BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE

TENNESSEE INSURANCE DIVISION,	)	
Petitioner,	)	
	)	
v.	)	**Docket No.: 12.01-055533J**
	)	**No: 08-070**
MICHAEL E. BECKMAN,	)	
Respondent.	)	

AGREED ORDER

The Tennessee Insurance Division ("Division") and Michael E. Beckman ("Respondent") agree to the entry of this Agreed Order subject to the approval of the Commissioner of Commerce and Insurance ("Commissioner").

GENERAL STIPULATIONS

1. It is expressly understood that this Agreed 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 Order is executed by Respondent for the purpose of avoiding further administrative action with respect to this cause. Furthermore, should this Agreed Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner or Respondent from further participation or resolution of these proceedings.

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

the facts or transactions herein addressed, nor does it preclude additional proceedings against the Respondent based upon these facts or transactions herein addressed by any other third party, government agency or law enforcement authority or preclude the Division's assistance to such agency or law enforcement authority. Respondent also understands that the facts contained in this Agreed Order may be used to deny any future application for licensure which Respondent may file with the Commissioner. Respondent and the Division do agree that entry of this agreed order by the Commissioner resolves all pending claims known by the department against Respondent related to his license.

4. Respondent expressly waives all further procedural steps, and expressly waives all rights to seek judicial review of or to otherwise challenge or contest the validity of the Agreed Order or any other orders previously entered by the Commissioner, the stipulations and imposition of discipline contained therein, and the consideration and entry of said Agreed Order by the Commissioner.

5. All previous drafts exchanged in connection with this Agreed Order have been submitted in contemplation of settlement and thus are entitled to all the protections afforded by Rule 408 of the Tennessee Rules of Civil Procedure.

FINDINGS OF FACT

1. The Tennessee Insurance Law, as amended, TENN. CODE ANN. §§ 56-1-101, *et seq.* ("Law"), places the responsibility for the administration of the Law on the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

2. Respondent is a citizen of Tennessee, residing at 2508 Westfield Drive, Lebanon, Tennessee, 37090. At all times relevant hereto, Respondent held Tennessee insurance producer license numbered 38196. At all relevant times herein, Respondent was the CEO and president of

American Insurance Agency ("AIA"). AIA is a Tennessee for-profit corporation, principally located at 112 E. High Street, Lebanon, Tennessee 37087.

3. In or about November 2001, Respondent hired an unlicensed individual, Johnny R. Jackson ("Jackson") as a marketing manager and recruiter of agents for AIA. Jackson's insurance producer license with the State of Tennessee was revoked pursuant to an Agreed Order entered on October 26, 1999. Respondent knew that Jackson did not have a valid insurance producer license when he hired Jackson to work for AIA. Respondent was corresponding with the Department concerning the progress of Jackson's soon to be unsuccessful attempt to be reinstated as well as Jackson's employment with his agency. Respondent believed he was acting in good faith in the way Jackson was being compensated by his agency.

4. During his employment with AIA, Jackson sold insurance policies over the telephone and in person to clients on behalf of AIA. Jackson impersonated various licensed insurance agents, including Respondent, and sold insurance policies to clients. Respondent signed as the writing agent on most, if not all, of the insurance policies that Jackson sold on behalf of AIA. Respondent was advised by Jackson that he (Jackson) was not selling insurance; he was going on sales calls with licensed agents he was training.

5. In addition to a base salary, Respondent compensated Jackson for client leads that Jackson provided AIA. Jackson was compensated based on a previously agreed price between Jackson and Beckman/AIA. The lead payments to Jackson were paid to him as commissions were earned by Beckman/AIA.

6. On April 22, 2004, Respondent entered into an Agreed Order to, among other things, stop using unlicensed persons in the sale of insurance, to stop selling replacement annuities and to stop selling replacement life insurance policies.

7. Respondent knew, or should have known, that Jackson, an unlicensed insurance agent, was selling insurance without being duly licensed to do so, and was impersonating other licensed agents to sell insurance products, on behalf of AIA.

CONCLUSIONS OF LAW

1. TENN. CODE ANN. § 56-6-112(a) provides, in pertinent part, that "[t]he 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 subsection (e) or take any combination of such actions, for any one or more of the following causes:

> (2) Violating any law, rule, regulation, subpoena or order of the commissioner or of another state's commissioner;
>
> . . .
>
> (8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere;
>
> (13) Knowingly accepting insurance business from an individual who is not licensed.

2. TENN. CODE ANN. § 56-6-112(e) provides that:

> With respect to any person licensed or required to be licensed under this part, and in addition to or in lieu of any applicable denial, suspension or revocation of a license, the commissioner may assess a civil penalty against such person in an amount not less than one hundred dollars ($100) nor more than one thousand dollars ($1,000) for each separate violation of a statute, rule or order pertaining to the sale, solicitation or negotiation or insurance in this state. Each day of continued violation constitutes a separate violation.

3. TENN. CODE ANN. § 56-6-113 provides, in pertinent part, that an insurance producer shall not pay a commission, service fee, brokerage fee or other valuable consideration to a an unlicensed person for selling, soliciting or negotiating insurance in this state.

4. Based upon the Findings of Fact cited above and the Conclusions of Law contained herein, the Commissioner considers the actions of Respondent to be in violation of TENN. CODE ANN. § 56-6-112(a)(2), (8) & (13), and TENN. CODE ANN. § 56-6-113 which provide grounds for imposition of sanctions set forth in TENN. CODE ANN. § 56-6-112(a) & (e).

5. Respondent hereby admits to all the Findings of Fact stated above in paragraphs 1-7. Respondent hereby acknowledges the Commissioner's authority to administer said statutes and concedes that the Commissioner's interpretation of the statutes, as set forth in the Conclusions of Law, is reasonable and enforceable. Therefore, Respondent, in order to avoid any further expenses or costs associated with litigating this matter, hereby desires to enter into the Agreed Order.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and the waiver by Respondent of his rights to a hearing and appeal under Tennessee Insurance Law and Tennessee's Uniform Administrative Procedures Act, TENN. CODE ANN. §§ 4-5-101, *et seq.*, ("Act") and the admission by Respondent of the jurisdiction of the Commissioner, the Commissioner finds that Respondent has agreed to the entry of this Order and that this Order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to TENN. CODE ANN. § 56-6-112 that:

1. Respondent Michael E. Beckman's insurance producer license, numbered 38196, and all other licenses authorizing Respondent to sell any type of insurance in the State of Tennessee, are hereby **SUSPENDED** for a period of twenty (20) days

with credit being given for the suspension of his insurance producer license from April 2, 2004 to April 22, 2004;

2. Respondent is hereby **SUSPENDED** from selling replacement annuities and replacement life insurance policies for a period of forty-eight (48) months, credit being given to months already suspended, effective from the execution date of the Agreed Order entered on April 22, 2004;

3. Respondent is further restricted from selling, soliciting, or negotiating insurance, or from any other sales activity related to the insurance business in the State of Tennessee for a period of thirty (30) days from the date this order is executed by the Commissioner;

4. Respondent shall pay civil penalties in the amount of Ten Thousand Dollars ($10,000) within one (1) year of the date this order is entered by the Commissioner;

5. Respondent is hereby placed under **PROBATION** for a period of five (5) years from the date this order is executed by the Commissioner. Should the Commissioner find after notice and a hearing, as required under the Uniform Administrative Procedures Act, TENN. CODE ANN. §§ 4-5-101, *et seq.*, that the Respondent has violated of any of the provisions of TENN. CODE ANN. §§ 56-6-112, or this Agreed Order during the Probationary Period, the Respondent agrees to the revocation of his insurance producer license;

6. Respondent shall comply with TENN. CODE ANN. § 56-53-106(b)(2) by not knowingly or intentionally permitting a person convicted of a felony involving dishonesty or breach of trust to participate in the business of insurance unless a

waiver has been granted by the Commissioner;

7. Respondent shall cease further violations of TENN. CODE ANN. § 56-6-112(a)(13) and shall not knowingly accept insurance business from an individual who is not licensed; and

8. Respondent shall fully and completely cooperate and assist the Commissioner and the Division with its investigation of persons and entities, including but not limited to, Ruben D. Foster, Jr., Joyce Foster, Jeff Hess, Robert M. Lea, Timothy E. Bennett, Shawn Passwaters, John J. Tucker, Forrest McDole, Christopher Williams, Bonita Jackson, Glenn W. Dillehay, Bobby Fraley Sr., Jason Edwards, Jeff Richards, Southern Alliance of Tennessee, Southern Beneftis Corp., Southern Benefits, LLC, Cedar Crest Group, Donald Jackson, and Johnny R. Jackson.

IT IS FURTHER ORDERED that the Order represents the complete and final resolution and discharge of all administrative actions and causes of action by the Commissioner against Respondent for violations of the Act arising out of the Findings of Fact above.

This Agreed 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 that he has freely agreed to the entry of the Agreed Order, that he has been advised that he may consult legal counsel in this matter and has had the opportunity to consult with legal counsel should he have desired to do so, has reviewed the Findings of Fact and Conclusions of Law contained herein, waives his right to a hearing on the matters underlined in this Agreed Order and the Findings of Fact and Conclusions of Law contained herein, and that no threats or

promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Agreed Order, affirmatively state their agreement to be bound by the terms of the Agreed Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in the Agreed Order, are binding upon them.

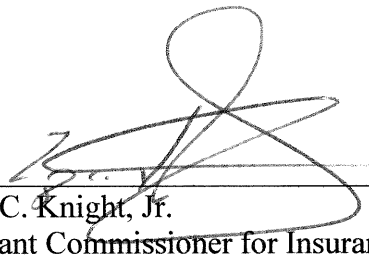
IT IS SO ORDERED.

Entered this 1st day of May, 2008.

Leslie A Newman

Leslie A. Newman, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:



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