



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON MARKET CONDUCT EXAMINATION
OF THE
CHASE INSURANCE AGENCY
AND
CHASE INVESTMENT SERVICES CORPORATION

CONDITION:

DECEMBER 31, 2010

DATE OF REPORT:

SEPTEMBER 28, 2011

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

JACQUELINE TUCKER

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

August 1, 2012

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30634, dated January 6, 2011 and annexed hereto, an examination has been made into the condition and affairs of Chase Insurance Agency and Chase Investment Services Corporation, hereinafter referred to as “the Agencies” at their office located at One Chase Manhattan Plaza, New York, New York, 10005.

Wherever “Department” appears in this report, it refers to the New York State Department of Financial Services.

On October 3, 2011, the Insurance Department merged with the Banking Department to create the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The material violations and recommendations contained in this report are summarized below.

- Recommendation that the Agencies report all complaints received during the examination period to the insurance carriers in compliance with the terms of the selling agreement and also provide the insurance carriers with all the documents pertinent to the complaints and the Agencies disposition thereof.
- The Agency violated Section 51.5(c)(3) of Department Regulation No. 60 by not providing the applicant with a completed “Disclosure Statement” signed by the agent or broker in the form prescribed by the Superintendent.
- The Agency violated Section 51.7(a)(1) of Department Regulation No. 60 by giving deceptive or misleading information in the Disclosure Statement.
- The Agency violated Section 51.5(c)(3) and Section 51.7(b) of Department Regulation 60 by failing to provide the applicant with a completed composite comparison where more than one contract was being replaced in the form prescribed by the Superintendent.
- Chase Investment Services Corporation (“CISC”) was in violation of Section 2102(e)(1) of New York Insurance Law. During the period under review, CISC was an agent of an insurer engaged in the solicitation of an insurance or annuity contract and receiving compensation on such transactions without a New York State license. Upon notification by the Department of this finding, CISC subsequently obtained a New York State license on September 7, 2011.

2. SCOPE OF EXAMINATION

The examiner conducted a target examination of the Agencies' policies and procedures with respect to the handling of complaints and the solicitation of life and annuity contracts, including replacements, during the period from January 1, 2005 through December 31, 2010.

The examination comprised a review of market conduct activities and utilized the National Association of Insurance Commissioners' Market Regulations Handbook or such other examination procedures, as deemed appropriate, in such review.

The objective of the examination was to determine whether the Agencies satisfied and complied with applicable New York Insurance Law and Department regulations and circular letters, the rules and guidelines set forth in sales and servicing agreements with licensed insurers, the operating rules and guidelines of the Agencies, and internal control standards. In connection with the examination of the Agencies, information was also requested from the licensed insurers who appointed the Agencies to solicit their products.

This report on examination is confined to comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

3. DESCRIPTION OF AGENCIES

Chase Insurance Agency, Inc (“CIA”), a Wisconsin Corporation, licensed in New York since 1999, is appointed by 23 life insurance companies in New York to sell life insurance and annuity products. Variable annuities are offered through the Agency’s affiliated broker dealer, Chase Investment Services Corporation (“CISC”). CIA’s new business sales consisted of fixed annuities, and life insurance, with fixed annuities accounting for more than 87% of total sales of 157,241 contracts during the examination period. CISC’s New York sales of variable annuities accounted for 12% of total sales of 157,241 contracts for the examination period.

CISC is a registered broker/dealer and investment advisor with the U.S. Securities and Exchange Commission (“SEC”). CISC is a member of the Financial Industry Regulatory Authority (“FINRA”), the Municipal Securities Rulemaking Board (“MSRB”), and the Securities Investor Protection Corp. (“SIPC”).

CISC is a Delaware corporation, incorporated in 1989. CISC provides brokerage and investment advisory services, and offers retirement planning, portfolio management, and personal asset management services. CISC operates as a subsidiary of Banc One Capital Holdings LLC. and maintains its principal place of business (headquarters) in Chicago, Illinois. The operational functions are primarily performed in six locations: Chicago, Illinois; New York, New York; Columbus, Ohio; Milwaukee, Wisconsin; Phoenix, Arizona; Tampa, Florida. In addition, there are Offices of Supervisory Jurisdiction and branch offices located in approximately eighteen states.

The Agencies are affiliates of JPMorgan Chase Bank, N.A. (“JPMorgan”). JPMorgan has merged or acquired several financial institutions during the past several years. In 2004, JPMorgan merged with Chicago based Bank One Corp. In April 2006, JPMorgan swapped its corporate trust unit for The Bank of New York's retail and small business banking network. The swap valued The Bank of New York business at \$3.1 billion and JPMorgan's trust unit at \$2.8 billion and gave JP Morgan access to 338 additional branches and 700,000 new customers in New York, New Jersey, and Indiana. On June 2, 2008, JPMorgan merged with Bear Stearns. On September 25, 2008, JPMorgan bought most of the banking operations of Washington Mutual (“WaMu”) from the receivership of the Federal Deposit Insurance Corporation.

The Agencies share in most respects agents and branch locations, and are supported by JP Morgan's legal, compliance, and sales personnel.

The Agencies have a Networking Agreement in place with JPMorgan effective September 25, 2008. The agreement allows CISC to offer mutual funds, stocks, bonds options, variable rate annuities and other securities for which it is duly authorized on the premises of JPMorgan in certain markets where branches are located. The agreement also allows CIA to offer fixed rate annuities and other traditional insurance products for which it is duly authorized. Under the Agreement, JPMorgan provides the Agencies with certain resources, including the use of furniture, fixtures, equipment and office supplies. JPMorgan also provides the Agencies with personnel necessary to provide clerical support and reception services at the premises. In addition, the Agreement provides that JPMorgan make available to the Agencies, JPMorgan employees, agents or sub-agents who hold securities and/or insurance licenses and/or appointments for the purpose of the Agencies retaining them as registered representatives, agents or subagents of the Agencies.

CISC is responsible for assuring that all of its activities relating to the offer and sale of securities products (which includes variable annuities) comply with all applicable laws, including without limitations, all required disclosures, and requirements relating to transaction processing, product suitability, post sale reporting and customer statements. CISC is also responsible for hiring, training, registering, licensing and supervising employees, representatives and agents in connection with the offering and sale of securities and insurance products. CIA is responsible for assuring that all of its activities relating to the offer and sale of insurance products (which include fixed annuities) comply with applicable laws, including, without limitations, all required disclosures, and requirement relating to transaction processing, product suitability, post-sale reporting and customer statements.

4. MARKET CONDUCT ACTIVITIES

The examiner reviewed various elements of the Agencies' market conduct activities affecting policyholders, applicants and complainants to determine compliance with applicable statutes and regulations and the operating rules of the Agencies.

A. Complaints

The examiner reviewed various elements of the Agencies' complaint handling processes to determine compliance with applicable statutes and regulations, the rules and guidelines set forth in sales and servicing agreements with licensed insurers, the operating rules and guidelines of the Agencies, and internal control standards.

As of December 23, 2009, the Agencies' complaint handling was transitioned to a new team within the Compliance Department, called the Dispute Resolution & Regulatory Inquiry Group ("DRRIG"). The team is located in Columbus, Ohio.

The DRRIG is responsible for the management and resolution of customer complaints and regulatory inquiries.

Prior to the creation of the DRRIG, the complaint handling process was similar, except that the complaint handling process began with the Complaint Coordinator (prior to 1/31/08) or Complaint Resolution Team (after of 1/31/08 and until 12/23/2009).

The Agencies define a customer complaint as "...any written statement, including e-mail, of a customer or any person acting on behalf of a customer alleging a grievance involving the activities of those persons under the control of the member in connection with the solicitation or execution of any transaction or the disposition of securities or funds of that customer."

Although this definition does not include oral complaints, the Agencies procedures include provisions for handling and processing oral complaints. The Oral Client Complaint Transmittal Form is used to record oral complaints.

Each new complaint is date-stamped when received by the DRRIG. Each complaint is reviewed for content, and a determination of the Agencies' financial exposure is made. A physical file is created under the complainant's name. Correspondence relating to the complaint is converted into PDF and saved on a shared drive. All files are provided to the Supervisor

responsible for handling the complaint. The Supervisor accesses a centralized tracking database and identifies the complaints assigned to their respective team members in order to track the status. The Supervisor forwards the complaint file to the Compliance Officer to investigate the complaint. The Compliance Officer conducts a preliminary review of the complaint and reviews the file to ensure that all pertinent paperwork is included. An acknowledgement letter is sent to the complainant if it will take more than five business days to respond to the complaint. Supervisors are responsible for tracking the turnaround time of complaint responses. A response is sent to the complainant within 30 business days of receipt of the complaint and to regulators within the prescribed time period noted in their correspondence. In instances where more time may be required to review the complainant's allegation, the Compliance Officer sends a letter to the complainant indicating that more time is required. Where a regulator submitted the complaint and more time is required, an extension is requested from the regulator.

The Compliance Officer must determine if the complaint is reportable to FINRA and ensure that all applicable forms are filed.

In those situations in which the client is represented by counsel or where the claim is for damages in excess of \$250,000, the Compliance Officer will forward an electronic copy of the complaint to the Legal Department for review and direction. The Legal Department will assess whether there is a need for its involvement and notify the Compliance Officer with instructions as to the next steps to be taken.

The Supervisors and Management of the DRRIG meet on a weekly basis to discuss the results of all the complaints being investigated. In those instances where the decision is made to settle the claim, approval is obtained from the appropriate business unit and documented in the file.

When a complaint is denied the Compliance Officer drafts a response letter and sends it to the Compliance Director for review. The Compliance Director reviews all draft responses and provides comments back to the Compliance Officer and respective Supervisor for incorporation into the response.

If the complaint is settled for less than \$1,000 the Compliance Officer will complete a check request form and obtain approval from their respective Supervisor; however, Compliance Officers or Supervisors may request a Confidential Release Agreement for amounts less than \$1,000 at their discretion.

Any settlement check for \$1,000 or greater requires a Confidential Release Agreement. Upon receipt of the signed Confidential Release Agreement, the Compliance Officer will process the claim and a confirmation letter, along with the check, is mailed to the client.

All settlements for \$50,000 or more are submitted to the Legal Department for review.

The DRRIG is responsible for retaining all customer complaint files. Complaints are maintained for a period of six years.

The Agencies provided data files with a total of 545 New York complaints received for the period under examination. The examiner selected a sample of 98 complaint files for review. The sample consisted of 35 variable annuities, 57 fixed annuities, and 2 life policies. Four of the complaints were not insurance related.

The sample was selected with an emphasis on complaints regarding misrepresentation or suitability.

1. Complaint Reporting

The sales and services agreements between the Agencies and the licensed insurers call for the Agencies, to promptly notify the insurers of any complaint, oral or written, or to notify the insurers of written complaints only.

In 15 of the 94 complaints reviewed, the complaint was forwarded to the Agencies by the insurance carrier. In the 79 complaint files where the complaint was received directly by the Agencies, the examiner's review revealed 20 instances where the complaint was not reported to the insurance carriers in accordance with the selling agreement. The Agencies failed to comply with its selling agreements.

The examiner recommends that the Agencies report all complaints received during the examination period to the insurance carriers in compliance with the terms of the selling agreement and also provide the insurance carriers with all the documents pertinent to the complaints and the Agencies disposition thereof.

The examiner recommended that the Agencies follow its procedures to notify carriers of all complaints received. The Agencies agreed with the recommendation and indicated that the DRRIG would be reminded to follow the policy. In addition, the Agencies revised the Complaint Checklist to include a section that identifies whether the complaint file contains documentation of notification to the carrier.

The DRRIG Guidelines Manual states: “Client complaints are received from a variety of locations and methods of conveyance, including directly from clients or someone acting on their behalf, such as an attorney, accountant, relative, etc.”, and: “. . . complaints initiated by third parties require proper authorization from the account owner in order to be processed and considered by the firm to be notification of an actual complaint by the account owner.” The examiner found two oral complaints that were submitted by a relative that were not included in the complaint log, an indication that all oral complaints may not be recorded by the Agencies. Because the Agencies admittedly obtained valid authorization from the customer for replying to the relative, it should have considered the two oral complaints as valid complaints and they should have been included in the complaint log.

The examiner recommended that all insurance related complaints, regardless of amount claimed or how received, written or oral, be preserved in the complaint log for possible Department review.

The Agencies agreed with the recommendation.

2. Complaint Handling

Following are summaries of the 94 complaints reviewed where the examiner noted the Agencies lack of adequate procedures along with the examiner’s recommendations:

The examiner noted 18 instances where it appears that either the product or the surrender terms was misrepresented to the customer. In 13 instances the complainants were allowed to surrender their contracts and were reimbursed the surrender charges that were incurred. In 2 instances the Agencies acknowledged that the products were misrepresented to the clients who incurred tax liabilities. The Agencies did not reimburse the clients the total amount of their loss but instead offered a lesser amount and required the client to sign a settlement agreement before the funds would be paid. In both instances, the agent was terminated by the Agencies due to numerous violations of the Agencies’ policies and procedures.

The examiner recommends that the Agencies reimburse the two clients the full amount of the tax incurred due to the agents’ misrepresentation of the product.

In the remaining 3 instances, the examiner found differences in the information reported on the Investor Profile and the Insurance Authorization Form. The Investor Profile is a form

utilized by the agent to capture the client's financial information, investment objectives, risk tolerance and other relevant information. The Insurance Authorization Form is an electronic document and the information is inputted manually from the Investor Profile by the agent once it has been determined that a sale has been made. The Insurance Authorization Form captures the same information as the Investor Profile, but the Insurance Authorization Form is submitted to the Principal Review Desk for approval of the contract and it is signed by the client. It appears that the financial information on the Insurance Authorization Form was changed to make it more favorable than the information on the Investor Profile. The Agencies' stated that the Investor Profile is only a training tool and is not required. But Section 6.2 (Know Your Customer) Volume 2 of the Registered Representative's ("RRs") Policy Manual 2005-2007 states: "As a basis for making suitable recommendations, RRs are required to have sufficient information about the client's financial situation, investment objectives, risk tolerance and other relevant information. RRs must complete account applications and Investor Profiles in order to understand and capture the important information about their clients . . ."

The examiner recommends that the Agencies either adopt the Investor Profile as a required form to be submitted to the Principal Review Desk for review along with all other customer forms, or the use of the Investor Profile form should be discontinued.

Additionally, the Agencies stated that the financial information on the Insurance Authorization Form is verified with the customer within 30 days after submission and every 36 months after issuance of the contract in accordance with SEC Rule 17a-3.

The Securities and Exchange Commission ("SEC") Rule 17a-3 states, in part:

"a. Every member of a national securities exchange who transacts a business in securities directly with others than members of a national securities exchange, and every broker or dealer who transacts a business in securities through the medium of any such member, and every broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934, as amended, shall make and keep current the following books and records relating to its business:

17. For each account with a natural person as a customer or owner:

A. An account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of a member, broker or dealer), annual income, net

worth (excluding value of primary residence), and the account's investment objectives. . . .

B. A record indicating that: 1. The member, broker or dealer has furnished to each customer or owner within three years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty days of the opening of the account, and thereafter at intervals no greater than thirty-six months, a copy of the account record or an alternate document with all information required by paragraph (a)(17)(i)(A) of this section. The member, broker or dealer may elect to send this notification with the next statement mailed to the customer or owner after the opening of the account. . . . The member, broker or dealer shall include with the account record or alternative document provided to each customer or owner an explanation of any terms regarding investment objectives. The account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the member, broker or dealer, and that the customer or owner should notify the member, broker or dealer of any future changes to information contained in the account record.”

The examiner requested that the Agencies provide the 30 day and the 36 month verifications for 83 variable annuity contracts. The Agencies were unable to provide the 30 day income verification for 58 of the contracts; and, the Agencies were unable to provide the 36 month income verification for 43 of the contracts.

The examiner recommends that the Agencies follow its procedures concerning the 30 day and the 36 month verification of customer information and maintain all necessary documentation.

The examiner found 4 instances in the 94 complaints where the Agencies did not maintain documentation and records in the complaint files to enable the examiner to arrive at a conclusion regarding the validity and the disposition of the complaint.

The examiner recommended that the Agencies maintain documentation and records in the complaint file to enable a complete review. The Agencies agreed with the recommendation and stated that the DRRIG will be provided with a reminder to maintain relevant documents within a customer’s complaint file.

B. New Business and Surrenders

The examiner reviewed various elements of the Agencies' new business handling process to determine compliance with applicable statutes and regulations, the operating rules and guidelines of the Agencies, and internal control standards.

Prior to completing an application, the Agencies' procedure manual requires that the agent obtain essential client information pertaining to the client's financial situation, investment objectives, risk tolerance, anticipated time horizon, and other relevant information in order to assist them in making suitable recommendations. All recommendations should be based on the client information obtained as noted on the new account application, and supported (where applicable) by documentation maintained, addressing a client's investment profile. After the agent submits the account application to the Agencies, a New Accounts Specialist performs a preliminary application check to determine if the agent supplied all the information required to open an investment account. If an application is deemed unsatisfactory, the agent is required to resolve any deficiency.

The agents are given specific instructions when working with clients sixty-five years of age or older. Before recommending an investment product, the agent is to consider whether the client's income needs are satisfied by his or her current investments. The agent must obtain a signed Personal Consultation Acknowledgment for Variable Annuities from any client age sixty-five or older who purchases a variable annuity contract. The Personal Consultation Acknowledgement form is required both for new clients and an existing client who has turned sixty-five and wants to open a new account.

The Agencies utilize EZ Forms, a web-based application, to electronically complete the various forms and documentation in issuing a contract. Once the forms are completed by the agent, they are submitted to the Annuity Processing department for review and approval. Once approved, the documents are then submitted to the carrier.

The examiner selected a sample of 110 new business files from a population of 135,777 fixed annuities and 19,810 variable annuities. The sample included 96 fixed and 14 variable annuities.

Based upon the sample reviewed, no significant findings were noted.

The examiners also selected a sample of annuities issued to clients 65 years and above, and surrendered during the examination period. The examiner reviewed a sample of thirty-four

new issue files that were surrendered from a population of 26,985 surrendered contracts. The sample included twenty fixed annuities, and fourteen variable annuities.

Based upon the sample reviewed, no significant findings were noted.

C. Replacements

The examiner reviewed the Agencies replacement handling process to determine compliance with Department Regulation No. 60 and the operating rules and guidelines of the Agencies. The Agencies provided a data file of replaced contracts which consisted of 27,039 fixed annuities and 4,145 variable annuities. The examiner selected an initial sample of 94 fixed annuities and 17 variable annuities. Upon review, the examiner noted that the data file contained records other than replacement transactions. The examiner was able to determine that only 66 of the fixed annuities and 10 of the variable annuities were valid replacements. An additional sample was selected that included 40 variable annuities and 25 fixed annuities that were replaced during the period under review.

Section 51.5(c) of Department Regulation No. 60 states, in part:

“Where a replacement has occurred or is likely to occur: . . .

(3) Present to the applicant, not later than at the time the applicant signs the application, . . . and a completed “Disclosure Statement” signed by the agent or broker in the form prescribed by the Superintendent . . . and leave copies of such forms with the applicant for his or her records; . . .

(5) Submit with the application to the insurer replacing the life insurance policy or annuity contract: . . . and the completed “Disclosure Statement,” including the primary reason(s) for recommending the new life insurance policy or annuity contract and why the existing life insurance policy or annuity contract cannot meet the applicant’s objectives.”

And, Section 51.7 of Department Regulation No. 60 states, in part:

“(a) No insurer, agent or broker shall:

(1) make or give any deceptive or misleading information in the “Disclosure Statement” or in any proposal, including the sales material used in the sale of the proposed life insurance policy or annuity contract; . . .

(b) No insurer, agent, broker, representative, officer or employee of an insurer or any other licensee of this Department shall fail to comply with or engage in other practices that would prevent the orderly working of this Part in accomplishing its intended purpose in the protection of policyholders and contractholders...”

In 8 instances the Summary Result Comparison section of the Disclosure Statement was not completed. The Agencies provided the applicant with a separate, unsigned, unapproved sheet with Summary Result Comparison figures. Because this sheet was not signed by the applicant, agent or broker, the examiner could not determine if it was actually provided to the applicant.

The Agencies violated Section 51.5(c)(3) of Department Regulation No. 60 by not providing the applicant with a completed "Disclosure Statement" signed by the agent or broker in the form prescribed by the Superintendent.

The Agencies stated: "We recognize that the Department considers the Disclosure Statement as a "stand-alone" document and we will remind all agents to complete all questions and sections in the document..."

In 8 instances the examiner found that the agent provided misleading answers on the disclosure statement. For the question under the Agent's or Broker's Statement section: "The advantages of continuing the existing annuity contract without changes are:" the agent answered either "N/A" or "none" although the contract being replaced was either out of the surrender charge period and the applicant would be entering a new surrender charge period with a new contract; or the applicant incurred a surrender charge for replacing the contract.

The Agencies violated Section 51.7(a)(1) of Department Regulation No. 60, by giving deceptive or misleading information in the Disclosure Statement.

The Agencies stated: "We recognize that the Department considers the Disclosure Statement as a "stand-alone" document and we will remind all agents to complete all questions and sections in the document..." and "We also note that we are currently enhancing our Regulation 60 training materials in order to ensure that the Disclosure Statement and other Regulation 60 paperwork is completed and presented at the prescribed times."

The Department's instructions for completing Appendix 10B (annuity to annuity replacements only) states, in part:

"if more than one contract is being replaced and/or being proposed, determine the illustrated values in this Part as the sum total of the values for the individual contracts on the date shown in the Description of Transaction section..."

Additionally, the Appendix 10B specimen, states, in part:

"In addition, a composite comparison shall be completed for all existing annuity contracts to all proposed annuity contracts..."

The examiner found 4 instances where the agent failed to complete a composite comparison where more than one contract was being replaced.

The Agencies violated Section 51.5(c)(3) and Section 51.7(b) of Department Regulation No. 60 by failing to provide the applicant with a completed composite comparison where more than one contract was being replaced in the form prescribed by the Superintendent.

The examiner recommended that the Agencies remind its agents that all questions and sections of the Department Regulation No. 60 disclosure statement must be completed.

The Agencies stated: “We understand the Department’s observation that the instructions and statements contained in Appendix 10B require completion of a composite comparison for transactions involving annuity-to-annuity replacements, and we will communicate this requirement to the carriers as well as our agents.”

The examiner also recommended that the Agencies inform its agents that answering “N/A” or “none” to questions on the disclosure statement will not be an acceptable response.

The Agencies stated: “We also note that we are currently enhancing our Regulation 60 training materials in order to ensure that the Disclosure Statement and other Regulation 60 paperwork is completed and presented at the prescribed times.”

D. Licensing

During the review, it was determined that CISC, the Broker-Dealer through which the variable annuities are offered/sold, was not licensed by the New York State Insurance Department, now known as The Department of Financial Services. The Agencies’ position is that CISC did not receive any revenue generated by the sale of insurance and annuity products by CISC Financial Advisors and Chase Personal Bankers, from the insurance carriers. According to the Agencies, CIA, which is licensed by the New York State Insurance Department, receives all the revenue from the sale of insurance and annuities products. CIA also holds the New York State insurance licenses of any CISC Financial Advisors and Personal Bankers who are authorized to sell insurance and annuity products in the state.

The Agency further stated that CISC is a broker-dealer and investment advisor registered with the SEC, and a member of the FINRA. Accordingly, CISC holds the FINRA registrations of any Financial Advisors and Personal Bankers who are licensed to sell registered securities products (including variable annuities). As mandated by the federal securities laws and FINRA

rules, CISC must supervise the sale of these products by Financial Advisors and Personal Bankers. There are revenue sharing arrangements between the Bank, CIA and CISC where the Bank is reimbursed by CIA and CISC for their "use of Registered Employees and other JPMorgan Chase Bank clerical and administrative personnel," and is also paid a "lease fee" by CIA and CISC for the use of office space. CIA retains a portion of the revenue it receives from the insurance carriers to cover the costs of performing the activities outlined in Section 5(a) of the Networking Agreement. CISC then receives directly from CIA a portion of revenue paid by the insurance carriers and, in turn, pays money to the Financial Advisors and Personal Bankers for commissions earned through the sale of insurance and annuity products.

Section 2102(e)(1) of New York State Insurance Law states:

“No person shall accept any commission, service fee, brokerage or other valuable consideration for selling, soliciting or negotiating insurance in this state if that person is required to be licensed under this article and is not so licensed.”

During the period under review, CISC accepted commissions as an agent engaged in the solicitation of an insurance or annuity contract without a New York State license.

CISC violated Section 2102(e)(1) of the New York Insurance Law by engaging in the solicitation of an insurance or annuity contract and receiving compensation on such transactions without a New York State license.

Upon notification by the Department of this finding, CISC subsequently obtained a New York State license on September 7, 2011.

5. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	Recommendation that the Agencies report all complaints received during the examination period to the insurance carriers in compliance with the terms of the selling agreement and also provide the insurance carriers with all the documents pertinent to the complaints and the Agencies disposition thereof.	8
B	The examiner recommended that the Agencies follow its procedures to notify carriers of all complaints received.	8
C	Recommendation that all insurance related complaints, regardless of amount claimed or how received, written or oral, be preserved in the complaint log for possible Department review.	9
D	Recommendation that the Agencies reimburse two clients the full amount of the tax incurred due to the agents' misrepresentation of the product.	9
E	Recommendation that the Agencies either adopts the Investor Profile as a required form to be submitted to the Principal Review Desk for review along with all other customer forms, or the use of the Investor Profile form should be discontinued.	10
F	Recommendation that the Agencies follow its procedures concerning the 30 day and the 36 month verification of customer information and maintain all necessary documentation.	11
G	Recommendation that the Agencies maintain documentation and records in the complaint file to enable a complete review.	11
H	Violation of Section 51.5(c)(3) of Department Regulation No. 60 by not providing the applicant with a completed "Disclosure Statement" signed by the agent or broker in the form prescribed by the Superintendent.	14
I	Violation of Section 51.7(a)(1) of Department Regulation No. 60, by giving deceptive or misleading information in the Disclosure Statement.	15

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| J | Violation of Section 51.5(c)(3) and Section 51.7(b) of Department Regulation 60 by failing to provide the applicant with a completed composite comparison where more than one contract was being replaced in the form prescribed by the Superintendent. | 15 |
| K | Recommendation that the Agencies remind its agents that all questions and sections of the Department Regulation No. 60 disclosure statement must be completed. | 15 |
| L | Recommendation that the Agencies inform its agents that answering “N/A” or “none” to questions on the disclosure statement will not be an acceptable response | 15 |
| M | Violation of Section 2102(e)(1) of the New York Insurance Law by CISC when engaging in the solicitation of an insurance or annuity contract and receiving compensation on such transactions without a New York State license. | 16 |

Respectfully submitted,

Jacqueline Tucker
Jacqueline Tucker
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

Jacqueline Tucker, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

Jacqueline Tucker
Jacqueline Tucker

Subscribed and sworn to before me

this 3rd day of August

Sylvia D. Lawson

SYLVIA D. LAWSON
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01LA0056782
QUALIFIED IN QUEENS COUNTY
CERTIFICATE FILED IN NEW YORK COUNTY
COMMISSION EXPIRES 3/26/2015

APPOINTMENT NO. 30634

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, JAMES J. WRYNN, Superintendent of Insurance of the State of New York,
pursuant to the provisions of the Insurance Law, do hereby appoint:

JACQUELINE TUCKER

as a proper person to examine into the affairs of the

CHASE INSURANCE AGENCY, INC.

and to make a report to me in writing of the condition of the said

AGENCY

with such other information as she shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 6th day of January, 2011



JAMES J. WRYNN
Superintendent of Insurance

James J. Wrynn
Superintendent