

SEP 25 2013

SUPERIOR COURT  
CLERK'S OFFICE

ORDER NO. E19-91

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

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Proceedings by the Commissioner of Banking )  
and Insurance, State of New Jersey, to fine, )  
suspend, and/or revoke the insurance license )  
of Stanley Jerome, Reference No. 1300747 )  
\_\_\_\_\_ )

FINAL ORDER

DJ149397-19

TO: Stanley Jerome  
329 Lincoln Avenue  
Orange, NJ 07050

This matter, having been opened by the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon issuance of Order to Show Cause E19-54 alleging that Stanley Jerome ("Respondent") may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondent was licensed as a nonresident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-34(a) until his license expired on August 31, 2015; and

WHEREAS, Respondent is subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to -48 ("Producer Act"); the New Jersey Insurance Fraud Prevention Act, N.J.S.A. 17:33A-1 to -30 ("Fraud Act") and the regulations promulgated thereunder, N.J.A.C. 11:16-1.1 to -7.10; the Producer Licensing regulations, N.J.A.C. 11:17-1.1 to -2.17; the regulations governing Insurance Producer Standards of Conduct, N.J.A.C. 11:17A-1.1 to 11:17D-2.8; and the Persons Employed in the Business of Insurance regulations, N.J.A.C. 11:17E-1.1 to -1.7; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(d), the Commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by the Producer Act and Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes against any person who is under investigation for or charged with a violation of the Producer Act or Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes even if the person's license or registration has been surrendered or has lapsed by operation of law; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(2), an insurance producer shall not violate any insurance law, regulation, subpoena, or order of the Commissioner or of another state's insurance regulator; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(5), an insurance producer shall not intentionally misrepresent the terms of an actual or proposed insurance contract, policy, or application for insurance; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(6), an insurance producer shall not be convicted of a felony or crime of the fourth degree or higher; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(7), an insurance producer shall not admit or be found to have committed any insurance unfair trade practice or fraud; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(8), an insurance producer shall not use fraudulent, coercive, or dishonest practices, or demonstrate incompetence, untrustworthiness, or financial irresponsibility in the conduct of insurance business in this State or elsewhere; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a)(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.S.A. 17B:30-13, except as otherwise expressly provided by law, no person shall knowingly make, permit to be made or offer to make any contract of life

insurance, annuity or health insurance, or agreement as to such contract other than as plainly expressed in the contract issued thereon, or pay or allow, or give or offer to pay, allow, or give, directly or indirectly, as an inducement to such insurance, or annuity, any rebate of premiums or considerations payable on the contract or of any agent's, solicitor's, or broker's commission relating thereto, or any special favor or advantage in the dividends or other benefits thereon, or any valuable consideration or inducement whatever not specified in the contract; or give, or sell, or purchase, or offer to give, sell, or purchase as an inducement to such 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; and

WHEREAS, pursuant to N.J.A.C. 11:17A-2.3(h), services or monetary benefits provided for free or at a discounted price that inure to the personal benefit of the person and that are largely extraneous to the coverage being purchased or the insurance services being provided by an insurance producer, or services offered in a discriminatory manner as an inducement to write or move business shall be deemed a prohibited rebate(s) or inducement(s). Examples of such services or benefits that the Department would consider prohibited rebates or inducements include payments of cash or cash equivalents of greater than \$100.00; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a), the Commissioner may place on probation, suspend, revoke, or refuse to issue or renew an insurance producer's license or may levy a civil penalty in accordance with N.J.S.A. 17:22A-45(c), or any combinations of actions for violations of the Producer Act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-45(c), any person violating the Producer Act is subject to a penalty not exceeding \$5,000 for the first offense and not exceeding \$10,000 for each

subsequent offense; moreover, the Commissioner may order restitution of moneys owed any person and reimbursement of the costs of investigation and prosecution, as appropriate; and

WHEREAS, pursuant to N.J.S.A. 17:33A-4(a)(4)(b), a person violates the Fraud Act if he or she prepares or makes any written or oral statement, intended to be presented to any insurance company or producer for the purpose of obtaining an insurance policy, knowing that the statement contains any false or misleading information concerning any fact or thing material to an insurance application or contract; and

WHEREAS, pursuant to N.J.S.A. 17:33A-5(a) and -5(c), violations of the Fraud Act subject the violator to a civil and administrative penalty of up to \$5,000.00 for the first violation, up to \$10,000.00 for the second violation, and up to \$15,000.00 for each subsequent violation; moreover, the Commissioner may issue a final order assessing penalties and costs of prosecution, including attorneys' fees; and

WHEREAS, pursuant to N.J.S.A. 17:33A-5.1, any person who is found in any legal proceeding to have committed insurance fraud shall be subject to a surcharge in the amount of \$1,000.00; and

WHEREAS, on June 10, 2019, the Commissioner issued Order to Show Cause E19-54, alleging violations of New Jersey insurance laws by Respondent as set forth as follows:

#### FACTUAL ALLEGATIONS

IT APPEARING THAT, on or about June 5, 2013, Respondent entered into a contractual relationship with Massachusetts Mutual Insurance Company ("Mass Mutual") to sell insurance products; and

IT FURTHER APPEARING THAT, between June 18, 2013 and January 30, 2015, Respondent submitted 217 whole life insurance applications to Mass Mutual; and

IT FURTHER APPEARING THAT, in the 217 applications submitted to Mass Mutual, Respondent used the personal identifying information obtained from individual consumers; and

~~IT FURTHER APPEARING THAT, Respondent obtained each individual consumer's personal identifying information by offering free life insurance and cash payments in exchange for usage of their personal identifying information; and~~

IT FURTHER APPEARING THAT, Respondent offered additional cash payments to the individual consumers if they opened bank accounts in their own names and provided account access to Respondent; and

IT FURTHER APPEARING THAT, in the 217 applications submitted to Mass Mutual, Respondent fabricated or otherwise made false statements regarding individual consumers' employment, income, and/or net worth; and

IT FURTHER APPEARING THAT, in connection with the 217 applications, Respondent submitted preauthorized forms to Mass Mutual that authorized the automatic monthly withdrawal of premiums from bank accounts belonging to the individual consumers; and

IT FURTHER APPEARING THAT, Mass Mutual approved 127 of the 217 applications submitted by Respondent resulting in the issuance of 127 whole life insurance policies; and

IT FURTHER APPEARING THAT, as a result of the 127 issued policies Respondent earned commissions totaling \$1,132,675.00; and

IT FURTHER APPEARING THAT, Respondent remitted parts of the earned commissions to the individual consumers as compensation for usage of their personal identifying information; and

IT FURTHER APPEARING THAT, Respondent transferred parts of the earned commissions to individual consumers' bank accounts in order to fund the premiums being paid from those bank accounts; and

IT FURTHER APPEARING THAT, Mass Mutual would not have issued the policies or paid commissions in connection with those policies if Mass Mutual had known that any of the information in those applications was false, misleading, or fraudulent; and

IT FURTHER APPEARING THAT, on March 28, 2016, Respondent pleaded guilty to Accusation No. 16-03-0077, in the Superior Court of New Jersey, Law Division - Criminal, County of Essex, to one count of Financial Facilitation of Criminal Activity, Second Degree, in violation of N.J.S.A. 2C:21-25(b)(1), and to one count of Insurance Fraud, Second Degree, in violation of N.J.S.A. 2C:21-4.6; and

IT FURTHER APPEARING THAT, on May 16, 2016, Respondent was convicted of the aforementioned criminal offenses, sentenced to three years' incarceration, and ordered to pay Mass Mutual restitution in the amount of \$750,000; and

**COUNT ONE**  
**(PRODUCER ACT)**

IT FURTHER APPEARING, that Respondent, by submitting 217 applications for insurance to Mass Mutual for the purpose of obtaining insurance policies that contained fabricated or otherwise made false statements regarding individual consumers' employment, income, and/or net worth: (i) violated insurance laws and regulations; (ii) intentionally misrepresented the terms of an actual or proposed insurance contracts, policies, or applications for insurance; (iii) used fraudulent, coercive, or dishonest practices, or demonstrated incompetence, untrustworthiness, or financial irresponsibility in the conduct of insurance business in this State; and (iv) committed fraudulent acts, in violation of N.J.S.A. 17:22A-40(a)(2), (5), (8), and (16); and

**COUNT TWO**  
**(FRAUD ACT)**

IT FURTHER APPEARING, that Respondent, by submitting 217 applications for insurance to Mass Mutual for the purpose of obtaining insurance policies, Respondent prepared written statements intended to be presented to an insurance company, knowing that the statements contained false or misleading information concerning things material to the insurance applications or contracts, in violation of N.J.S.A. 17:33A-4(a)(4)(b); and

**COUNT THREE**  
**(PRODUCER ACT)**

IT FURTHER APPEARING, that Respondent was convicted of Financial Facilitation of Criminal Activity, N.J.S.A. 2C:21-25(b)(1), Second Degree, and Insurance Fraud, N.J.S.A.

2C:21-4.6, Second Degree, and, as such: (i) was convicted of a felony or crime of the fourth degree or higher, and (ii) was found to have committed fraud, in violation of N.J.S.A. 17:22A-40(a)(6) and (7); and

**COUNT FOUR**  
**(PRODUCER ACT)**

IT FURTHER APPEARING, that Respondent offered free life insurance and cash payments to individuals in exchange for usage of their personal identifying information as an inducement to write or move business, in violation of N.J.S.A. 17B:30-13 and N.J.A.C. 11:17A-2.3(h); and

WHEREAS, as set forth in the Certification of Brian R. Fitzgerald ("Fitzgerald Cert"), attached hereto as Exhibit B, Respondent was given notice of the aforesaid charges and an opportunity to contest the charges at a hearing pursuant to Order to Show Cause E19-54, which was duly served upon Respondent by personal service; and

WHEREAS, Respondent failed to provide a written response to the charges contained in Order to Show Cause E19-54 within twenty days or at any time as provided by N.J.A.C. 11:17D-2.1(d)(1), and therefore has waived his right to a hearing to contest these charges and the charges are deemed admitted pursuant to N.J.A.C. 11:17D-2.1(b)(1);

NOW, THEREFORE, IT IS on this *17<sup>th</sup>* day of *September*, 2019

ORDERED, that the charges contained in Counts 1, 2, 3, and 4 of Order to Show Cause E19-54 are deemed admitted by Respondent, pursuant to N.J.A.C. 11:17D-2.1(b)(1); and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-40 and N.J.A.C. 11:17D-2.1(b)(2), the insurance producer license of Respondent is **REVOKED** effective upon the execution of this Final Order; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-45(c) and N.J.S.A. 17:33A-5(a) and -5(c), Respondent is responsible for the payment of \$696,400.00, allocated as follows: \$347,700.00 penalty for 217 violations of the Producer Act (Counts One and Four); \$347,700.00 penalty for 217 violations of the Fraud Act (Count Two); and a \$1,000.00 statutory surcharge, pursuant to N.J.S.A. 17:33A-5.1; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22B-17, Respondent shall pay restitution directly to Mass Mutual in the amount of \$750,000.00 as ordered by the Superior Court of New Jersey, Law Division - Criminal, County of Essex, as described above, with proof of payment to be sent to the Department; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-45c and N.J.A.C. 11:1-32.4(b)(20), Respondent shall reimburse the Department of Banking and Insurance for the costs associated with the investigation and prosecution of this matter, as evidenced by the Certification of Costs by Matthew C. Gervasio, attached hereto as Exhibit A, totaling \$562.50; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:33A-5(c), Respondent is responsible for the payment of \$8,526.50 in attorneys' fees as evidenced by the Fitzgerald Cert.; and

IT IS FURTHER ORDERED, that Respondent shall pay the above fines and costs totaling \$705,489.00 in full by remitting payment to the Commissioner of Banking and Insurance, State of New Jersey, 20 West State Street, P.O. Box 329, Trenton, New Jersey 08625, Attention: Virgil Downtin, Chief of Investigations, by certified check, cashier's check or money order made payable to the "State of New Jersey, General Treasury," within ten (10) days from the date of service of this Order; and



IT IS FURTHER ORDERED, that in the event full payment of the fines and costs is not made, the Commissioner may exercise any and all remedies available by law, including but not limited to recovery of any unpaid penalties, in accordance with the Penalty Enforcement Law of 1999, N.J.S.A. 2A:58-10 to -12; and

IT IS FURTHER ORDERED, that the fines in this Final Order are imposed pursuant to the police powers of the State of New Jersey for the enforcement of the law and the protection of the public health, safety, and welfare, and are not intended to constitute debts which may be limited or discharged in a bankruptcy proceeding; and

IT IS FURTHER ORDERED, that the provisions of this Final Order represent a final agency decision and constitute a final resolution of the allegations contained in Order to Show Cause E19-54.

  
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Marlene Caride  
Commissioner