

STATE OF NORTH DAKOTA
BEFORE THE INSURANCE COMMISSIONER

In the Matter of)	CEASE AND DESIST ORDER
)	AND NOTICE OF
Nathaniel Jacob Rust,)	OPPORTUNITY FOR HEARING
NPN 16003462,)	
)	CASE NO. AG-13-409
Respondent.)	

TO: Nathaniel Jacob Rust, 2551 45th Street SW, Suite 105, Fargo, ND 58104-8622

Insurance Commissioner 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 the North Dakota Century Code.
2. N.D.C.C. Chapter 26.1-26 regulates the licensing of insurance producers.
3. Nathaniel Jacob Rust, NPN 16003462 (“Respondent”), is presently and has been at all times pertinent to this action a licensed North Dakota resident insurance producer.
4. N.D.C.C. § 26.1-02.1-02.1(1) states:

A person may not commit a fraudulent insurance act.

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

26.1-04-03. Unfair methods of competition and unfair or deceptive acts or practices defined. The following are unfair methods of competition and unfair and deceptive acts or practices in the business of insurance:

...

12. Misrepresentation in insurance applications. Making false or fraudulent statements or representations on or relative to an application for an insurance policy, for the purpose of obtaining a fee, commission, money, or other benefit from any insurer, insurance producer, or individual.

6. N.D.C.C. § 26.1-26-15 states:

26.1-26-15. License requirement – Character. 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.

7. 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.

8. The Commissioner has a reasonable basis to believe that the Respondent has engaged in, is engaging in, or is about to engage in, an act or practice as more fully described below which violates or may lead to a violation of N.D.C.C. title 26.1. It is

necessary and appropriate in the public interest and for the protection of insurance consumers to restrain these acts or practices of Respondent.

9. Respondent has held a North Dakota resident insurance producer license since November 1, 2010.

10. As of the date of this Order, Respondent is actively engaged in the business of insurance as an insurance producer in Fargo, North Dakota.

11. The Commissioner has come into information which alleges that Respondent has knowingly and intentionally engaged in a fraudulent insurance act and in the conduct of affairs under his license has used fraudulent, coercive, or dishonest practices in his actions on or about February 1, 2013, and continuing at least through March 2013, by writing fictitious auto or umbrella policies or both on himself and filing these policies with Farmers Insurance for personal financial benefit.

12. The Commissioner has come into information that alleges Respondent has used unfair methods of competition and unfair and deceptive acts or practices in the business of insurance on or about February 1, 2013, and continuing at least through March 2013, by writing fictitious insurance policies on himself and filling them with Famers Insurance for personal financial gain.

13. According to information obtained during the course of an investigation by the North Dakota Insurance Department ("Department"), on or about February 1, 2013, through on or about March 31, 2013, Respondent wrote approximately 35 fictitious auto insurance policies on himself and one fictitious umbrella insurance policy on himself and filed these fictitious policies with Farmers Insurance for personal financial benefit.

14. During an interview with Department Investigator Greg Nelson, Respondent informed Nelson that Respondent's former employer, Farmers Insurance,

offers their agents a guaranteed income per month. Respondent advised that in order to continue to receive this guaranteed income agents are required to reach certain numbers of new business quarterly.

15. During an interview with Nelson, Respondent informed Nelson that Respondent wrote approximately 20 fictitious auto policies under his own name and then cancelled the policies the same day or the day after. Respondent stated he looked up vehicles on the Internet to obtain the VIN numbers for the policies and then wrote the fictitious auto insurance policies on himself. The result was an increase in new business, allowing Respondent to continue receiving his guaranteed income. Nelson later confirmed with Farmers Insurance that the number of fictitious auto and umbrella policies created and filed by Respondent was 36 (35 auto, 1 umbrella).

16. During the course of an investigation by the Department, Respondent admitted to Department employee Kelvin Zimmer that Respondent had created fictitious auto policies because his "numbers were low". Respondent had eight of his company appointments cancelled as a result of his conduct as Respondent had "willfully misrepresented the companies".

17. The Commissioner has come into information which alleges that Respondent has knowingly and intentionally engaged in a fraudulent insurance act and in deceitful and dishonest practices by his actions on or about February 1, 2013, and continuing at least through March 2013, by creating and filing fictitious insurance policies on himself for personal financial benefit.

18. By creating fictitious insurance policies on himself and submitting these fictitious policies to Farmers Insurance, Respondent improperly presented to an insurer

false or misleading information as part of, in support of, or concerning a fact material to an application for the issuance or renewal of an insurance policy and by accepting personal financial benefit for the fictitious policies, Respondent engaged in an act of 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 in violation of N.D.C.C. § 26.1-02.1-02.1(1).

19. By creating fictitious insurance policies on himself, submitting these fictitious policies to Farmers Insurance, and accepting personal financial benefit for these fictitious policies, Respondent engaged in unfair methods of competition and unfair and deceptive acts or practices in the business of insurance by making misrepresentations in insurance applications or making false or fraudulent statements or representations on or relative to an application for an insurance policy for the purpose of obtaining a fee, commission, money, or other benefit from any insurer, insurance producer, or individual in violation of N.D.C.C. § 26.1-04-03(12).

20. By creating fictitious insurance policies on himself, submitting these fictitious policies to Farmers Insurance, and accepting personal financial benefit for these fictitious policies, Respondent has shown himself not competent, trustworthy, financially responsible, or of good personal and business reputation in violation of N.D.C.C. § 26.1-26-15.

21. By creating fictitious insurance policies on himself, submitting these fictitious policies to Farmers Insurance, and accepting personal financial benefit for these fictitious policies, Respondent has, in the conduct of affairs under his license, used fraudulent, coercive, or dishonest practices. He has also engaged in an improper

withholding of, misappropriating of, or converting to his own use moneys belonging to policyholders, insurers, beneficiaries, or others received in the course of insurance business. These practices are all violations of N.D.C.C. § 26.1-26-42.

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.

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 24th day of June, 2013.



Adam Hamm
Commissioner
North Dakota Insurance Department
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