



THE TREASURER OF THE STATE OF FLORIDA
DEPARTMENT OF INSURANCE

TOM GALLAGHER

IN THE MATTER OF:

Case No. 63382-02-CO

WILLIAM PAGE AND ASSOCIATES, INC.

_____ /

ADMINISTRATIVE COMPLAINT

You, WILLIAM PAGE AND ASSOCIATES, INC., (William Page), are hereby notified that pursuant to the Florida Insurance Code, the Department of Insurance of the State of Florida (Department) has caused to be made an investigation of your activities while licensed as a viatical settlement provider. As a result of said investigation it is alleged that:

GENERAL ALLEGATIONS COMMON TO ALL COUNTS

1. William Page is a Florida corporation whose principal address is 2810 East Oakland Park Blvd., Ft. Lauderdale, FL. 33306.
2. William Page is and was at all times material hereto licensed by the Department as a viatical settlement provider.
3. At all times material hereto, William Page effectuated viatical settlement contracts, and entered into viatical settlement purchase agreements.
4. Information available to the Department reflects that William Page has violated provisions of the Florida Insurance Code as alleged below.

COUNT ONE

5. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show that:

a) On or about August 3, 1994, an individual, referred to herein as Viator One to protect his confidentiality, submitted a written application to Life Insurance Company of Georgia for a \$75,000 life insurance policy, in which application he stated that he had not been diagnosed as having an immune deficiency disorder, AIDS, ARC, or tested positively for antibodies to the AIDS virus (HIV).

b) In apparent reliance on that application and the representations therein, Life Insurance Company of Georgia issued such a policy to Viator One effective October 1, 1994.

c) However, on or about October 4, 1996, Viator One completed a "Viatical Settlement Information Form" for the Viatical Clearing House, Inc., a viatical settlement broker, in which Viator One stated that he had tested positive for the HIV virus in 1990, and for AIDS in March of 1993.

d) William Page purchased (took an assignment) of that Life Insurance Company of Georgia policy on or about November 15, 1996.

e) William Page made no report to the Department regarding the matters alleged above in this count.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Failure to report knowledge or belief of the commission of a fraudulent insurance act or any other act which, upon conviction, constitutes a felony or misdemeanor under the Insurance Code or Section 817.234, F. S. [Section 626.989(6), F. S.]

(b) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

COUNT TWO

6. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show that:

a) On or about May 22, 1997, Viator One submitted a written application to Liberty National Life Insurance Company for a \$75,000 life insurance policy, in which application he stated that he had not been diagnosed as having an immune deficiency disorder, AIDS, ARC, or tested positively for antibodies to the AIDS virus (HIV).

b) In apparent reliance on that application and the representations therein, Liberty National issued such a policy to Viator One, effective June 1, 1997.

c) However, in the "Viatical Settlement Information Form" referenced in paragraph 1 (c), above, Viator One had at that time already informed William Page that he (Viator One) had tested positive for the HIV virus in 1990, and for AIDS in March of 1993.

d) Additionally, William Page had been supplied a "Physician's Questionnaire-HIV Disease" form, which stated that Viator One had been diagnosed with HIV and AIDS in 1996.

e) William Page nonetheless purchased said Liberty National policy on or about August 6, 1999.

f) William Page made no report to the Department regarding the matters alleged above in this count.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Failure to report knowledge or belief of the commission of a fraudulent insurance act or any other act which, upon conviction, constitutes a felony or misdemeanor under the Insurance Code or Section 817.234, F. S. [Section 626.989(6), F. S.]

(b) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

COUNT THREE

7. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show that:

a) On or about July 11, 1995, an individual, referred to herein as Viator Two to protect his confidentiality, submitted a written application for a \$250,000 life insurance policy to Old Line Life Insurance Company of America. In that application Viator Two stated that he was in good health, and had never been treated for a persistent hoarseness or cough, shortness of breath or a disorder of the respiratory system, and was not under observation or taking treatment.

b) In apparent reliance on that application and the representations therein, Old Line issued such a policy to Viator Two, effective August 2, 1995.

c) However, in a William Page "Viatical Application" form dated April 23, 1998, Viator Two represented that he had cystic fibrosis resulting in a lung function below 30% of normal, could not perform any physical activity without chest strain, and had only one to two years to live. A written "Mortality Profile" and a "Demise Letter" prepared at the request of William Page by Dr. Edward Moses confirmed those representations.

d) Nonetheless, William Page purchased that Old Line policy from Viator Two on or about May 18, 1998.

e) William Page made no report to the Department regarding the matters alleged above in this count.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Failure to report knowledge or belief of the commission of a fraudulent insurance act or any other act which, upon conviction, constitutes a felony or misdemeanor under the Insurance Code or Section 817.234, F. S. [Section 626.989(6), F. S.]

(b) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

COUNT FOUR

8. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show that:

a) William Page routinely utilizes a "Policy Service Agreement" as part of "The Lifeline Program" through which it offers for sale to investors (viatical settlement purchasers) whole or fractional interests in the death benefits from insurance policies it has purchased from viators.

b) Said Policy Service Agreement provided, *inter alia*, that an escrow agent would be responsible for making premium payments due on subject policies for a period of up to twelve months after the viator's projected life expectancy (demise date) without recourse to the investor. The agreement further provided that after the 12 month period, the escrow agent would have recourse to accumulated cash values, dividends, and premium waivers to keep policies in force, and that after those sources were exhausted the escrow agent would have recourse to the purchaser(s) on a pro-rata basis.

c) Nonetheless, in fifty (50) instances, William Page, through its chosen escrow agent Kaufman, Rosin & Co., demanded and received into its escrow account premium monies from purchasers, ostensibly to pay the entire premiums needed to keep certain policies in force and effect, when in fact portions of those premiums were paid or should have been paid by dividends from the policies. William Page thereby unlawfully collected from those investors a surplus of premium monies in the amount of approximately \$6,400, and converted the same to its own use.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

(b) Has failed to honor contractual obligations related to the business of viatical settlement contracts [Section 626.9914(1)(f) F. S.]

(c) Has misrepresented the return on the investment related to one or more viatical settlements it sold to purchasers [Section 626.99235(1) F.S.]

COUNT FIVE

9. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show the following facts.

10. Beginning in July 2000, William Page began charging its purchasers a \$175.00 fee for tracking and servicing policies that had not matured (the viator had not died) within 12 months of the estimated demise date.

11. No provision of any agreement entered into between William Page and those purchasers authorizes such charges. Rather, the pertinent agreements fix the responsibility for such charges on a transfer from the General Escrow Account to the Premium Escrow Account, and expressly absolve the purchaser from any costs of any type in addition to the purchase price. Five hundred seventy-two (572) purchasers thus far identified by the Department have thus been unlawfully charged nearly \$100,000 by William Page, which sum it has converted to its own purposes.

12. Moreover, William Page has overcharged four hundred twenty (420) of those same purchasers more than \$46,000 above the amounts contractually authorized from the General Escrow Account, which sum it has converted to its own purposes.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

(b) Has failed to honor contractual obligations related to the business of viatical settlement contracts. [Section 626.9914(1)(f) F. S.]

(c) Has misrepresented the return on the investment related to one or more viatical settlements it sold to purchasers [Section 626.99235(1) F.S.]

COUNT SIX

13. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show the following facts.

14. In 1997, William Page sold interests in the death benefits from Allmerica Financial Life Insurance Company policy No. V518159 to five different individuals referred to herein as Purchasers One through Five to protect their confidentiality.

15. In 2001, William Page, through its chosen escrow agent, Kaufman, Rosin & Co., demanded monies from Purchasers One through Five, stating that

said monies were needed, and would be used, to pay premiums needed to keep said policy in force and effect, specifically claiming that there was no cash value available to pay the needed premium. Various of the purchasers so responded, and delivered the sums demanded.

16. In truth, said policy was being maintained in force and effect through premium waiver and loans against the accumulated cash value of the policy, and the policy still had a substantial cash value.

17. Rather than use those purchasers' monies for the avowed purpose, William Page, through its chosen escrow agent, Kaufman, Rosin & Co., deposited the same into its escrow account, and retained those monies therein until discovered by the Department in April of 2002, whereupon refunds were issued on May 1, 2002, to those purchasers who had responded to William Page's demands.

18. William Page also and simultaneously in 2001 demanded payment of service and tracking fees from those same purchasers.

19. No provision of any agreement between William Page and any of those investors authorizes a demand for service and tracking fees against the purchasers. Rather, those agreements specify that the purchasers would not incur costs of any type beyond the amount tendered as the policy purchase price, and that demands for service and tracking fees would be made against the General Escrow Account.

20. Further, the amount of those demands exceeded any amount contractually authorized to come from the Escrow Account for service and tracking fees.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

(b) Has failed to honor contractual obligations related to the business of viatical settlement contracts. [Section 626.9914(1)(f) F. S.]

(c) Has misrepresented the return on the investment related to one or more viatical settlements it sold to purchasers [Section 626.99235(1) F.S.]

COUNT SEVEN

21. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show the following facts.

22. On or about February 5, 1997, William Page purchased Lincoln National Life Insurance policy No. 20-00821377 insuring the life of an individual referred to herein as Viator Three to protect his confidentiality.

23. Contemporaneously, William Page obtained two life expectancy projections for Viator Three; one stating a life expectancy of two years or less, the other stating a life expectancy of forty-eight months.

24. During 1997, William Page sold interests in the death benefits from that same policy to thirty-one (31) individual purchasers.

25. However, each of those purchasers contractually specified a particular "Duration" for their purchases, the selections being 12, 24, 36, or 48 months. The "Duration" is the time the purchaser indicates he/she is willing to wait until the life insurance policy "matures" (the viator dies), and whereupon the purchaser expects to receive the requisite return on his/her investment. The purchaser's selection of a particular "Duration" contractually binds William Page to use the purchaser's money to purchase an interest in a policy covering the life of a viator with an equivalent life expectancy.

26. Despite the fact that the 31 individual purchasers specified individual durations ranging from as low as 12 months to as high as 48 months, and despite the fact that William Page had received two very different life expectancy projections that did not correspond with many of the requested durations, William Page invested all 31 purchasers' monies into this one policy.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

(b) Has failed to honor contractual obligations related to the business of viatical settlement contracts. [Section 626.9914(1)(f) F. S.]

- (c) Has misrepresented the return on the investment related to one or more viatical settlements it sold to purchasers [Section 626.99235(1) F.S.]

COUNT EIGHT

27. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show the following facts.

28. William Page falsely represented to purchasers that they had been designated as irrevocable beneficiaries on the life insurance policies into which their monies had been invested by William Page, when, in fact, William Page later learned that representation was false, but did not so inform the purchasers.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

- (a) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]
- (b) No person shall misrepresent the nature of the return or the duration of time to obtain the return of any investment related to one or more viatical settlements sold by a viatical settlement provider or related provider trust. [Section 626.99235(1), F.S.]

COUNT NINE

29. Files used and maintained in the normal course of its business by William Page, and obtained from William Page by the Department show the following facts.

30. William Page represented to purchasers that William Page had invested their monies in a life insurance policy insuring an individual, referred to herein as Viator Four to protect his confidentiality, with a \$70,000 death benefit, when, in fact, William Page knew the policy had a \$100,000 death benefit.

31. William Page knew that Viator Four's mother was the named beneficiary for \$30,000 of the \$100,000 death benefit.

32. When Viator Four's demise date had been exceeded, William Page demanded and received from those purchasers premium monies equal to a \$100,000 death benefit policy. The viator's mother was not subjected to any such demand. Thus, the purchasers were unlawfully required by William Page to unknowingly pay the premiums attributable to the mother's share of the policy.

33. William Page also prematurely invoked the option to demand those monies from the investors, resulting in additional, unlawful overcharges to the purchasers.

IT IS THEREFORE CHARGED that WILLIAM PAGE AND ASSOCIATES, INC., has violated or is accountable under one or more of the following provisions of the Florida Insurance Code which constitutes grounds for the suspension or revocation of its viatical settlement provider license:

(a) Has engaged in fraudulent or dishonest practices, or otherwise has been shown to be untrustworthy or incompetent to act as a viatical settlement provider. [Section 626.9914(1)(b), F. S.]

(b) Has failed to honor contractual obligations related to the business of viatical settlement contracts. [Section 626.9914(1)(f) F. S.]

(c) Has misrepresented the return on the investment related to one or more viatical settlements it sold to purchasers [Section 626.99235(1) F.S.]

IT IS THEREFORE CHARGED that WILLIAM PAGE & ASSOCIATES, INC., contrary to the prohibitions in Section 626.9914, Florida Statutes, has engaged in fraudulent or dishonest practices or has otherwise been shown to be untrustworthy or incompetent to act as a viatical settlement provider as described in Section 626.9911(6), Florida Statutes, and has engaged in unfair trade practices prohibited by Sections 626.9521, 626.9541, and 626.9927, Florida Statutes.

WHEREFORE, you, WILLIAM PAGE & ASSOCIATES, INC., are hereby notified that the Department intends to enter an Order revoking or suspending your license as a viatical settlement provider in Florida, and/or to impose such other or additional penalties pursuant to the provisions of and in accord with Section 626.9914, Florida Statutes, and under the other referenced sections of the Florida Insurance Code set forth in this Administrative Complaint.

DONE AND ORDERED this _____ day of _____ 2003.

KEVIN M. McCARTY
Deputy Insurance Commissioner

NOTICE OF RIGHTS

Pursuant to Sections 120.569 and 120.57, Florida Statutes, and Rule 28-106 Florida Administrative Code (F.A.C.), you have a right to request a hearing to contest this action by the Department. You may request a hearing by filing a Petition. The Petition must be in writing and signed by you. The Petition requesting a hearing must be directed to the General Counsel, acting as the Agency Clerk for the Department of Insurance. If you respond by U.S. Mail, the Petition should be addressed to the Florida Department of Insurance at 612 Larson Building, Tallahassee, Florida 32399-0333. If Express Mail or hand delivery is utilized, the Petition should be delivered to 612 Larson Building, 200 East Gaines Street, Tallahassee, Florida 32399-0333. The Petition must be received by the Department within twenty-one (21) days of the date of your receipt of this notice. Mailing the Petition on the twenty-first day will not preserve your right to a hearing.

YOUR FAILURE TO SO ENSURE THAT THE PETITION REPLYING TO THIS NOTICE OF INTENT IS RECEIVED BY THE DEPARTMENT WITHIN TWENTY-ONE (21) DAYS WILL CONSTITUTE A WAIVER OF YOUR RIGHT TO REQUEST A HEARING ON THE MATTERS ALLEGED HEREIN AND AN ORDER OF REVOCATION OR OTHER LAWFUL PENALTY WILL BE ENTERED AGAINST YOU.

You may be entitled to a hearing on the proposed agency action pursuant to Sections 120.569 and 120.57, Florida Statutes. If the Petition requests a hearing, it must comply with all of the requirements of Rule 28-106, Florida Administrative Code, and must specifically contain:

(a) The name and address of each agency affected and each agency's file or identification number, if known (See the Case No. on the Notice of Intent);

(b) The name, address, and telephone number of the petitioner (For the purpose of requesting hearing in this matter, you are the “petitioner”.); the name, address, and telephone number of the petitioner's representative, if any, which shall be the address for service purposes during the course of the proceeding; and an explanation of how the petitioner's substantial interests will be affected by the agency determination;

(c) A statement of when and how the petitioner received notice of the agency decision (the Notice of Intent to which your petition is responding);

(d) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;

(e) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;

(f) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action; and

(g) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.

Your failure to substantially comply with any of those requirements will result in your petition being dismissed as provided for in Rule 28-106.201(4) F.A.C.

ADDITIONAL RIGHTS

If a hearing of any type is requested, you have the right to hire an attorney to represent you, to testify in your own behalf, to call and to cross-examine witnesses, and to compel the attendance of witnesses and the production of documents by subpoena.

Failure to follow the procedure outlined with regard to your response to this notice may result in the request being denied. All prior oral communication or correspondence in this matter shall be considered freeform agency action, and no such oral communication or correspondence shall operate as a valid request for an administrative proceeding. Any request for an administrative proceeding received prior to the date of this notice shall be deemed abandoned unless timely renewed in compliance with the guidelines as set out above. Mediation of this matter is not available, and no Department attorney will discuss this matter with you until the Petition has been received by the Department of Insurance.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy each of the foregoing ADMINISTRATIVE COMPLAINT and NOTICE OF RIGHTS have been furnished by Certified Mail to William Page & Associates 2810 East Oakland Park Blvd. Suite 300, Ft. Lauderdale, Fla. 33306 this ____ day of _____, 2003.

Michael H. Davidson, Esq.
Florida Department of Insurance
Division of Legal Services
200 E. Gaines St., 612 Larson Building
Tallahassee, Florida 32399-0333
(850) 413-4178
Counsel for the Department

STATE OF FLORIDA
DEPARTMENT OF INSURANCE

IN THE MATTER OF

WILLIAM PAGE & ASSOCIATES, INC.

Case No. 63382-02-CO

PETITION FOR PROCEEDING

I have received and have read the Notice of Intent filed against me, including the Notice of Rights contained therein, and I understand my options. I am requesting disposition of this matter as indicated below. (Choose one)

1. I do not desire a hearing. The Department may enter a final order revoking my licenses and appointments as may be appropriate.

2. I do not dispute any of the Department's factual allegations and I hereby elect a proceeding to be conducted in accordance with section 120.57(2), Florida Statutes. In this regard I desire to (Choose one):

submit a written statement and documentary evidence in lieu of a hearing

personally attend a hearing conducted by a Department hearing officer in Tallahassee; or

attend that same hearing by way of a telephone conference call.

3. I do dispute one or more of the Department's factual allegations. I hereby request a hearing pursuant to Section 120.57(1), Florida Statutes to be held before the Division of Administrative Hearings. I have attached to this petition form additional writings indicating the specific issues of fact which are disputed and ALL other required information set forth in subparagraphs a) through and including g) of the Notice of Rights form. I understand that my failure to substantially comply with those written requirements will result in a dismissal of my petition.

DATE: _____

Signature of Petitioner

TO PRESERVE YOUR RIGHT TO A HEARING, YOU MUST ENSURE DELIVERY OF THIS PETITION TO THE DEPARTMENT OF INSURANCE AT THE ADDRESS INDICATED ON THE NOTICE OF RIGHTS WITHIN TWENTY ONE (21) DAYS OF YOUR RECEIPT OF THE NOTICE OF INTENT

Name: _____

Address _____

Phone _____