



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street • Suite 810 • Boston, MA 02118-6200
(617) 521-7794 • FAX (617) 521-7475
<http://www.mass.gov/doi>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

JAY ASH
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

JOHN C. CHAPMAN
UNDERSECRETARY

DANIEL R. JUDSON
COMMISSIONER OF INSURANCE

August 22, 2016

Walter R. Chao
1700 South El Camino Real, Suite 501
San Mateo, California 94402

RE: Walter R. Chao – SIU Investigation No. 9172

Dear Mr. Chao:

I represent the Massachusetts Division of Insurance (“Division”) with regard to the above-captioned investigation. Pursuant to an investigation conducted by the Division’s Special Investigations Unit, the Division has cause to believe that you have violated the Massachusetts insurance laws set forth below by the conduct detailed in this settlement letter.

This case was opened on October 22, 2015 after the Division received notice from the Financial Industry Regulatory Industry (“FINRA”) that on July 21, 2015 you signed an Acceptance, Waiver, and Consent agreement and agreed to a \$30,000 fine and a suspension of two years. Although the agreement stated that **you did not admit or deny the findings**, the fine and suspension were based the allegations that you participated in nine private securities transactions totaling \$1.27 million without the permission from your member firm. Furthermore, the **FINRA action alleges** you took affirmative steps to conceal your actions by using an unapproved email address to transact unapproved securities sales, provided false and misleading answers to your firm’s compliance questionnaire and provided false and misleading answers to FINRA regarding your involvement in private securities transactions. In addition, you failed to report the April 21, 2016 revocation of your California insurance producer license to the Division within thirty days.

The conduct described above is evidence of the following violations:

Having an insurance producer license, or its equivalent, denied, suspended, or revoked in any other state, province, district, or territory, M.G.L. c. 175 § 162R(a)(9). Such conduct may result in your insurance license being placed on probation, suspended or revoked pursuant to M.G.L. c. 175 § 162R(a), as well as the imposition of a fine up to \$1,000 for each and every violation as provided under M.G.L. c. 176D, § 7.

A producer shall report to the Commissioner any administrative action taken against the producer in another jurisdiction or by another governmental agency in the

Commonwealth within 30 days of the final disposition of the matter, M.G.L. c. 175 § 162V(a). Pursuant to M.G.L. c. 175, § 194, the penalty for each violation of M.G.L. c. 175, §162V (a) is a fine of up to \$500.

The Division is authorized to issue an order requiring you to show cause why you should not be made to cease and desist from the above alleged conduct. If, after a public hearing, the Commissioner of Insurance finds that you did commit the alleged violations, he may impose a fine up to the amounts listed above, as well as a revocation of your Massachusetts insurance producer license pursuant to M.G.L. c. 175 § 162R(a) and c. 176D § 7.

The Division proposes to resolve this matter through a settlement if you agree to waive the right to a public hearing, agree to cease and desist from the above-alleged conduct and agree to a revocation of your license. **Although the Division has authority to do so, for the purpose of this settlement agreement, the Division agrees not to impose a fine.**

If you choose to accept the Division's offer, please sign the enclosed *Settlement Agreement* where indicated, and return it to my attention on or before **September 9, 2016**. Although this correspondence does not constitute the required statutory notice of a public hearing, if this matter is not resolved by **September 9, 2016**, the Division intends to file its Order to Show Cause and will notify you of the hearing date.

Thank you for your prompt attention to this matter. Should you have any questions or wish to discuss this matter further, I may be reached at (617) 521 – 7321 or via email at Matthew.Burke@state.ma.us.

Sincerely,

Matthew M. Burke
Counsel to the Commissioner



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SETTLEMENT AGREEMENT

Walter R. Chao – SIU Investigation # 9172

This Settlement Agreement (“Agreement”) is made by and between the Commonwealth of Massachusetts Division of Insurance (“Division”), with offices at 1000 Washington Street, Boston, Massachusetts 02118 and Walter R. Chao (“Chao”) a nonresident licensed individual producer under the laws of the Commonwealth of Massachusetts (“Commonwealth”), with a mailing and business address of 1700 South El Camino Real, Suite 501, San Mateo, California 94402.

WHEREAS, Chao is licensed by the Division as a nonresident individual producer pursuant to M.G.L. c. 175 § 162H *et seq.*; and

WHEREAS, an insurance producer licensed in the Commonwealth must uphold the standards in M.G.L. c. 175 § 162H *et seq.* and must comply with the Commonwealth’s insurance laws, including without limitation, those set forth in M.G.L. c. 175 and M.G.L. c. 176D; the Code of Massachusetts Regulations; and any other regulatory requirements; each of which give the Commissioner or Insurance review, approval, and enforcement authority over licenses; and

WHEREAS, the Division has conducted an investigation, Special Investigation Number 9172, and contends that the alleged acts and conduct of Chao as set forth in part in the Division’s correspondence dated **August 22, 2016**, a copy of which is attached and incorporated by reference and made a part of this Agreement, constitute grounds for revocation of Chao’s license; and

WHEREAS, if after a public hearing the Commissioner of Insurance (“Commissioner”), were to find sufficient evidence to determine that Chao did commit the alleged violations, the Commissioner could order the revocation of Chao’s insurance producer license(s) pursuant to M.G.L. c. 175, §162R(a) and c. 176D, and order Chao to pay a civil fine ; and

WHEREAS, Chao is aware of his rights to notice and to a public administrative hearing with respect to the alleged violations of Massachusetts insurance laws in these matters, and hereby waives those rights.

NOW THEREFORE, in consideration of the foregoing and the covenants, warranties, representations, and agreements contained herein, it is mutually agreed as follows:

1. Chao's insurance producer license is hereby permanently revoked as of **September 9, 2016** and shall be returned to the Division on that date. A copy of this signed Agreement must be returned to the Division by **September 9, 2016**.
2. Chao agrees to cease and desist from conducting the business of insurance, including selling, soliciting or negotiating insurance, holding himself out as a licensed insurance producer, or otherwise acting as an insurance producer as of **September 9, 2016**.
3. As of **September 9, 2016**, Chao is prohibited from soliciting, aiding in the placement, continuation, or negotiation of insurance policies or taking any action which may lead any person or entity to believe that Chao is authorized in the Commonwealth to engage in the business of insurance in any capacity, including without limitation, acting as a licensed insurance producer, special insurance broker, public adjuster, insurance advisor, viatical loan provider, viatical broker, viatical settlement broker, viatical settlement provider, reinsurance intermediary broker, reinsurance intermediary manager, or any other licensed insurance professional.
4. In accordance with M.G.L. c. 175, §166B and the terms of this Agreement, Chao shall dispose of any and all interest (direct and indirect) he may have, including without limitation, as proprietor, partner, stockholder, officer, employee of any licensed insurance producer in the Commonwealth by **September 9, 2016**.
5. As of **September 9, 2016**, Chao is prohibited from owning, managing, directing or being an employee, consultant or independent contractor, partner, director or officer, paid or unpaid, of any insurance related business in the Commonwealth. Chao shall return to the Division any insurance producer license in his possession, custody or control.
6. Except as expressly set forth in this Agreement, the failure of the Division at any time to require strict performance by Chao of any terms, provisions, or conditions hereof shall in no way affect the right thereafter to enforce the same, nor shall the waiver by the Division of any breach of any of the terms, provisions, and conditions hereof be construed or deemed a waiver of any succeeding breach of any term, provision, or condition thereof.
7. In the event that the Division finds that there has been a breach of any provision of this Agreement, the Division may, in its discretion, pursue any and all legal remedies permitted by the Massachusetts insurance laws as well as any other appropriate law of the Commonwealth.

8. The provisions of this Agreement may be amended, modified, or expanded solely in writing by joint consent of the Division and Chao.

SIGNED:

Walter R. Chao

Commonwealth of Massachusetts
Division of Insurance
By: Matthew M. Burke
Counsel to the Commissioner

Dated: _____

Dated: _____

