

FILED
JAN 10 2025
COMMISSION OF INSURANCE
INSURANCE DIVISION OF IOWA

BEFORE THE IOWA INSURANCE COMMISSIONER

<p>IN THE MATTER OF</p> <p>EDSON N. LINDONDE, NPN 17241415 DOB 01/10/XXXX</p> <p>Respondent.</p>	<p>Division Case No. 119133</p> <p>FINAL ORDER</p>
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NOW THEREFORE, the Commissioner takes up for consideration the attached Proposed Default Order of Administrative Law Judge, Jasmina Sarajlija, of the Iowa Department of Inspections and Appeals show as filed on January 7, 2025.

IT IS ORDERED that the Commissioner has reviewed the record and adopts Judge Sarajlija's default order as my own final decision.

IT IS FURTHER ORDERED that Edson N. Lindonde has 30-days from the date of this Order to pay a civil penalties of \$3,000, and investigation and prosecution costs of \$2065.00.

IT IS FURTHER ORDERED that these orders may be enforced under Iowa Code chapter 507B and 522B, including but not limited to, Iowa Code § 507B.8 and 522B.17(3), and additionally, by any collection remedies available to the State of Iowa Department of Revenue for unpaid penalties and other ordered monetary amount.

Dated this 10th day of January, 2024.



DOUGLAS M. OMMEN
Iowa Insurance Commissioner

Copy to:

Colin Grace
Iowa Insurance Division
1963 Bell Avenue, Suite 100
Des Moines, IA 50315
Colin.grace@iid.iowa.gov
ATTORNEY FOR THE DIVISION

Edson N. Lidonde
4119 N 139th Avenue
Omaha, Nebraska, 68164
RESPONDENT

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause, or their attorney, at their respective addresses disclosed on the pleadings on January 14, 2025

By: First Class Mail () Personal Service
 Restricted certified mail, return receipt () Email
() Certified mail, return receipt () _____

Signature: Brooke Hohn
Brooke Hohn

IN THE IOWA ADMINISTRATIVE HEARINGS DIVISION
CENTRAL PANEL BUREAU

IN THE MATTER OF:)	
)	
)	
)	DIAL Case No. 25IID0005
EDSON N. LIDONDE,)	Division Case No. 1119133
)	
)	
Respondent.)	PROPOSED DEFAULT ORDER
)	

On November 21, 2024, the Iowa Insurance Division (“IID”) filed a Statement of Charges and Notice of Hearing (collectively “Statement of Charges”) against Edson N. Lidonde (“Lidonde”), a formerly licensed nonresident insurance producer. The matter was scheduled for both a prehearing conference and an evidentiary hearing before Commissioner Douglas M. Ommen. The matter was subsequently transferred to this Tribunal. Thereafter, on December 13, 2024, IID filed a Motion for Default Judgment, along with four exhibits, stating Lidonde failed to file an answer as required and seeking a default order that revokes Lidonde’s license and assess various other penalties. Lidonde failed to file a timely resistance, and seeing no hearing is required or advisable, the matter is now fully submitted.

FINDINGS OF FACT

IID filed a Statement of Charges on November 21, 2024, alleging three counts against Lidonde. Statement of Charges, at pp. 7-10. In Count One, IID alleged Lidonde engaged in fraudulent, coercive, or dishonest practices, or demonstrated incompetence, untrustworthiness, or financial irresponsibility in violation of Iowa Code section 522B.11(1)(h) when he failed to explain to a resident consumer that a Guaranteed Issue Whole Life (GIWL) policy’s two-year graded benefit feature could potentially reduce the consumer’s benefit if he were to die in the next two years and when he represented in the GIWL policy application that the GIWL policy would not replace existing coverage even though the insurer’s company policy dictated that it would have replaced \$25,000 worth of reduced coverage from the consumer’s then-existing term life policy replacement. *Id.* at pp. 7-8. In Count Two, IID alleged that Lidonde violated Iowa Code section 522B.11(1)(i) by “[h]aving an insurance producer license, or its equivalent, denied, suspended, or revoked” in five other states. *Id.* at pp. 8-9. In Count Three, IID alleged that Lidonde violated Iowa Code section 522B.16(1) when he failed to report to the Division that administrative actions were taken against his insurance producer licenses in Nebraska, Indiana, Idaho, California and Utah. *Id.* at p. 10. The Statement of Charges then requested a sanction on Lidonde’s nonresident insurance producer license (including revocation), a cease and desist order, a civil penalty on each count, and payment of investigation and prosecution costs.

In support of the three counts and requested relief, IID alleged the following relevant factual allegations in its Statement of Charges:

2. Edson N. Lidonde (“Lidonde”) is an individual with a last-known residence address of 4119 N. 139th Avenue, Omaha, Nebraska 68164.

3. Lidonde was licensed in the state of Iowa as a nonresident insurance producer from April 15, 2014, until his Iowa license was terminated on February 29, 2024. Lidonde held a resident insurance producer license in Nebraska until his Nebraska license was indefinitely suspended on November 29, 2023. Lidonde currently holds no active resident insurance producer license. Lidonde was licensed under National Producer Number 17241415.

...

7. Lidonde applied for a non-resident insurance producer license with the Division by submitting a Uniform Application for Individual Producer License (“Uniform Application”) through the National Insurance Producer Registry. In submitting the Uniform Application, Lidonde designated the Commissioner as an agent for service of process.

8. The Division issued Lidonde a license as a nonresident insurance producer on April 15, 2014, and assigned to him National Producer Number 17241415.

9. At all relevant times hereto, Lidonde was employed as a captive internal agent by AAA Life Insurance Company (“AAA Life”) in their Direct Sales Unit, at their office located at 2909 N. 118th Street, Fl. 3, Omaha, Nebraska 68164, until he was terminated for cause on May 11, 2023.

10. On September 25, 2015, Lidonde received a copy of AAA Life’s 2011 Compliance Manual and signed an attestation wherein Lidonde confirmed that he had read the manual, understood its contents, and agreed to follow its policies. The 2011 Compliance Manual includes the following policies and guidance with respect to replacing life insurance policies:

The definition of replacement goes beyond the surrender of one contract and subsequent purchase of another contract. An agent should be aware of all the transactions that are considered replacements. For example, a replacement may occur when a contract has been or is to be: ... Reduced in value through a withdrawal or partial surrender.

A replacement can be internal or external. An internal replacement occurs when an existing contract is exchanged for a new contract from the same insurer.

11. On November 7, 2016, Lidonde received an updated version of the AAA Life Compliance Manual and signed an attestation wherein Lidonde confirmed that he had read the manual, understood its contents, and agreed

to follow its policies. The 2016 Compliance Manual includes the following policies and guidance with respect to replacing life insurance policies:

A replacement is a transaction in which a new life insurance or annuity policy is being purchased and it is known by the producer (or should be known by producer) the client's existing life insurance or annuity has been or will be: ... Reduced in value through a withdrawal or partial surrender.

AAA Life producers must exercise diligence in determining whether an insurance transaction is a replacement.

Producers must only use AAA Life approved replacement forms in the conduct of their business and must comply with AAA Life's replacement requirements as outlined within this Manual and supplemented in field agent communications.

12. On January 20, 2021, Lidonde received an updated version of the AAA Life Compliance Manual and signed an attestation wherein Lidonde confirmed that he had read the manual, understood its contents, and agreed to follow its policies. The 2016 Compliance Manual includes the following policies and guidance with respect to replacing life insurance policies:

A replacement is a transaction where a new policy or contract will be purchased, and the agent is aware an existing policy or contract will be: ...
1. Lapsed, forfeited, surrendered or partially surrendered, assigned to AAA Life or otherwise terminated; ... 3. Amended to reduce benefits or policy term.

AAA Life agents are required to: ... Exercise diligence in determining whether an insurance transaction is a replacement.

Agents must use AAA Life-approved replacement forms if replacing an existing policy or contract. **All replacement questions must be answered.**

The Compliance Department monitors replacement activity on an ongoing basis for trend analysis purposes. [Emphasis in original].

13. On February 23, 2023, a California resident consumer, S.L., called AAA Life and spoke to Lidonde about converting his then-current \$50,000 term life insurance policy to a Guaranteed Issue Whole Life ("GIWL") policy. During the call, Lidonde quoted S.L. the expected new monthly premium, and S.L. asked whether there was a less expensive option. Lidonde suggested S.L. lower the face value of his existing term life policy from \$50,000 to \$25,000 and add a \$25,000 GIWL policy. Lidonde explained that S.L. would still have \$50,000 in coverage but split between two policies. Lidonde failed to explain that the GIWL's two-year graded benefit

feature could potentially reduce S.L.'s benefit if he were to die in the next two years.

14. On April 18, 2023, Lidonde submitted an application for a GIWL policy on behalf of S.L. The application for the GIWL policy asks, "Will this policy, if issued, replace any life insurance or annuity now in force?" Lidonde answered this question "No," even though S.L. was ultimately reducing the face value of his existing term policy by \$25,000 and purchasing a \$25,000 GIWL policy to obtain a combined coverage of \$50,000.

15. AAA Life considers the transaction described in paragraphs 10-11 to constitute a replacement because reducing the face value of the original term policy and adding a GIWL policy alters the existing insurance arrangement. Further, AAA Life company policy does not allow a GIWL policy to be used as a replacement product.

16. On May 3, 2023, AAA life opened an internal investigation into Lidonde's sale of the GIWL policy to S.L.

17. On May 11, 2023, AAA Life terminated Lidonde's employment for cause.

18. On May 15, 2023, S.L.'s application was withdrawn. S.L. was not charged a premium nor issued the GIWL policy.

19. On June 9, 2023, the Division received a termination for cause letter from AAA Life dated May 31, 2023.

20. On June 13, 2023, a Division investigator sent Lidonde a Request for Information letter ("RFI") and an attached Termination for Cause Questionnaire ("TFC") via email to the address listed in his licensing records, requesting a response within 10 days. The Division received no indication that the email failed to be delivered. Lidonde did not respond to this RFI and TFC.

21. On June 28, 2023, the Division investigator sent a second RFI and TFC to Lidonde's residential address listed in his licensing records via FedEx. The RFI and TFC requested a response within 10 days.

22. On or about July 3, 2023, the Division received a notification from FedEx that it was unable to deliver the RFI and TFC letter dated June 28, 2023, and that FedEx was returning the package to the Division. FedEx listed the reason as "Recipient moved and left no forwarding address or phone number."

23. Upon receipt of the FedEx notice, the Division investigator conducted a public records search, which indicated that Lidonde owned the property

located at the residential address listed in his licensing record and had been paying utilities there. The search did not indicate any alternative address.

24. On July 11, 2023, the Division investigator sent a third RFI and TFC to Lidonde's residential address listed in his licensing records via regular U.S. mail with a signature required.

25. On July 15, 2023, the U.S. Postal Service attempted to deliver the package to Lidonde's address. However, there was no authorized recipient available, and the U.S. Postal Service returned the package to the Division on July 30, 2023.

26. On August 8, 2023, the Division investigator called Lidonde at the telephone number listed in Lidonde's licensing records, and the call went unanswered. The Division investigator left a voicemail for Lidonde, requesting a return call no later than August 10, 2023.

27. To date, Lidonde has not responded to any of the Division's RFIs and TFCs, nor has he responded to the Division investigator's voicemail.

28. On November 29, 2023, the state of Nebraska suspended Lidonde's insurance producer license ordered that Lidonde pay a penalty of \$500 for failing to respond to requests for information from the Nebraska Department of Insurance. To date, Lidonde's resident Nebraska insurance producer license remains suspended.

29. On December 28, 2023, the state of Indiana suspended Lidonde's nonresident Indiana insurance producer license for failure to maintain a home state license. To date, Lidonde's nonresident Indiana insurance producer license remains suspended.

30. On January 11, 2024, the state of Idaho revoked Lidonde's nonresident Idaho insurance producer license for failure to maintain a resident state insurance producer license. To date, Lidonde's nonresident Idaho insurance producer license remains revoked.

31. On June 7, 2024, the state of California revoked Lidonde's license for failure to notify the California Department of Insurance of a change in background, failure respond to a request for information from the state of California, and having a professional license revoked in the prior five years. To date, Lidonde's nonresident California insurance producer license remains revoked.

32. On March 13, 2024, the state of Utah ordered Lidonde pay a civil forfeiture of \$375 for demonstrating untrustworthiness or incompetence in the conduct of business, making false or misleading statements, and failing to maintain a current email address with the Utah Department of Insurance.

33. On September 9, 2024, the state of Utah revoked Lidonde's license for failure to comply with a valid order by failing to pay the civil forfeiture, failure to maintain a resident insurance producer license in his home state, having had an insurance licensed suspended and/or revoked in another state, failure to report other state action, failure to respond to correspondence from the Utah Department of Insurance, and failing to update his email and mailing address with the Utah Department of Insurance. To date, Lidonde's nonresident Utah insurance producer license remains revoked.

34. To date, Lidonde has not reported any of the above state licensing actions to the Division.

Id., at pp. 1-7.

The Statement of Charges was sent via restricted certified mail to an address provided by Lidonde and noted in IID's licensing record for Lidonde. On December 3, 2024, the United States Postal Service notified the Division that it attempted to deliver the mailing on November 29, 2024, but was unsuccessful because an authorized recipient was not available. Mot. Ex. 2. The Douglas County Nebraska Assessor's website indicates that Lidonde owns the property at the address listed in the Division's licensing records. Mot. Ex. 3. On December 3, 2024, the Division resent the Statement of Charges and Notice of Hearing via regular first-class mail to the address provided by Lidonde and listed in the Division's licensing record for Lidonde. The mailing has not been returned to the Division. Lidonde failed to file an answer within 20 days, and has otherwise failed to participate.

On December 13, 2024, IID filed a Motion for Default, arguing that Lidonde was in default due to his failure to file an answer and requesting a finding in its favor on the three counts of charges. Mot. at pp. 4-5. Specifically, IID requested: the revocation of Lidonde's insurance producer license with a cease and desist from engaging in the conduct charged and a prohibition against engaging in the business of insurance in Iowa; a civil penalty in the amount of \$3,000.00; and \$2,065.00 in investigation and prosecution costs. Id., at pp. 4-5. Lidonde failed to respond. As discussed below, the unchallenged allegations made in the Statement of Charges are taken as true for purposes of this decision.

CONCLUSIONS OF LAW

A.

The Iowa legislature created IID "to regulate and supervise the conducting of the business of insurance in the state." Iowa Code § 505.1. One aspect of this authority is to regulate the licensing of insurance producers. See id. § 505.8; see also Iowa Code chapter 522B. Pursuant to this statutory authority, IID promulgated various administrative rules governing the licensing and conduct of those in the business of insurance. For example, Chapter 10 of IID's rules creates the specific rules governing the "qualification, licensure, and appointment of insurance producers." 191 I.A.C. § 10.1. Likewise, Chapter 15 of IID's

rules create the “minimum standards and guidelines” for essentially fair and honest practices in the business of insurance. 191 I.A.C. § 15.1.

When IID has reason to believe that an individual has engaged in unfair or deceptive acts or otherwise has violated the statutes and rules governing the business of insurance in the State, IID may file a statement of charges against the individual. See, e.g., Iowa Code 507B.6(1). This includes taking action against an individual’s producer license. See id. § 522B.11(1). The sanction for the misconduct can vary based on the specific practice, with fines, recovery of investigation and prosecution costs, adverse action against a licensee, and other corrective action being generally available. See, e.g., id. §§ 505.8(10) (“[IID] may, after a hearing conducted pursuant to chapter 17A, assess fines or penalties; assess costs of an examination, investigation, or proceeding; order restitution; or take other corrective action as the commissioner deems necessary and appropriate to accomplish compliance with the laws of the state relating to all insurance business transacted in the state.”); 522B.11(1) (articulating license sanctions available for misconduct).

Once IID files a statement of charges against an individual and a notice of hearing is delivered concerning the charges, a contested case proceeding is commenced. Iowa Code §17A.12. IID has adopted rules for delivery of notice to an individual. Rule 191–3.5 provides that service of a notice of hearing and statement of charges shall be made by personal service or by certified mail, return receipt requested, at least 15 days before the hearing date. Further, subrule 3.5(c) also provides that for “persons regulated by the [Division]” . . . “who have consented in writing to have the commissioner accept service of process on their behalf” delivery of the notice of hearing is accomplished when the commissioner signs the notice of hearing or statement of charges.

Upon receipt of the notice of hearing, the individual against whom the charges are brought has “20 days of service of the notice of hearing unless otherwise ordered” to file an answer. 191 I.A.C. § 3.5(3). “Any allegation in the notice of hearing or accompanying charging document not denied in the answer is considered admitted” with the Tribunal authorized to “refuse to consider any defense not raised in the answer which could have been raised on the basis of facts known when the answer was filed if any party would be prejudiced.” Id.

If an individual against whom charges are brought fails to file an answer as required by rule or otherwise participate, IID may move for a default order. See id. § 3.22. More specifically, the governing IID Rule states: “If a party fails to appear or participate in a contested case proceeding after proper service of notice . . . , the presiding officer may, if no adjournment is granted, enter a default decision or proceed with the hearing and render a decision in the absence of the party.” Id. § 3.22(1). Failing to file a required pleading, such as an answer, is expressly identified as a form of lack of participation sufficient to justify a default, with another Rule stating: “Where appropriate and not contrary to law, any party may move for default against a party who has requested the contested case proceeding and failed to file a required pleading or has failed to appear after proper service.” Id. § 3.22(2).

Importantly, “[a] default decision may award any relief consistent with the request for relief made in the petition, notice of hearing, or charging document and embraced in its issues.” *Id.* 3.22(9). Of note, the repeated use of the permissive term “may” in the Rule (as opposed to a mandatory term such as “shall”) confers significant discretion in whether to issue a default decision and the nature of any sanction. *See, e.g., Burton v. Univ. of Iowa Hosps. & Clinics*, 566 N.W.2d 182, 187 (Iowa 1997) (“Generally, the word ‘may,’ when used in a statute, is permissive only and operates to confer discretion unless the contrary is clearly indicated by the context.”).

B.

In this case, IID’s Motion for Default should be granted on the terms requested in the Motion. As an initial matter, the Tribunal has the authority to grant a default decision in this case. First, the record demonstrates Lidonde was properly served the Statement of Charges and Notice of Hearing, thereby triggering the duty to file an answer within 20 days. Lidonde designated the Commissioner as an agent for service of process at the time he applied for a non-resident insurance producer license with the Division. For persons who have consented in writing to have the Commissioner accept service of process on their behalf, delivery of the notice of hearing is accomplished at the time the notice of hearing is signed by the Commissioner. *See* 191 I.A.C. § 3.5(1)(c). Second, the record also demonstrates Lidonde failed to timely file an answer, which is a required pleading. These two facts give the Tribunal the authority under IID Rule 3.22 to grant the Motion, thereby leaving the issues of whether such should be granted and on what terms.

Based on the totality of the circumstances, the Tribunal should grant the Motion. No doubt exists that Lidonde has been made aware of this matter, as not only did IID attempt to contact him during the investigation as evidenced by the unrebutted claims in the Statement of Charges, but it also mailed and emailed the relevant documents to the address Lidonde has listed. IID provided documentation that Lidonde has been made aware of the charges but appears to have made a choice to not participate. Moreover, nothing in the record suggests a hearing on the merits is needed to avoid an injustice. The public is served by prompt resolution of this matter.

The record also dictates granting IID’s Motion on the terms requested. IID is requesting that Lidonde’s producer license be immediately revoked with a cease and desist order and prohibition on engaging in the business of insurance in Iowa; a civil penalty of \$3,000.00; and payment of the costs of investigation and prosecution in the amount of \$2,065.00. Given each of these requests is authorized by statute for the conduct articulated in the Statement of Charges and given the type of relief sought in the Motion is referenced in the Statement of Charges, such relief is “consistent with the request for relief made in the petition, notice of hearing, or charging document and embraced in its issues.” *Id.* § 3.22(9). Thus, authority exists to grant the Motion, and the totality of the circumstances indicates it should be granted. Accordingly, the Motion for Default is GRANTED.¹

¹ In deciding to accept the allegations in the Statement of Charges as true, this Tribunal relies on the fact that Rule 191–3.22(9) provides authority to award the relief asked for in a Statement of Charges. This implies that a tribunal may accept as true the unchallenged matters in the charging documents in determining the appropriate relief to be awarded.

ORDER

IT IS HEREBY ORDERED:

- A. Edson D. Lidonde, in failing to make a written answer to the Statement of Charges and participate in the contested case proceeding, is in default pursuant to Iowa Administrative Code rule 191—3.22 with the factual statements in the Statement of Charges being taken as true for purposes of this decision;
- B. Edson D. Lidonde's insurance producer license is immediately revoked pursuant to Iowa Code §§522B.11 and 522B.17;
- C. Edson D. Lidonde shall immediately cease and desist from engaging in the conduct charged in Counts I through III of the Statement of Charges and from engaging in the business of insurance in Iowa pursuant to Iowa Code §§ 522B.11 and 522B.17;
- D. A civil penalty in the amount of \$3,000.00 is assessed against Edson D. Lidonde, made payable to the Iowa Insurance Division, to be credited to the Iowa Insurance Enforcement Fund, to provide funds for insurance enforcement and education pursuant to Iowa Code § 505.8;
- E. Costs of the investigation and prosecution of this matter are assessed against Edson D. Lidonde in the amount of \$2,065.00, made payable to the Iowa Insurance Division, to be credited to the Iowa Insurance Enforcement Fund, to provide funds for insurance enforcement and education pursuant to Iowa Code § 505.8.

In light of this default order, the prehearing conference set for January 14, 2025, and the evidentiary hearing set for January 22, 2025, are hereby CANCELLED.

The Iowa Insurance Division shall take all necessary action in implement this decision.

Dated this 7th day of January, 2025.

cc: Edson Lidonde, 4119 M. 139th Ave., Omaha, NE 68164 (By Mail)
Colin Grace, Attorney for IID (By AEDMS)
Brooke Hohn, IID (By AEDMS)

Case Title: IN THE MATTER OF EDSON N. LIDONDE (119133)
Case Number: 25IID0005
Type: Order

IT IS SO ORDERED.

A handwritten signature in cursive script, reading "J. Sarajlija". The signature is written in black ink and is positioned above a horizontal line.

Jasmina Sarajlija, Administrative Law Judge