

**NORTH CAROLINA DEPARTMENT OF INSURANCE
RALEIGH, NORTH CAROLINA**

STATE OF NORTH CAROLINA

**BEFORE THE COMMISSIONER
OF INSURANCE**

COUNTY OF WAKE

**IN THE MATTER OF
THE LICENSURE OF
TIMOTHY J. KATSOS, JR.**

FINAL AGENCY DECISION

Docket Number: D-1442

This matter was heard on May 26, 2009 by the undersigned Hearing Officer, as designated by the Commissioner of Insurance, pursuant to North Carolina General Statutes §§ 58-2-70, 58-2-162, 58-2-185, 58-33-30, 58-33-45, 150B-38, 150B-40 and 11 N.C.A.C. 1.0401 et seq. and other applicable statutes and regulations. Petitioner, the North Carolina Department of Insurance ["the Department"], was represented by Assistant Attorney General Anne Goco Kirby. Respondent Timothy J. Katsos ["Mr. Katsos"] failed to appear at the hearing.

The following individuals were present and testified for the Department at the hearing: Nichole Faulkner, Grady Schrum, Pauline Odell, Steve Bryant, Becky Thornton, and Robert Potter.

Any finding of fact contained in this decision that also constitutes a conclusion of law is hereby adopted as a conclusion of law. Likewise, any conclusion of law contained in this decision that constitutes a finding of fact is hereby adopted as a finding of fact.

After careful consideration of the evidence and arguments presented, and based upon the record as a whole, the undersigned Hearing Officer hereby renders the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Mr. Katsos holds an active Life, Accident & Health or Sickness Insurance Agents License and a Medical Supplement Long-Term Care Insurance Agents License (hereinafter, "licenses") issued by the Department.

I. Department's investigation into Grady Schrum's complaint against Mr. Katsos

2. In 2007, the Department's Consumer Services Division ["CSD"] began an investigation into a consumer complaint made against Mr. Katsos to Midland National Life Insurance Company ["Midland National"] by Grady Schrum and Sharon Bell. Ms. Bell is the

wife of Mr. Schrum's nephew, Barry Schrum. The Department received copies of the complaint from Ms. Bell and from Senator Elizabeth Dole's office.

3. In his complaint, Mr. Schrum complained of misconduct by Mr. Katsos in the sale of two Midland National annuities and in collecting moneys from Mr. Schrum for non-insurance related investments. Mr. Schrum stated that Mr. Katsos never informed him that the Midland National annuities had 14 year surrender periods and surrender charges. Mr. Schrum also stated that he would not have purchased the annuities if these terms had been explained to him because his money would not have been available when he planned to retire at age 75. Mr. Schrum further stated that Mr. Katsos collected \$2,000.00 from him on May 12, 2003 for an additional investment in Midland National and promised him a 14% return on that investment. Mr. Schrum requested that he be released from the annuity contracts and that all the money he gave to Mr. Katsos be returned to him with interest.

4. Nichole Faulkner, a Senior Life and Health Complaint Analyst in the Department's CSD, wrote to Midland National on September 20, 2007 and requested that the company respond to Mr. Schrum's complaint. In a response letter dated September 26, 2007, Midland National confirmed that it had issued two annuities to Mr. Schrum. However, Midland National stated that the company had no information or records pertaining to the \$2,000.00 or other moneys referenced in Mr. Schrum's complaint.

5. Although Midland National forwarded Mr. Schrum's complaint to Mr. Katsos and requested that he respond to the complaint on several occasions, Midland National never received a response from Mr. Katsos. In order to resolve Mr. Schrum's complaint regarding the annuities, Midland National offered to cancel his two Midland National annuity contracts, return his original premium, and credit 3% interest for the time the funds were at Midland National. Mr. Katsos accepted the offer and Midland National sent checks for \$42,964.42 and \$8,195.81 to First Charter Bank for the benefit of Mr. Schrum.

6. On October 1, 2007, Ms. Faulkner mailed a letter to Mr. Katsos at the addresses which he had on file with the Department. In her letter, Ms. Faulkner enclosed a copy of Mr. Schrum's complaint and requested Mr. Katsos to submit a written response to the Department. On October 18, 2007, Ms. Faulkner sent a follow up letter to Mr. Katsos. In this letter, Ms. Faulkner enclosed a copy of her October 1, 2007 letter and requested that Mr. Katsos respond immediately. Ms. Faulkner never received a response from Mr. Katsos.

7. On December 5, 2007 Steve Bryant, a Complaint Analyst in the Department's Agent Services Division ["ASD"], sent another letter to Mr. Katsos requesting a response to Mr. Schrum's complaint. Mr. Bryant mailed the letter to several addresses which Mr. Katsos had on file with the Department and e-mailed it to Mr. Katsos. On December 19, 2007, Mr. Bryant received an e-mail from Mr. Katsos. In his e-mail, Mr. Katsos did not respond to the complaint made against him by Mr. Schrum. Instead, Mr. Katsos requested a 30 day extension in order to provide a detailed response and in order to get a written statement from Mr. Schrum's sister, Pauline Odell. Mr. Bryant never heard from Mr. Katsos again.

8. By letter dated September 23, 2008, ASD requested Mr. Katsos to attend an informal conference with ASD on October 27, 2008 to discuss allegations against his agent licenses arising out of Mr. Schrum's complaint and Mr. Katsos' failure to respond to the Department. Mr. Katsos failed to appear at the informal conference.

II. Mr. Katsos' misconduct in business dealings with Grady Schrum and Pauline Odell

9. Grady Schrum and Pauline Odell testified regarding Mr. Katsos' various business dealings with them in 2002 and 2003. In particular, Mr. Katsos sold several Midland National annuities to them and convinced them to give him money to invest in purported non-insurance related business opportunities.

A. Mr. Katsos' sale of annuities to Mr. Schrum and Ms. Odell

10. Grady Schrum testified that he first met Mr. Katsos when Mr. Katsos dropped by his trailer to talk about insurance. Mr. Katsos did not call Mr. Schrum before he came by to see him. During this visit, Mr. Katsos sold a supplemental health insurance policy to Mr. Schrum.

11. Subsequently, Mr. Katsos visited Mr. Schrum at his trailer again. On this occasion, Mr. Katsos talked to him about purchasing a Midland National annuity. Mr. Schrum, who was then 70 years old, was working as a fixer and twister at NC Spinning for \$6.45 an hour. Although Mr. Schrum had worked at NC Spinning for over twenty years, he did not have any retirement benefits. However, Mr. Schrum had invested some savings in an annuity with Southern Farm Bureau Life Insurance Company ["Farm Bureau"] and planned to use payments from this annuity to supplement his income in retirement. When Mr. Schrum told Mr. Katsos that he already had a Farm Bureau annuity, Mr. Katsos told Mr. Schrum that he could earn more interest if he let Mr. Katsos invest that money in Midland National.

12. Mr. Schrum arranged for Mr. Katsos to come back and meet with him and his sister, Pauline Odell, to discuss the proposed investment in a Midland National annuity. Mr. Schrum and Ms. Odell had very little schooling. Mr. Schrum did not complete the second grade and Ms. Odell only completed the ninth grade. Since Mr. Schrum is illiterate and can only sign his name, Ms. Odell helped him by writing his checks for his monthly bills. Although Ms. Odell knew little about insurance, she also tried to help Mr. Schrum understand insurance.

13. When Ms. Odell first met Mr. Katsos, she was 66 years old and was working as a care giver for Premier Home Care. Ms. Odell became a care giver in 1997 after working 14 ½ years as a mail sorter for a printing company. Ms. Odell receives a monthly pension of \$161.00 from the printing company and began receiving a monthly social security check for \$1,192 at age 66. Like her brother, Ms. Odell also invested all of her savings in a Farm Bureau annuity and planned to use payments from that annuity to supplement her income in retirement. Although Mr. Katsos

did not ask Ms. Odell about her retirement plans, he was aware that she had a Farm Bureau annuity.

14. During their first meeting with Mr. Katsos, Mr. Katsos told Mr. Schrum and Ms. Odell that they would earn more interest on their money if they each cashed out their Farm Bureau annuities and invested the proceeds in a Midland National annuity. Mr. Katsos told them that if they invested in a Midland National annuity they would earn 13.5% interest on their money for the first three years, 8.5% interest for the next two years, and 3% interest thereafter.

15. Mr. Schrum and Ms. Odell each decided to cash in their Farm Bureau annuity and replace it with a Midland National annuity. In doing so, they relied upon Mr. Katsos' representations that they would earn more interest in a Midland National annuity than they were earning on their Farm Bureau annuities. Mr. Katsos obtained Mr. Schrum's and Ms. Odell's signatures on application forms for a "Bonus 5" annuity and Notice Regarding Replacement forms. Although Mr. Schrum and Ms. Odell told Mr. Katsos that Mr. Schrum was illiterate, Mr. Katsos did not read the forms to Mr. Schrum and did not explain the forms to him. Mr. Katsos did not leave a copy of the Notice Regarding Replacement forms with Mr. Schrum and Ms. Odell and did not give or show them any other documents regarding the Midland National annuity.

16. Ms. Odell and Mr. Schrum told Mr. Katsos that they did not understand everything he told them about the Midland National annuity. Mr. Katsos promised Ms. Odell that he would come back to explain the policies after they received them in the mail.

17. Mr. Schrum and Ms. Odell signed forms authorizing Farm Bureau to liquidate their annuities and to send the proceeds to Midland National. Thereafter, Farm Bureau sent a check to Midland National for \$37,326.55 for the cash surrender value of Mr. Schrum's annuity and for \$27,893.21 for the cash surrender value of Ms. Odell's annuity. Midland National issued Individual Flexible Premium Deferred Annuity Contracts to Mr. Schrum and Ms. Odell on December 9, 2002 and December 13, 2002, respectively. The annuity contracts reflected an initial premium of \$37,326.55 for Mr. Schrum and \$27,893.21 for Ms. Odell.

18. The Midland National annuities issued to Mr. Schrum and Ms. Odell provided that they would incur surrender charges on any amounts withdrawn in excess of 10% of the policy value during the first 14 years of the policy. Although Mr. Schrum told Mr. Katsos that he could not have his money tied up "long term" because he might need to take his money out, Mr. Katsos never told Mr. Schrum and Ms. Odell about the 14 year surrender period and surrender charges.

19. On December 28, 2002, Mr. Katsos visited Mr. Schrum at his home. Mr. Katsos did not call before he came to see Mr. Schrum. On this occasion, Mr. Katsos convinced Mr. Schrum to give him \$5,000.00 in cash for a second Midland National annuity. This annuity also had a 14 year surrender period during which time Mr. Schrum would incur surrender charges on any amounts over 10% of the policy value withdrawn from the account. Mr. Katsos again failed to tell Mr. Schrum about the surrender period and surrender charges.

20. Mr. Katsos obtained Mr. Schrum's signature on an application for a "Bonus 11" annuity and a "Bonus 11 Annuity Disclosure Statement" and had Mr. Schrum write his initials beside typewritten language on the disclosure statement which stated in part:

I understand that the Bonus 11 annuity is a long-term contract with substantial penalties for early surrenders. The surrender charge is a percentage of the Accumulation Value and declines over 14 years as follows: 22%, 22%, 22%, 20%, 18%, 16%, 14%, 12%, 10%, 8%, 6%, 4%, 2%, 0% . . . These liquidity provisions are suitable for my financial needs, such as cash for living and other related expenses. This contract is suitable for my financial needs.

Mr. Katsos did not read or explain the disclosure statement and application to Mr. Schrum. On January 2, 2003, Midland National issued a second annuity contract to Mr. Schrum which reflected an initial premium of \$5,000.00.

21. Mr. Schrum and Ms. Odell received their Midland National policies in the mail. Mr. Schrum put his Midland National policies away after he received them and did not ask anyone to read or explain the policies to him. Ms. Odell put her Midland National policy away without reading it and called Mr. Katsos to schedule a meeting to review the policies. Ms. Odell called Mr. Katsos a number of times after she received her policy and left messages asking Mr. Katsos to call her to schedule a meeting to review the policy. Mr. Katsos never returned Ms. Odell's calls and never came by to talk to her and Mr. Schrum about their policies.

22. Mr. Schrum and Ms. Odell testified that they were not aware that their Midland National annuities had 14 year surrender periods and that they would incur penalties on any amounts in excess of 10% of the value that they might choose to withdraw during that 14 year period. Mr. Schrum only became aware of the 14 year surrender periods and withdrawal penalties in 2007 after his nephew, Barry Schrum, and his wife, Sharon Bell, reviewed the policies and explained these terms to him. Ms. Odell did not learn that her annuity had a 14 year surrender period and withdrawal penalties until Ms. Bell explained this to her this year. After learning these facts, Ms. Odell sent a letter dated April 13, 2009 to Midland National to request that the company release her from the terms of the annuity contract and refund her initial premium with interest.

23. Mr. Schrum and Ms. Odell testified that they would not have surrendered their Farm Bureau annuities and replaced them with the Midland National annuities if they had known about the 14 year surrender period and withdrawal penalties. Mr. Schrum also testified that he would not have purchased a second Midland National annuity if he had known those facts.

24. On May 12, 2003, Mr. Katsos visited Mr. Schrum at his trailer. Mr. Katsos did not call Mr. Schrum to let him know that he would be coming to see him. During this visit, Mr. Katsos told Mr. Schrum that if he had some money to put into Midland National he would earn a 14% return on his investment. In reliance upon this representation, Mr. Schrum gave Mr. Katsos \$2000.00 in cash for an additional investment in a Midland National annuity. Mr. Katsos wrote

out a receipt to Mr. Schrum which stated "Received from Grady Schrum \$2,000.00 to deposit into Midland 14% May 12, 2002." Mr. Katsos did not give or show any other documents to Mr. Schrum during this meeting. Midland National had no records to show that it ever received this \$2,000.00.

25. Robert Potter, a Life Actuary in the Department's Actuarial Services Division, testified that he reviewed the Midland National policies and Farm Bureau policies which had been issued to Mr. Schrum and Ms. Odell. The Midland National and Farm Bureau annuities were flexible premium deferred annuities and had a guaranteed minimum 3% interest rate which would be applied to the accumulated value of the annuity each year. The companies could declare additional amounts over the minimum 3% to be added to the accumulated value of these annuities each year.

26. Unlike the Farm Bureau annuities which only had a fixed account to which interest would be credited, the Midland National annuities also gave policyholders the option of investing all or portions of their premium in different indexed interest accounts. Funds allocated to indexed accounts would be credited interest based upon how that index performed, and were only guaranteed not to go below 0. The Midland National annuities also had an interest or market value adjustment that the Farm Bureau annuities did not have. The interest adjustment could cause the benefits and values of the annuity to increase or decrease.

27. Mr. Schrum's Farm Bureau annuity was issued on November 21, 2000 when he was 68 years old and had a retirement date of November 21, 2010. Ms. Odell's Farm Bureau annuity was issued on October 15, 2001 when she was 65 years old and had a retirement date of October 15, 2011. Thus, Mr. Schrum and Ms. Odell would have begun receiving payments from their Farm Bureau annuities at age 78 and 75, respectively.

28. The Farm Bureau and Midland National annuities each had surrender periods and surrender charge schedules. The Farm Bureau annuities had 7 year surrender periods during which time a surrender charge would be applied to any amounts withdrawn over 10 percent of the accumulated value of the most recent policy anniversary. The surrender charge schedule began at 7% during the first year of the policy and decreased by one percent per year until reaching 0 in the 8th year.

29. The Midland National surrender period was twice as long and the surrender charges were significantly higher. The surrender charge schedule for the Midland National "Bonus 5" annuities began at 20% for the first five years of the policy and decreased by two percent per year until reaching 0 in the 15th year. The surrender charge schedule for the Midland National "Bonus 11" annuity issued to Mr. Schrum was 22% during the first five years of the policy instead of 20% and decreased by two percent each year until reaching 0 in the 15th year.

30. Mr. Potter estimated that Mr. Schrum incurred a surrender charge between \$1900.00 and \$2000.00 when he cashed in his Farm Bureau annuity and that Ms. Odell incurred a surrender charge between \$1700.00 and \$1800.00 when she cashed in her Farm Bureau annuity.

31. Mr. Schrum's Midland National "Bonus 5" annuity was issued on December 9, 2002 when he was 70 years old and had a maturity date of December 9, 2032. Ms. Odell's Midland National annuity was issued on December 13, 2002 when she was 66 years old and had a maturity date of December 13, 2036. Mr. Schrum's Midland National "Bonus 11" annuity was issued on January 2, 2003 when he was 70 years old and had a maturity date of January 2, 2045. Thus, Mr. Schrum and Ms. Odell would begin receiving payments from their Midland National "Bonus 5" annuities when they reached 100 years of age and Mr. Schrum would begin receiving payments from his Midland National "Bonus 11" annuity when he reached 115 years of age.

32. Mr. Schrum and Ms. Odell initially elected to allocate all of their Midland National premium in fixed accounts. Since Mr. Potter testified that these Midland National annuities only guaranteed a minimum 3% interest on premiums deposited in the fixed account and guaranteed a return of not less than 0 for premiums allocated to indexed accounts, Mr. Katsos' representations that Mr. Schrum and Ms. Odell would earn 13.5% interest on their premium for the first 3 years, 8.5% for the next 3 years, and 3.5% thereafter were false. The maximum interest Mr. Katsos could truthfully guarantee that Mr. Schrum and Ms. Odell would make during any policy year was 3%. Moreover, Mr. Potter calculated the actual average annual return for Mr. Schrum and Ms. Odell's "Bonus 5" annuities from the premium inception in December 2002 to December 2006 to be between 4 and 5 percent.

B. Mr. Katsos' other business dealings with Mr. Schrum and Ms. Odell

33. Mr. Katsos visited Ms. Odell and Mr. Schrum at Ms. Odell's house before they received their Midland National policies in the mail. On this occasion, Mr. Katsos spoke with them about investing in an upstart company named Global Marketing Tools ["GMT"]. Mr. Katsos told Ms. Odell and Mr. Schrum that they would not be sorry if they invested in GMT, that they would earn 10% interest on any money they invested in GMT, and that the minimum required investment in GMT was \$673.00. Mr. Katsos did not tell Mr. Schrum and Ms. Odell when or how GMT would pay the 10% interest to them and did not show or give them any documents pertaining to GMT. Although Ms. Odell was expressed concern about investing in an upstart company, Mr. Katsos promised her that he would return all of her money if the company went out of business. Based on these assurances, Ms. Odell and Mr. Schrum gave Mr. Katsos checks for \$673.00 and \$1,200, respectively, to invest in GMT.

34. Mr. Schrum's checking account statement for the period January 27, 2003 through February 25, 2003 reflects that electronic transfers of \$667.00 and \$298.00 were made to GMT from Mr. Schrum's account on February 3, 2003. Mr. Schrum's checking account statement for the period February 26, 2003 through March 24, 2003 reflects that another electronic transfer was made to GMT from his account for \$667.00 on February 27, 2003. Ms. Odell's checking account statement for the period December 12, 2002 through January 13, 2003 reflects that electronic transfers of \$398.00 and \$269.00 were made to GMT from her account on January 9 and 10, 2003. These transfers appeared on their bank statements as electronic checks issued to GMT with no signature required. Mr. Schrum and Ms. Odell never authorized these amounts to

be withdrawn from their checking accounts and did not become aware that these unauthorized transfers to GMT had been made from their checking accounts until years later.

35. On November 10, 2003, Mr. Katsos visited Mr. Schrum at Ms. Odell's house. During this meeting, Mr. Katsos showed Mr. Schrum a laptop and told Mr. Schrum that he planned to purchase laptops and sell them to people who worked for him. Mr. Katsos told Mr. Schrum that he would give him 10% of the proceeds of every laptop he sold if Mr. Katsos would give him \$3,000.00 to invest in this new business venture. In reliance upon that representation, Mr. Schrum gave Mr. Katsos \$3,000.00 in cash. Mr. Katsos wrote and gave Mr. Schrum a receipt for his \$3,000.00 investment which stated "to deposit into laptop purchase." Mr. Katsos wrote "10% return per laptop sale" on the receipt.

36. Although Mr. Katsos knew that Mr. Schrum is illiterate, Mr. Katsos periodically mailed notes to him. On several occasions, Mr. Katsos enclosed checks with his notes to Mr. Schrum. The Department introduced the notes and stubs for three checks which Mr. Schrum received in the mail from Mr. Katsos into evidence at the hearing. The checks stubs reflect that GMT issued a check to Mr. Schrum for \$25.00 on February 10, 2003 and issued two checks to Mr. Schrum for \$55.00 each on April 28, 2003. Mr. Schrum testified that these were the only checks related to GMT which he received.

37. Mr. Katsos' notes reflect that he sent Mr. Schrum \$200.00 in August 2004 and \$400.00 on another occasion. Mr. Schrum testified that Mr. Katsos sent the first check for \$200.00 after he called Mr. Katsos and told him that he needed some money to fix a hole in his bathroom floor. Mr. Schrum further testified that he later received a note from Mr. Katsos which contained two checks for \$200.00 and that one of those checks was for his sister. The two checks for \$200.00 which Mr. Katsos sent to Mr. Schrum were for his laptop investment and were the only other checks that Mr. Schrum received from Mr. Katsos.

38. Mr. Schrum testified that Mr. Katsos later promised to return the \$3,000.00 which he had invested in the laptop business. However, Mr. Katsos never fulfilled this promise. In one of his notes to Mr. Schrum, Mr. Katsos confirms this promise.

39. During the month of December 2006, Mr. Schrum called Mr. Katsos several times a day and left messages for Mr. Katsos to call him. During that same month, Mr. Schrum received a final note from Mr. Katsos. In this note, Mr. Katsos stated that he had been in Florida or West Virginia for the last four months, apologized for not keeping in touch, and promised that he would try to call or come by when he came back home. However, Mr. Katsos never came back to visit Mr. Schrum and the only other call Mr. Schrum received from Mr. Katsos since that time was after Mr. Schrum submitted a complaint to Midland National. Since Mr. Schrum was not at home when he called, Mr. Katsos left a message on Mr. Schrum's answering machine asking him to call him regarding the complaint.

40. Mr. Katsos never mailed any notes to Ms. Odell. The only monies Ms. Odell ever received from Mr. Katsos was a check for \$225.00 which was enclosed in one of the notes Mr. Katsos sent to Mr. Schrum.

41. In June 30, 2005, Ms. Odell received a letter from Midland National which provided additional information regarding the maturity date and liquidity options of her annuity. After reading the letter, Ms. Odell had questions and concerns about her annuity. Ms. Odell called Mr. Katsos a number of times after receiving the June 30, 2005 letter and left Mr. Katsos voice mail messages requesting him to call her. In her messages, Ms. Odell indicated that she wanted to ask Mr. Katsos questions regarding the June 30, 2005 letter which she received from Midland National because she did not understand it. Mr. Katsos never returned Ms. Odell's phone calls.

42. Ms. Odell received a phone call from Mr. Katsos after Mr. Schrum sent his complaint letter to Midland National. During this conversation, Mr. Katsos told Ms. Odell that Mr. Schrum had made a complaint to Midland National and that he thought that Mr. Schrum's nephew, Barry Schrum, and his wife, Sharon Bell, were after Mr. Schrum's money. Mr. Katsos told Ms. Odell that he wanted to come by her house in a few weeks to help her write a letter to Midland National to this effect. However, Mr. Katsos never called Ms. Odell back and never came to see her. Ms. Odell explained that the letter was Mr. Katsos' idea, that she never intended to help Mr. Katsos respond to Midland National, and that she only agreed to meet with Mr. Katsos because she wanted to finally confront him about GMT and to ask him questions about the June 30, 2005 Midland letter.

43. Six and a half hours before the hearing on May 26, 2009, Mr. Katsos e-mailed the Department's counsel, Assistant Attorney General Anne Kirby, and informed her that he would not be attending the hearing. In his e-mail, Mr. Katsos stated that "I'm guilty and owe mr. [sic] Schrum the money back for the laptops 3000 and the GMT autoresponder program." In his e-mail, Mr. Katsos contended that he repaid Ms. Odell in full for her GMT investment. Although Mr. Katsos admitted that he collected additional premium from Mr. Katsos, he stated that it was \$2,200.00 in cash, not \$2000.00 as written on the May 12, 2003 receipt. Mr. Katsos further alleged that he placed the \$2,200.00 in Mr. Schrum's file and that he remitted this money to Midland National 10 months later after he reviewed the file and discovered that the money was still there.

44. The undersigned hearing officer finds the testimony of Nichole Faulkner, Grady Schrum, Pauline Odell, Steve Bryant, Becky Thornton, and Robert Potter to be credible and truthful.

45. Mr. Katsos improperly withheld, misappropriated, and converted \$2,000.00 in cash received from Mr. Schrum for investment in a Midland National annuity.

46. Mr. Katsos used fraudulent, coercive, or dishonest practices and demonstrated untrustworthiness and incompetence in his dealings with Mr. Schrum and Ms. Odell.

47. There is substantial evidence that supports the foregoing findings. Additionally, due to

the Respondent's failure to appear at the administrative hearing, the undersigned Hearing Officer finds, pursuant to 11 N.C.A.C. 1.0423(a)(1), that the allegations set out in the Notice of Hearing are taken as true and are deemed to be proved without the need of further evidence. The allegations set out in the Notice of Hearing are incorporated by reference as if set forth herein.

CONCLUSIONS OF LAW

1. Mr. Katsos was properly served with the Notice of Hearing and Amended Notice of Hearing in this matter. The Department has personal jurisdiction over Mr. Katsos and subject matter jurisdiction in this matter.
2. Mr. Katsos violated N.C.G.S. §§ 58-2-185 and 58-2-195(a) by failing to respond to the Department's repeated requests for documentation regarding his transactions with Mr. Schrum.
3. Mr. Katsos failed to leave a copy of the Notice Regarding Replacement with Mr. Schrum and Ms. Odell in violation of 11 NCAC 12.0605(b).
4. Grounds exist to revoke Mr. Katsos' agent licenses under N.C.G.S. § 58-33-46(a)(2) for violations of the insurance laws.
5. Grounds exist to revoke Mr. Katsos' agent licenses under N.C.G.S. § 58-33-46(a)(4) for improperly withholding, misappropriating, and converting monies received in the course of doing insurance business.
6. Grounds exist to revoke Mr. Katsos' agent licenses under N.C.G.S. § 58-33-46(a)(8) for using fraudulent, coercive, and dishonest practices and for demonstrating untrustworthiness and incompetence in the conduct of business in this State.
7. The evidence presented at the hearing, in the form of testimony and the exhibits introduced, is sufficient to support a revocation of the Respondent's licenses.
8. Additionally, the allegations contained in the Notice of Hearing, when taken as true pursuant to 11 N.C.A.C. 1.0423(a)(1), are also sufficient to support a revocation of the Respondent's licenses.
9. The undersigned concludes the Mr. Katso's insurance agent licenses should be revoked.

Based on the foregoing Finding of Facts and Conclusions of Law, the Hearing Officer makes the following:

ORDER

Mr. Katsos' Life, Accident & Health or Sickness Insurance Agent License and Medical Supplement Long-Term Care Insurance Agent License are hereby permanently revoked.

This the 16th day of June, 2009.



Stewart Johnson, Hearing Officer
N.C. Department of Insurance

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing **FINAL AGENCY DECISION** by certified mail, return receipt requested, first class postage prepaid, addressed as follows:

Timothy J. Katsos, Jr.
4314 Princeton Avenue
Greensboro, NC 27284.

I HEREBY CERTIFY that I have this day served the foregoing **FINAL AGENCY DECISION** by state interoffice mail addressed as follows:

Ms. Anne Goco Kirby
Assistant Attorney General
Insurance Section
N.C. Department of Justice
Old Education Building
Raleigh, NC.

This the 16th day of June, 2009.



Tricia Ford
Paralegal
NC Department of Insurance
1201 Mail Service Center
Raleigh, NC 27699-1201