

STATE OF ALASKA
DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE
AND
DIVISION OF BANKING AND SECURITIES

In the Matter of:)
)
RUSSELL H. ARMSTRONG)
)
Insurance Licensee)
Unregistered Investment Adviser)
_____)

Division of Insurance Case No. D 15-06

Division of Banking and Securities Order No. 13-298-S

STIPULATED AGREEMENT AND ORDER

The Division of Insurance (DOI), the Division of Banking and Securities (DBS), and RUSSELL H ARMSTRONG (Armstrong) the insurance licensee and unregistered investment adviser in this case, stipulate and agree to the following:

I. BACKGROUND

A. On or about November 28, 2012, DOI issued insurance producer license number 110041 to ARMSTRONG.

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B. On or about May 4, 2014, Armstrong's insurance producer license lapsed due to his failure to timely renew or cancel his license and his license remains in lapsed status.

C. On or about February 6, 2013 DBS was contacted by a United States Postal Inspection Service (USPIS) agent concerning complaints received from a number of Postal Service employees about ARMSTRONG, an insurance licensee. The USPIS agent was concerned that ARMSTRONG was giving investment advice to Postal Service employees without a required license, and asked DBS to accompany the agent on an interview of ARMSTRONG.

D. According to information received by USPIS and confirmed in the interview, ARMSTRONG had marketed private Roth IRA and annuity products to postal employees under the premise that their federal Thrift Saving Plan (TSP) retirement accounts were underperforming. In furtherance of selling the insurance products, ARMSTRONG sought and obtained ID numbers and PIN numbers from at least 10 postal employees, which allowed him to access the employee's individual online payroll accounts. ARMSTRONG then made changes to the employees TSP investment allocations and liquidated securities held in those accounts, using the funds to purchase private annuities being sold by ARMSTRONG. After signing the annuity purchase paperwork, ARMSTRONG never provided the employees with copies of the paperwork. The postal employees completed the annuity investment transactions with ARMSTRONG under the belief he was affiliated with the United States Postal Service human resources office.

E. ARMSTRONG has never been licensed as an investment adviser representative in Alaska or any other jurisdiction.

F. In May 2013, DBS referred the case to DOI.

G. DOI's investigation revealed

(i) numerous misrepresentations to Alaska consumers by Armstrong regarding insurance products including their nature, terms, accessibility of funds, rates of return, death benefit amounts, changeability of accounts, fees, and premiums due;

(ii) numerous failures by Armstrong to respond to Alaska consumers' inquiries;

(iii) numerous attempts by Armstrong to forge or falsify the signatures of Alaska consumers to various insurance disclosure forms in order to hide the true nature of the insurance products involved; and

(iv) that on October 20, 2014 Armstrong entered into a Plea Agreement with The United States District Court For The District Of Alaska for case #3:14-cr-00102-RRB in which Armstrong admitted his guilt to 10 felony counts of Mail and Wire Fraud.

H. DBS's investigation revealed

(i) Armstrong was acting as an unregistered investment adviser in Alaska by advising Alaska residents to liquidate securities in their TSP accounts and use the proceeds to purchase insurance with the expectation that he would receive compensation from such advice;

and

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(ii) that on October 24, 2012, the State of Illinois Secretary of State issued a temporary order of prohibition against Armstrong that found he was acting as an unregistered investment adviser by advising Illinois residents to sell securities in order to purchase insurance products. Subsequent to receiving notice of that order, Armstrong knowingly and intentionally continued acting as an unregistered investment adviser by advising Alaska residents to sell securities in order to purchase insurance products.

I. Armstrong's actions and failures in paragraphs (G) and (H) are violations of

(i) AS 21.27.020(b)(4) – a licensee shall be a trustworthy person;

(ii) AS 21.36.030(a)(1) – misrepresentation;

(iii) AS 45.55.030(c) – transacting business as a state investment adviser or investment adviser representative without being registered.

J. The director of DOI, under AS 21.27.410(a) and AS 21.27.440(a)(3), may revoke a license for a violation of AS 21; for material misrepresentation of the terms or effect of an insurance contract with intent to deceive; for conduct considered by the director of DOI to reflect incompetence or untrustworthiness, or to be a source of potential injury or harm to the public; and for engaging in unfair or fraudulent insurance transactions.

K. The director of DOI, under AS 21.36.910(e), may revoke a license of a person who knew or should have known that the person was in violation of AS 21.36.

L. The director of DOI, under AS 21.27.440(a)(2), may impose a civil penalty of not more than \$10,000 for each violation or a civil penalty of not more than \$25,000 for each violation if the director of DOI determines that the person willfully violated the provisions of AS 21.27.

M. The director of DOI, under AS 21.36.910(e), may impose a civil penalty of not more than \$25,000 for each violation or \$250,000 for engaging in the general business practice in violation of AS 21.36 if the director of DOI determines the person knew or should have known that the person was in violation of AS 21.36.

N. The director of DBS, under AS 45.55.920(b), may impose a civil penalty of not more than \$2,500 for a single violation or not more than \$25,000 for multiple violations when a person knowingly or intentionally violates AS 45.55.

II. TERMS OF AGREEMENT

1. Armstrong stipulates and agrees

(i) that the conduct described in paragraph G above constitutes a violation of Alaska law, including AS 21.27.410(a), and that it is appropriate that the director of DOI revoke insurance producer license number 110041, currently in lapse status, effective as of the date this order is signed by the director of DOI;

(ii) to have his insurance producer license revoked permanently;

(iii) not to apply or otherwise seek to be registered in this state as an agent of

issuer, broker-dealer agent, investment adviser, investment adviser representative, loan

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originator, mortgage broker, money transmitter or delegate, or deferred deposit (Pay Day) lender or representative in the State of Alaska at any time for the remainder of his life;

(iv) that Armstrong is subject to a civil penalty of \$25,000 under AS45.55.920(b) with \$25,000 suspended. If Armstrong commits any violation of this order, or the state's securities laws within the next 10 years, the suspended portion of the civil penalty will be immediately due;

(v) that Armstrong waives his right to a hearing and enters into this agreement voluntarily with full knowledge of all rights he may have in this matter.

2. Armstrong understands that this agreement is not binding on the parties unless and until the director of DOI and the director of DBS sign the order adopting this agreement.

3. Armstrong further understands that this agreement resolves the civil liability issues between the parties to this agreement related to his violation of the state's insurance laws and securities laws.

DATED: 8/20/15

DIVISION OF INSURANCE

By: /s/ Alex Romero /
Alex Romero
Chief Investigator

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DATED: 8/20/15

DIVISION OF BANKING AND
SECURITIES

By: /s/ Kristy Naylor
Kristy Naylor
Chief of Enforcement

DATED: 8/5/15

RUSSELL H. ARMSTRONG

By: /s/ Russell H. Armstrong
Russell H. Armstrong

Approved as to form and content:

DATED: 8/20/15

CRAIG W. RICHARDS
ATTORNEY GENERAL

By: /s/ Erin K. Egan
Erin K. Egan
Assistant Attorney General

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ORDER

IT IS ORDERED that insurance producer license number 110041 issued to Russell H. Armstrong is hereby REVOKED by the director of DOI.

IT IS FURTHER ORDERED that this Stipulated Agreement and Order is adopted in full resolution of the civil liability issues between the parties to this agreement in these cases, and shall constitute the final order in these matters.

DATED this 20 day of August, 2015. /s/ Lori Wing-Heier
Lori Wing-Heier
Director, Division of Insurance

DATED this 20 day of August, 2015. /s/ Kevin Anselm
Kevin Anselm
Director, Division of Banking and Securities