ms. Wehe signed a Servicing Agreement with FIA. The Servicing Agreement provided that purchases of stocks and options under the Servicing Agreement were "made from a collective pool of funds with each member's funds representing a % of the collective pool based on their initial contribution and 9% of growth per annum." Pursuant to the terms of the arrangement Ms. Wehe entered into with respondent, Ms. Wehe received a return of \$570.72 per month from FIA for the months of April, September, October, November, and December 2004, and January and February 2005.

25. According to Ms. Wehe and Ms. Copeland, when respondent advised Ms. Wehe to sell her ChevronTexaco stock and make an investment in FIA, he told them that: (1) Ms. Wehe's investment would earn between 9 and 13 percent; (2) FIA would invest in S&P 500 stocks; (3) Ms. Wehe's investment would be protected by the Securities Investor Protection Corporation (SIPC); and (4) Ms. Wehe would not incur any penalties or tax consequences as a result of the rollover of her ChevronTexaco stock into her FIA investment. Respondent sent to Ms. Copeland a description of the SIPC.

26. Respondent testified that he told Ms. Wehe that she could receive at least 9 and up to 13 percent on her investment only if she kept her money in FIA for at least one year. According to respondent, he told Ms. Wehe and Ms. Copeland that FIA invested in an "options strategy," not in S&P stocks. He denied that he told them that there would be no tax consequences involved in the transaction. Instead, he testified that he told Ms. Wehe to check with her tax preparer to determine whether and to what extent she would incur tax penalties. He also denied that he told them that Ms. Wehe's investment in FIA would be protected by the SIPC. He asserted that he sent a description of the SIPC to Ms. Copeland only for her information because she had inquired about it.

27. Ms. Wehe's and Ms. Copeland's testimony was credible. Respondent's testimony was not. Given the language in the Servicing Agreement (Finding 24), the evidence established that respondent told Ms. Wehe that her investment in FIA would earn 9 percent interest. Given the fact that respondent sent information to Ms. Copeland about the SIPC, the evidence established that respondent intended that Ms. Wehe and Ms. Copeland believe that Ms. Wehe's investment in FIA would be safe and protected by the SIPC. It was also established that respondent led Ms. Wehe and Ms. Copeland to believe that Ms. Wehe would not incur any tax consequences for selling her ChevronTexaco stock and investing in FIA.

28. During the period that Ms. Wehe had her funds invested in FIA, she did not receive a 9 percent return on her investment. Her investment in FIA was not protected by the SIPC. Due to her sale of her ChevronTexaco stock and investment in FIA, the Internal Revenue Service charged her \$14,263.23 in tax penalties, and the Franchise Tax Board charged her \$7,826.35 in tax penalties.

29. In March 2005, Ms. Copeland requested that respondent return Ms. Wehe's \$114,144.70 investment in FIA. After Ms. Copeland retained an attorney to obtain the return of Ms. Wehe's money, respondent paid Ms. Wehe's investment back in three installments over a three-month period.

Respondent's Transactions with Ruth Boepple

30. Ruth Boepple was born on October 6, 1920. She was 89 years old when she testified at the hearing in this matter.

31. On January 13, 1999, respondent sent a letter to Ms. Boepple, which stated:

I would like to introduce my company and the various services available today. We have been helping the senior market since 1992 in retirement planning and long term care insurance. If you are tired and uncertain about what is going on in the market place, we have plans that offer **9.00% fixed** without any risk to your money. If your CDs or Annuities are paying between 4-6% we can help. [¶] I will be calling you in the next few days to answer any questions you may have. (Bolding in original.)

32. Respondent began meeting with Ms. Boepple in 1999. He told her that he helped senior citizens invest their money, and that he could help her obtain at least a 9 percent return on her investments. Respondent recommended that Ms. Boepple invest in InTex, a company that he owned, which owned Notefloat, a product that he had developed. Respondent also recommended that Ms. Boepple invest in Intermountain Marketing Associates, LLC. Even though Ms. Boepple did not "thoroughly" understand the investments respondent recommended, she trusted respondent and believed that he would make her at least 9 percent interest as he promised. From May to October 2001, Ms. Boepple gave respondent checks totaling \$91,000. In December 2001, Ms. Boepple's health began to fail and she was forced to move into a retirement home. She asked respondent to return the money she had invested with him. According to Ms. Boepple, respondent had repaid some of the monies she invested with him, and, at the time she asked for her money in December 2001, he owed her \$75,000.

33. On December 15, 2001, respondent signed an InTex check in the amount of \$75,000 made payable to Ms. Boepple. When Ms. Boepple tried to cash that check, it was returned for insufficient funds. Between January and July 2002, respondent sent correspondence to Ms. Boepple which contained assurances that she would receive payment.

shortly. On June 4, 2003, an attorney retained by Ms. Boepple sent a collection letter to respondent demanding repayment of the \$75,000. On June 16, 2003, respondent sent a letter to Ms. Boepple, which stated:

I received and understand fully your concern about the check I wrote to you on 12.15.2001. This check was written to you based on the receipt of funds I was anticipating from an overseas deal that fell through.

The contract that was supposed to be fulfilled in the amount of seven figures, turned out to be a scam from Nigeria. I have lost ALL of resources, credit and savings over this issue. I do not know what else I can say other than my deepest apologies and acknowledgement of the letter you initiated with [the collection attorney]. (Capitalization in original.)

34. Ms. Boepple testified that, in July 2003, respondent proposed that if she took out an annuity, he would repay her the \$75,000 he owed her, by paying her his commission on the annuity policy and then paying her \$500 a month. On July 8, 2003, respondent sent Ms. Boepple a letter, which stated:

I trust you had a nice 4th of July weekend. Here is our proposal as we discussed on Thursday.

I promise to pay 500.00 per month until the remaining balance of 75000.00 is paid in full starting [sic] 30 days after the policy is issued with National western life insurance. The 150,000.00 transfer from Wells Fargo to National will be in a safe and secure annuity generating at least a guarantee of 2.75% or higher with the rise of the S and P 500. I will receive a commission of 3% or \$4,500.00. I will immediately hand over to you once the policy (annuity) is signed by you in approximately 30-40 days from July 8, 2003 thirty days later 500.00 per month thereafter will follow [sic].

Please make corrections or suggestions as I will properly format this note. In the meantime would you please send a copy of the page where it indicates when your trust was created? This will allow the trust to be properly named the beneficiary of your trust.

35. On July 23, 2003, respondent signed a Promissory Note, which stated:

I William A. Sassman promise to pay \$500.00 per month until the remaining balance of \$75,000.00 is paid in full starting [sic]

30 days after the policy is issued with National Western life insurance. The 150,000.00 transfer from Wells Fargo to National will be in a safe and secure index annuity generating at least a guarantee of 2.75% or higher with the rise of the S and P 500. I will receive a fee of \$3,500.00 which I will immediately hand over to Ruth Boepple once the policy (annuity) is signed by you in approximately 30-40 days from July 24th, 2003 thirty days later \$500.00 per month there after will follow [sic].

36. At hearing, respondent disputed that he owed Ms. Boepple \$75,000. He claimed that Ms. Boepple had invested only \$30,000 in InTex and that he decided to give her an additional \$45,000 in profit in anticipation of the sale of Notefloat. He asserted that he gave Ms. Boepple the December 15, 2001 check, but asked that she hold onto it until the Notefloat sale was finalized, and that, in contravention of his request, Ms. Boepple attempted to cash the check before the sale closed. He also denied that he sold Ms. Boepple the National Western annuity in an effort to obtain time and money to repay the \$75,000 he owed her. In addition, he questioned the validity of the letter and promissory note described in Findings 34 and 35.

37. Ms. Boepple's testimony was credible and supported by the exhibits. In contrast, respondent's testimony was implausible and contradicted by the exhibits. The evidence established that respondent owed Ms. Boepple \$75,000. In reliance upon respondent's assurances and promissory note, Ms. Boepple purchased a \$150,000 annuity from National Western. Respondent did not pay Ms. Boepple the commission he earned on the sale of the annuity. He did make payments of \$500, totaling \$9,000. He has not repaid the remaining \$66,000 he owes her.

38. When all the evidence is weighed and balanced, it established that respondent intentionally took advantage of elderly investors by inducing them to purchase products without fully explaining to them the nature of the investments, the risks involved, or the potential penalties, fees and taxes they might incur. When questioned by Ms. Saenz, a Department representative, he lied about the nature of Mr. Buckle's investment. He has not paid Ms. Boepple the \$66,000 he still owes her. Respondent's testimony was not credible. He expressed no remorse and accepted no responsibility for his wrongdoing and egregious practices with respect to senior citizens. In order to protect the public interest, safety, and welfare, respondent's license and licensing rights must be revoked.

LEGAL CONCLUSIONS

1. Insurance Code section 785, subdivision (a), provides:

All insurers, brokers, agents, and others engaged in the transaction of insurance owe a prospective insured who is 65 years of age or older, a duty of honesty, good faith, and fair

dealing. This duty is in addition to any other duty, whether express or implied, that may exist.

Respondent, by his activities in the insurance transactions described in Findings 3 through 37, violated the duty of honesty, good faith and fair dealing owed to senior citizens, in contravention of Insurance Code section 785, subdivision (a).

2. Pursuant to Insurance Code sections 1668, subdivision (j), and 1738, the Commissioner may revoke the license and licensing rights of any licensee who "has shown incompetency or untrustworthiness in the conduct of any business, or has by commission of a wrongful act or practice in the course of any business exposed the public or those dealing with him to the danger of loss." As set forth in Findings 3 through 37, respondent showed both incompetency and untrustworthiness in his transactions with Mr. Buckle, Ms. Wehe and Ms. Boepple, and, by his wrongful business practices, exposed these individuals to the danger of loss. Complainant therefore established cause to revoke respondent's license and licensing rights pursuant to Insurance Code sections 1668, subdivision (j), and 1738.

3. Pursuant to Insurance Code sections 1668, subdivision (l), and 1738, the Commissioner may revoke the license and licensing rights of any licensee who has "failed to perform a duty expressly enjoined upon him by a provision of [the Insurance Code] or has committed an act expressly forbidden by such a provision." Insurance Code section 780 provides:

An insurer or officer or agent thereof, or an insurance broker or solicitor shall not cause or permit to be issued, circulated or used, any statement that is known, or should have been known, to be a misrepresentation of the following:

- (a) The terms of a policy issued by the insurer or sought to be negotiated by the person making or permitting the misrepresentation.
- (b) The benefits or privileges promised thereunder.
- (c) The future dividends payable thereunder.

Insurance Code section 781 provides:

- (a) A person shall not make any statement that is known, or should have been known, to be a misrepresentation (1) to any other person for the purpose of inducing, or tending to induce, such other person either to take out a policy of insurance, or to refuse to accept a policy issued upon an application therefor and instead take out any policy in another insurer, or (2) to a policyholder in any insurer for the purpose of inducing or

tending to induce him or her to lapse, forfeit or surrender his or her insurance therein.

(b) A person shall not make any representation or comparison of insurers or policies to an insured which is misleading, for the purpose of inducing or tending to induce him or her to lapse, forfeit, change or surrender his or her insurance, whether on a temporary or permanent plan.

As set forth in Findings 3 through 29, in his transactions with Mr. Buckle and Ms. Wehe, respondent violated Insurance Code sections 780 and 781 by making misrepresentations about policy terms. As set forth in Findings 3 through 37 and Legal Conclusion 1, in his transactions with Mr. Buckle, Ms. Wehe and Ms. Boepple, respondent violated the duty of honesty, good faith and fair dealing enjoined upon him by Insurance Code section 785, subdivision (a). Complainant therefore established cause to revoke respondent's license and licensing rights pursuant to Insurance Code sections 1668, subdivision (l), and 1738.

4. Pursuant to Insurance Code sections 1668, subdivision (i), and 1738, the Commissioner may revoke the license and licensing rights of any licensee who has "previously engaged in a fraudulent practice or act or has conducted any business in a dishonest manner." The fraudulent and dishonest conduct in which respondent engaged, as described in Findings 3 through 37, constitutes cause to revoke his license and licensing rights under Insurance Code sections 1668, subdivision (i), and 1738.

5. Pursuant to Insurance Code sections 1668, subdivision (b), and 1738, the Commissioner may revoke a license and licensing rights when allowing the licensee to continue to transact insurance in California would be "against public interest." The conduct in which respondent engaged with Mr. Buckle, Ms. Wehe, and Ms. Boepple, as described in Findings 3 through 37, shows that it would be against the public interest to allow respondent to continue to transact insurance in California. Complainant therefore established cause to revoke respondent's license and licensing rights under Insurance Code sections 1668, subdivision (b), and 1738.

6. Pursuant to Insurance Code sections 1668, subdivision (k), and 1738, the Commissioner may revoke the license and licensing rights of a licensee who has "knowingly misrepresented the terms or effect of an insurance policy or contract." As set forth in Findings 3 through 29, respondent knowingly misrepresented the terms and effect of an insurance policy to Mr. Buckle and Ms. Wehe. Complainant therefore established cause to revoke respondent's license and licensing rights pursuant to Insurance Code sections 1668, subdivision (k), and 1738. Complainant also established cause to suspend respondent's license and licensing rights for up to three years pursuant to the provisions of Insurance Code sections 780, 781, 783, and 1738.

7. Pursuant to Insurance Code sections 1668, subdivision (e), and 1738, the Commissioner may revoke the license and licensing rights of a licensee who is "lacking in integrity." The facts set forth in Findings 3 through 37 show that respondent is lacking in integrity. Complainant therefore established cause to revoke respondent's license and licensing rights under Insurance Code sections 1668, subdivision (e), and 1738.

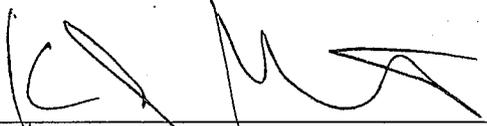
8. The public interest in regulating insurance through licensing statutes is to make certain that the privileges granted under an insurance license are not exercised in contravention of the law, to ensure that the regulated activity remains upright and honest, and to require and maintain professional standards of conduct on the part of licensees. (*Ready v. Grady* (1966) 243 Cal.App.2d 113, 117 ["...the relevant provisions of the Insurance Code were not designed to punish the errant licensee but to insure that the privileges granted under the license were not exercised in derogation of the public interest, and to keep the regulated activity clean and wholesome"]. See also *Goldberg v. Barger* (1974) 37 Cal.App.3d 987.)

9. As set forth in Finding 38, respondent intentionally took advantage of elderly investors by inducing them to purchase products without fully explaining to them the nature of the investments, the risks involved, or the potential penalties, fees and taxes they might incur. He lied to a Department representative. He has not paid Ms. Boepple the \$66,000 he still owes her. His testimony was not credible. He expressed no remorse and accepted no responsibility for his wrongdoing and egregious practices with respect to senior citizens. In order to protect the public interest, safety, and welfare, respondent's license and licensing rights must be revoked.

ORDER

The license of respondent William Arthur Sassman II to act as an Accident and Health Agent and Life-Only Agent and all his licensing rights under the Insurance Code are hereby REVOKED.

DATED: November 19, 2009


KAREN J. BRANDT
Administrative Law Judge
Office of Administrative Hearings

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