

STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of)	
)	
Michael Krebs,)	CEASE AND DESIST ORDER
NPN 10282250,)	AND NOTICE OF
DOB 3/19/87,)	OPPORTUNITY FOR HEARING
)	
Respondent.)	CASE NO. AG-11-295

TO: Michael Krebs, 3037 Ontario Lane, Bismarck, ND 58503

Commissioner of Insurance Adam Hamm (“Commissioner”) has determined as follows:

1. N.D.C.C. § 26.1-01-03.1 authorizes the Commissioner to issue an Order to cease and desist when it appears that any person or business entity is or has engaged in an act or practice which violates or may lead to a violation of N.D.C.C. Title 26.1 – Insurance.
2. N.D.C.C. § 26.1-02.1-02.1 prohibits the commission of a fraudulent insurance act.
3. N.D.C.C. § 26.1-02.1-01(3) defines “fraudulent insurance act” as including the following acts or omissions committed by a person knowingly and with intent to defraud:
 - a. Presenting, causing to be presented, or preparing with knowledge or belief that it will be presented to or by an insurer, reinsurer, insurance producer, or any agent thereof, false or misleading information as part

of, in support of, or concerning a fact material to one or more of the following:

- (1) An application for the issuance or renewal of an insurance policy or reinsurance contract...
 - (4) Premiums paid on an insurance policy or reinsurance contract;
 - (5) Payments made in accordance with the terms of an insurance policy or reinsurance contract....
- d. Theft by deception or otherwise, or embezzlement, abstracting, purloining, or conversion of moneys, funds, premiums, credits, or other property of an insurer, reinsurer, or person engaged in the business of insurance.

4. N.D.C.C. § 26.1-26-15 mandates that an applicant for any insurance producer license must be “deemed by the commissioner to be competent, trustworthy, financially responsible, and of good personal and business reputation” to be eligible for licensure.

5. Under N.D.C.C. § 26.1-26-42(6), a licensee’s use of fraudulent, coercive, or dishonest practices, or an act or omission showing the licensee to be incompetent, untrustworthy, or financially irresponsible, is a violation that may trigger administrative action against the licensee.

6. At all relevant times, Michael Krebs, NPN 10282250, DOB 3/19/87 (“Respondent”), has held a North Dakota resident insurance producer license.

7. According to information obtained during the course of an investigation by the North Dakota Insurance Department (“Department”), on or about October 18, 2010, Combined Insurance Company of America (“Combined”) informed the Department that

Respondent's appointment with Combined had been terminated for falsifying insurance applications in order to qualify for weekly bonuses.

8. Combined reported to the Department that in September 2010, Respondent had submitted an application for a life insurance policy that stated the monthly premiums would be paid by a credit card. The credit card number given to Combined was a nonworking credit card. Combined investigated further and discovered other false or misleading information on the application.

9. Combined investigated other applications submitted by Respondent and discovered four other applications containing false or misleading information. Each of the falsified applications was for an insurance policy with a death benefit of \$50,000.

10. Combined compensates its producers in part by weekly bonuses for which producers can qualify, based on how much insurance they produce for the company. Respondent received bonuses for the weeks when he submitted the falsified applications described in Paragraphs 7, 8, and 9. Without the falsified applications described in Paragraphs 7, 8, and 9, Respondent would not have qualified for the weekly bonuses. Respondent received a total of \$1,300 in bonuses: \$500 for the week of August 16, 2010; \$500 for the week of August 30, 2010; and \$300 for the week of September 6, 2010.

11. Combined required a partial premium payment with each application. A partial premium payment was made with each falsified application. The money order for the partial premium payment accompanying one of the falsified applications was purchased at US Bank, Arrowhead Branch, at 1144 North Third Street, Bismarck, North Dakota, for \$15.17. Bank records indicated that "Michael Krebs" purchased that

money order at 10:44:32 AM on August 21, 2010. Bank CCTV images positively identify Michael Krebs as the person buying that money order.

12. Department staff have independently verified Combined's findings regarding the falsified applications submitted by Respondent.

13. Respondent's acts in creating insurance applications containing false or misleading information or both and submitting those applications to Combined constitute fraudulent insurance acts in violation of N.D.C.C. § 26.1-02.1-02.1.

14. Respondent's acts in taking bonus money from Combined based on his fraudulent insurance acts constitute thefts by deception, which are fraudulent insurance acts in violation of N.D.C.C. § 26.1-02.1-02.1.

15. Respondent's fraudulent insurance acts show him to be untrustworthy, in violation of N.D.C.C. §§ 26.1-26-15 and 26.1-26-42(6).

NOW, THEREFORE, IT IS HEREBY ORDERED pursuant to N.D.C.C. § 26.1-01-03.1 that Respondent, whether acting in the State of North Dakota as an insurance producer, or otherwise engaging in the business of insurance, either directly or indirectly through named and unnamed persons, entities, agents, or otherwise, shall immediately **CEASE AND DESIST** from soliciting, transacting, or otherwise engaging in the business of insurance with residents of the State of North Dakota.

IT IS FURTHER ORDERED pursuant to N.D.C.C. § 26.1-01-03.1 that Respondent may make a written request for a hearing on this matter within 30 days of the date of this Order.

If the Respondent fails to request a hearing in writing within 30 days after being served with a copy of this Cease and Desist Order, the Commissioner shall make the Cease and Desist Order permanent, as the facts require.

DATED this 15th day of March, 2011.



Adam Hamm
Commissioner
N.D. Insurance Department
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