



STATE OF TENNESSEE
BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE

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SECRETARY OF STATE

TENNESSEE INSURANCE DIVISION,)
Petitioner,)
vs.)
LARRY P. CHINN,)
Respondent.)

Docket No. 12.04-137246J
TID No. 16-016

AGREED FINAL ORDER

The Insurance Division (“Division”) of the State of Tennessee Department of Commerce and Insurance (“Department”), by and through undersigned counsel, and Larry P. Chinn (“Respondent”) hereby stipulate and agree, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”), as follows:

GENERAL STIPULATIONS

1. It is expressly understood that this Agreed Final Order is subject to the Commissioner’s acceptance and has no force and effect until such acceptance is evidenced by the entry of the Commissioner.
2. This Agreed Final Order is executed by Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Final Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Final Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

3. Respondent fully understands that this Agreed Final Order will in no way preclude additional proceedings by the Commissioner for acts and/or omissions not specifically addressed in this Agreed Final Order or for facts and/or omissions that do not arise from the facts or transactions herein addressed.

4. Other than this proceeding brought by the Commissioner for violations of Title 56 of Tennessee Code Annotated addressed specifically in this Agreed Final Order, Respondent fully understands that this Agreed Final Order will in no way preclude proceedings by state or local officers, agencies, or civil or criminal law enforcement authorities against Respondent for violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which arise as a result of the execution of this Agreed Final Order by Respondent.

5. Respondent expressly waives all further procedural steps, and expressly waives rights to seek judicial review of or to otherwise challenge or contest the validity of this Agreed Final Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of said Agreed Final Order by the Commissioner.

6. Respondent fully understands and agrees that the Division is not required to file this Agreed Final Order with the Administrative Procedures Division of the Tennessee Secretary of State's Office if Respondent does not deliver to the Division his first installment payment toward the civil penalty assessment in a timely manner. Should Respondent not make this first payment in a timely manner, this Agreed Final Order will not become effective and the Division will reschedule the hearing in this case on a contested docket before an Administrative Judge assigned to the Secretary of State.

AUTHORITY AND JURISDICTION

7. The Commissioner has jurisdiction over this matter pursuant to the Tennessee Insurance Law (“Law”), Title 56 of the Tennessee Code Annotated, specifically Tenn. Code Ann. §§ 56-1-101, 56-1-202, 56-2-305 and 56-6-112. The Law places on the Commissioner the responsibility of the administration of its provisions.

PARTIES

8. The Division is the lawful agent through which the Commissioner administers the Law and is authorized to bring this action for the protection of the public.

9. Respondent is a Tennessee resident, with an office address of record on file with the Division of 1755 Lynnfield Road, Memphis, TN 38119-7233. Respondent obtained his Tennessee resident insurance producer license number 0682289, on or about September 19, 1988. Said license is scheduled to expire on February 28, 2017.

FINDINGS OF FACT

10. On August 26, 2014, the Minnesota Commissioner of Commerce entered into a Consent Order with Respondent and Financial Institution Consulting Corporation (“FICC”), a Tennessee corporation for which Respondent serves as Chief Executive Officer. The Minnesota Consent Order was based on allegations that Respondent and FICC maintained improper supervision over Minnesota insurance producers they employed and/or contracted with, issued unauthorized and/or misleading insurance policy illustrations and estimates through the actions of these FICC employees and contractors, and promoted unsuitable premium financed life insurance policies, in violation of Minn. Stat. §§ 60K.43, subd.1(5); 60K.46, subd. 4; 72A.20, subd. 1 (2014); and Minn. R. 2790.2100 and 2795.0800 (2013).

11. Respondent has acquiesced in the above allegations by entering into the Minnesota Consent Order. Further, while Respondent was not the agent at the point of sale in

Minnesota for these policies, he has accepted responsibility for the actions of his employees and contractors given that Respondent was listed as the writing agent on all six (6) of the applications for the policies referred to in the Minnesota Consent Order.

12. This Minnesota Consent Order entered in August 2014 required Respondent and FICC to pay a total of \$193,050.50 in restitution to the six (6) individual Minnesota policyholders on or before December 1, 2014, and assessed a \$75,000.00 civil penalty against Respondent and FICC. The civil penalty was stayed on the condition that the restitution was paid in full by the stated deadline. The Consent Order also required Respondent and FICC to cease and desist from the sale of any further premium financed life insurance products in the state of Minnesota.

13. Respondent and FICC paid the required restitution to the six (6) individual Minnesota policyholders by December 1, 2014.

14. Respondent did not report to the Commissioner this administrative action taken against his nonresident insurance producer license in Minnesota, within thirty (30) days after the entry of the Consent Order on August 26, 2014. Respondent's first report to the Commissioner of this Minnesota administrative action was upon his Tennessee resident producer license renewal application submitted in early February 2015.

15. Respondent also paid back more than \$100,000.00 in commissions to Minnesota Life Insurance Company under "clawback" provisions on these policies, inasmuch as all of the policies were cancelled by the policyholders before the fourth (4th) year of premiums became due.

16. The premiums on all six (6) of these policies referred to within the Minnesota Consent Order were financed 100% by premium financing companies.

17. On April 29, 2016, the Division, through counsel, filed a Notice of Hearing and Charges against the Respondent relating to his actions as set out above.

CONCLUSIONS OF LAW

18. Respondent's actions as set forth above in the foregoing Findings of Fact, constitute violations of Tenn. Code Ann. §§ 56-6-112(a)(2), (a)(7), & (a)(8), and 56-6-119(a) (2011), which read as follows:

Tenn. Code Ann. § 56-6-112

(a) The commissioner may place on probation, suspend, revoke or refuse to issue or renew a license issued under this part or may levy a civil penalty in accordance with this section or take any combination of those actions, for any one (1) or more of the following causes:

....

(2) Violating any law, rule, regulation, subpoena or order of the commissioner or of another state's commissioner;

....

(7) Having admitted or been found to have committed any insurance unfair trade practice or fraud;

....

(8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere[.]

....

Tenn. Code Ann. § 56-6-119

(a) A producer shall report to the commissioner any administrative action taken against the producer in another jurisdiction or by another governmental agency in this state within thirty (30) days of the final disposition of the matter. This report shall include a copy of any order entered or other relevant legal documents.

19. Respondent's violations of Tenn. Code Ann. §§ 56-6-112(a)(2), (a)(7), & (a)(8), and 56-6-119(a) (2011), constitute grounds for the imposition of lawful discipline, including the assessment of civil penalties, as prescribed at Tenn. Code Ann. §§ 56-6-112(g)(1), (2) & (3), which read as follows:

(g) If the commissioner finds that any person required to be licensed, permitted, or authorized by the division of insurance pursuant to this chapter has violated any statute, rule or order, the commissioner may, at the commissioner's discretion, order:

- (1) The person to cease and desist from engaging in the act or practice giving rise to the violation;
- (2) Payment of a monetary penalty of not more than one thousand dollars (\$1,000) for each violation, but not to exceed an aggregate penalty of one hundred thousand dollars (\$100,000). This subdivision (g)(2) shall not apply where a statute or rule specifically provides for other civil penalties for the violation. For purposes of this subdivision (g)(2), each day of continued violation shall constitute a separate violation; and
- (3) The suspension or revocation of the person's license.

20. Based upon the above Findings of Fact and Conclusions of Law, the Commissioner considers that the Respondent's actions warrant the imposition of lawful discipline, to include assessment of a civil penalty in accordance with Tenn. Code Ann. § 56-6-112(g)(1), (2) & (3).

21. In order to avoid further expenses or costs associated with additional administrative litigation of this matter or judicial review, Respondent hereby acknowledges the Commissioner's authority to administer the statutes cited herein, concedes that the Commissioner's interpretation of the statutes cited in the Conclusions of Law are reasonable and enforceable, and agrees to the entry of this Agreed Final Order including each of the following sanctions ordered by the Commissioner.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Respondent's waiver of the right to a hearing and appeal under the Law and the Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 to 4-5-404 (2011), and Respondent's admission of jurisdiction of

the Commissioner, the Commissioner finds that Respondent, for the purpose of settling this matter, admits the Findings of Fact and Conclusions of Law, agrees to the entry of this Agreed Final Order pursuant to Tenn. Code Ann. § 4-5-314(a) and agrees that this Agreed Final Order is in the public interest and is consistent with the purposes fairly intended by the Law.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 56-6-112(g) that:

1. Respondent's Tennessee resident insurance producer license (No. 0682289) is **hereby SUSPENDED for a period of six (6) months** commencing on the effective date of this Order. Respondent's **SUSPENSION shall be stayed** and will terminate six (6) months from the effective date of this Agreed Final Order so long as he pays the below civil penalty according to schedule, and so long as he does not knowingly sell any unsuitable insurance policies or negligently supervise any employees or contracted insurance producers who are found to have sold such unsuitable policies during this period.
2. Respondent is **ASSESSED a CIVIL PENALTY** in the amount of seven thousand five hundred dollars (\$7,500.00).
3. All payments to the Department of the seven thousand five hundred dollars (\$7,500.00) civil penalty assessment shall be mailed to:

**State of Tennessee
Department of Commerce and Insurance
Office of Legal Counsel
Attn: Jesse D. Joseph, Assistant General Counsel
500 James Robertson Parkway, 8th Floor
Nashville, TN 37243**

4. Respondent's payment of the civil penalty to the Department shall be in two (2) installments over six (6) months as follows:

(a) Respondent shall deliver his first \$3,750.00 payment to the Department toward the civil penalty assessment by **November 14, 2016**; and

(b) Respondent shall deliver his second \$3,750.00 payment to the Department toward the civil penalty assessment by **May 14, 2017**.

5. Respondent is permitted to pay the civil penalty assessment sooner than required by the above schedule, and in larger installment payment amounts if he chooses.

6. A payment shall be considered timely made if it is **received** by the Department within seven (7) calendar days of the date such payment is due. All payments shall include a copy of the first page of this Agreed Final Order and shall be made payable to "State of Tennessee."

7. The failure to make timely payments under the terms of this Agreed Final Order may result in additional disciplinary proceedings being brought against Respondent which may result in additional discipline imposed against Respondent's Tennessee insurance producer license, the assessment of additional civil monetary penalties, and investigatory and hearing costs.

8. Failure to timely make any payment shall render any remaining balance under this Agreed Final Order immediately due and collectible. If Respondent fails to pay the civil penalty according to the above schedule, the Department may file and enforce any remaining balance of this civil penalty as a judgment against Respondent in the Circuit or Chancery Court without further notice to Respondent or additional proceedings.

9. Any remaining balance of this civil penalty and resulting judgment will be non-dischargeable in bankruptcy so long as the Department timely files a complaint objecting to discharge.

10. Commencing on the effective date of this Agreed Final Order, Respondent shall **CEASE and DESIST** from the sale of any 100% premium financed life insurance policies to individuals residing in the State of Tennessee.

11. All persons in any way assisting, aiding, or helping Respondent in any of the aforementioned violations of Tenn. Code Ann. §§ 56-6-112 and 56-6-119 shall **CEASE AND DESIST** from all such activities in violation of the Law.

IT IS ORDERED that this Agreed Final Order represents the complete and final resolution of, and discharge with respect to all administrative and civil, claims, demands, actions and causes of action by the Commissioner against Respondent for violations of Tenn. Code Ann. §§ 56-6-112(a)(2), (a)(7), & (a)(8), and 56-6-119(a) alleged by the Division to have occurred with respect to the transactions involving the facts contained herein, with the exception of any future action which may become necessary to enforce and/or collect the \$7,500.00 civil penalty.

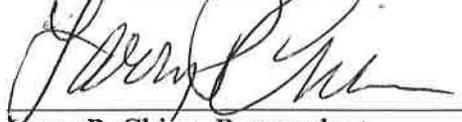
This Agreed Final Order is in the public interest and in the best interests of the parties, and represents a compromise and settlement of the controversy between the parties, and is for settlement purposes only. By the signatures affixed below, Respondent affirmatively states he has freely agreed to the entry of this Agreed Final Order, that he waives the right to a hearing on the matters underlying this Agreed Final Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made to him by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Agreed Final Order, affirmatively state their agreement to be bound by the terms of this Agreed Final Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of the settlement as set forth in this Agreed Final Order, are binding upon them.

ENTERED this 29 day of November, 2016.

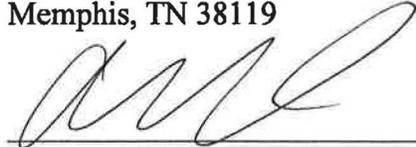


Julie Mix McPeak, Commissioner
TN Department of Commerce and Insurance

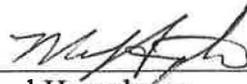
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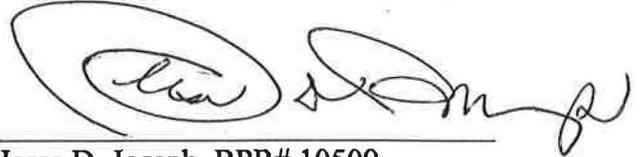
Larry P. Chinn, Respondent
CEO and Majority Owner
Financial Institution Consulting Corporation
1755 Lynnfield Road
Memphis, TN 38119



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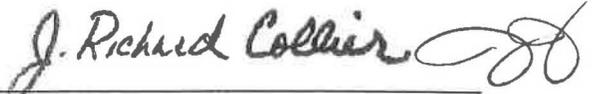


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29 Filed in the Office of the Secretary of State, Administrative Procedures Division, this
day of November, 2016.



J. Richard Collier, Esq., Director,
Administrative Procedures Division