STATE OF NORTH DAKOTA

BEFORE THE INSURANCE COMMISSIONER

In the Matter of	)	
	)	
Richard M. Lowrance,	)	**CONSENT ORDER**
NPN 8605515,	)	
DOB 7/10/70,	)	**CASE NO. AG-12-359**
	)	
Respondent.	)	

North Dakota Insurance Commissioner Adam Hamm ("Commissioner") has determined as follows:

1. As a result of information obtained by the North Dakota Insurance Department ("Department") regarding the conduct of Richard M. Lowrance, NPN 8605515, DOB 7/10/70 ("Respondent"), the Commissioner has considered scheduling a formal hearing to determine whether Respondent's conduct as alleged constitutes a basis for imposition of a civil penalty or any other action the Commissioner deems necessary.

2. Respondent's conduct is alleged to be in violation of the following state laws relating to the regulation of insurance producers: N.D.C.C. §§ 26.1-26-15 and 26.1-26-42.

3. N.D.C.C. § 26.1-04-03 states, in part:

> The following are unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:
>
> ...
>
> 8. Rebates.

a. Except as otherwise expressly provided by law, knowingly permitting or offering to make or making any contract of life insurance, life annuity, or accident and health insurance, or agreement as to such contract other than as plainly expressed in the contract issued thereon, or paying or allowing, or giving or offering to pay, allow, or give, directly or indirectly, as inducement to the insurance or annuity any rebate of premiums payable on the contract, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatsoever not specified in the contract; or giving, selling, or purchasing, or offering to give, sell, or purchase as inducement to the insurance or annuity or in connection therewith, any stocks, bonds, or other securities of any insurance company or other corporation, association, or partnership, or any dividends or profits accrued thereon, or anything of value whatsoever not specified in the contract.

4. N.D.C.C. § 26.1-26-15 states:

An applicant for any license under this chapter must be deemed by the commissioner to be competent, trustworthy, financially responsible, and of good personal and business reputation.

5. N.D.C.C. § 26.1-26-42 states, in part:

The Commissioner may suspend, revoke, place on probation, or refuse to continue or refuse to issue any license issued under this chapter if, after notice to the licensee and hearing, the commissioner finds as to the licensee any of the following conditions:

. . .

6. In the conduct of affairs under the license, the licensee has used fraudulent, coercive, or dishonest practices, or has shown oneself to

be incompetent, untrustworthy, or financially irresponsible.

6. Respondent has held a North Dakota resident individual insurance producer license since September 29, 2005. Respondent also holds an insurance producer license in Minnesota and South Dakota. Respondent is subject to the jurisdiction and control of the Commissioner.

7. On June 21, 2010, the Department received notice from Farmers Insurance Group that on June 4, 2010, its companies Farmers Insurance Exchange, Farmers New World Life, Mid Century Insurance Company, Truck Insurance Exchange, Fire Insurance Exchange, Foremost Insurance Company, and Bristol West Insurance Company had terminated Respondent's appointment with those companies because Respondent "...mishandled premiums belonging to the Company".

8. The Department investigated the facts that lead to the termination for cause of Respondent's appointments with the Farmers Insurance Group companies ("Farmers"). In response to the Department's investigation, on March 2, 2012, Farmers stated that Respondent's termination would be better described as "Policy Fraud as opposed to mishandling of premiums...". Farmers had begun an investigation of Respondent in January 2010 and found that he submitted four falsified report cards in order to wrongfully apply a good student discount to clients' auto insurance policies. The four report cards submitted by Respondent came from two different educational institutions. Farmers' investigator contacted each educational institution and a written opinion was received from those institutions that the report cards were not authentic. The investigation also revealed that Respondent had applied a farm usage discount to 26 insurance policies that were not eligible for such a discount. The investigator called

four customers whose policies were rated for farm use and confirmed that none of the vehicles described were used for farming or located on a farm or ranch.

9. Respondent's actions of applying discounts that he knew, or should have known, were not appropriate caused a loss of premium from the improper rating for the good student discount of $800 and a loss of premium of $1,700 due to the improper farm usage discounts.

10. Respondent admitted in a written response to Farmers on April 27, 2010, that, regarding the good student discount, he completed the grades and that he reproduced them to give the clients the inappropriate discount.

11. Respondent also admitted in that same written response regarding the farm usage discount that he thought a client "... got the discount if they ever lived on a farm – my mistake."

12. By his actions of falsifying documents to apply good student discounts that were inappropriate, Respondent violated the requirements of N.D.C.C. §§ 26.1-04-03, 26.1-26-15 and 26.1-26-42(6). Respondent's falsification of documents to secure a discount to which his clients were not entitled constitutes an illegal rebate of premium and reflects on Respondent's competence, trustworthiness, responsibility, and his personal and business reputation.

13. By his actions of applying farm usage discounts that he knew, or should have known, were not appropriate, Respondent violated the requirements of N.D.C.C. §§ 26.104-03, 26.1-26-15, and 26.1-26-42(6). Respondent's failure to understand that a farm usage discount is not to be applied to any vehicle just because it may have been used on a farm at some point in the past reflects on his competence, trustworthiness, responsibility and his personal and business reputation. It also constitutes an illegal rebate of premium.

14. Respondent's violations of N.D.C.C. §§ 26.1-04-03, 26.1-26-15, and 26.1-26-42(6) are grounds for revocation of his insurance producer license.

15. Respondent acknowledges that at the time of signing the Consent to Entry of Order, he was aware of or had been advised of his rights to a hearing in this matter, to consult an attorney, to present argument to the Commissioner, to appeal from any adverse determination after a hearing, and Respondent expressly waives those rights.

16. Respondent has agreed to informal disposition of this matter, without a hearing, as provided under N.D.C.C. § 28-32-22.

17. For purposes of resolving this matter, without further administrative proceedings, Richard M. Lowrance and the Commissioner have agreed to enter into the following order.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. Respondent shall pay a fine of $2,500 to the Department. Respondent shall pay the fine within 30 days of his signing of this document.

2. Respondent shall pay $2,500 to Farmers Insurance Group as repayment of the premium that it should have collected but for Respondent's improper application of good student and farm usage discounts.

3. Respondent shall be placed on probation for 24 months from the date of the execution of this document. During the time of this probation and at all times after that, Respondent will fully comply with all the laws of the state and lawful orders of the Commissioner. The Commissioner may revoke, suspend, or take such further action against Respondent's license as may be deemed necessary in the Commissioner's discretion without notice of hearing or issuance of a complaint, if:

a. The Department receives information that Respondent has been charged with a crime or convicted of a crime at any time which

resulted from a charge that was filed during the probationary period; or

b. The Department receives a complaint from any source against Respondent and after investigation of the merits of the charge, conviction, or complaint and after Respondent has been afforded the opportunity to respond in writing, and after review of other factual information necessary, the Commissioner concludes that Respondent has violated the laws of the State of North Dakota or used fraudulent, coercive, or dishonest practices or are incompetent, untrustworthy, or financially irresponsible.

4. The use of this Consent Order for competitive purposes by an insurance agent or agency holding a license in the State of North Dakota, or by any company holding a Certificate of Authority, or by anyone on their behalf, may be deemed unfair competition and be grounds for suspension or revocation of said license or authority.

DATED at Bismarck, North Dakota, this 22nd day of June, 2012.

Adam Hamm
Insurance Commissioner
State of North Dakota

CONSENT TO ENTRY OF ORDER

The undersigned, **Richard M. Lowrance,** states that he has read the foregoing Consent Order, that he knows and fully understands its contents and effect; that he has been advised of his right to a hearing in this matter, his right to be represented by legal counsel, his right to present evidence and arguments to the Commissioner, and his right to appeal from an adverse determination after hearing; and that by the signing of this

Consent to Entry of Order he waives those rights in their entirety, and consents to entry of this Order by the Commissioner. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either expressed or implied.

DATED this 7th day of June, 2012.

Richard M. Lowrance

Richard M. Lowrance

State of North Dakota
County of Cass

Subscribed and sworn to before me

this 7 day of June, 2012.

Beverly A. Noonan

Notary Public

BEVERLY A. NOONAN
Notary Public
State of North Dakota
My Commission Expires Aug. 5, 2015

My commission expires:

August 5, 2015