

Arkansas Insurance Department

Mike Beebe
Governor



Jay Bradford
Commissioner

February 4, 2009

Via Certified Mail Return Receipt No. 7003 1010 0000 9422 7321 and U.S. Mail

Mr. Tommy Lee Ruff
3945 Highway 392 W.
Harrison, AR 72601

RE: Complaint File No. 2006-067

LETTER OF REPRIMAND

Dear Mr. Ruff:

As you are aware, the Arkansas Insurance Department ("Department") has received multiple consumer complaint files from the Arkansas Securities Department ("Securities Department"). The complaints concern both you and your daughter, Carla Lea Chastain. Further investigation performed by the Department revealed that the replacement of annuities for the affected consumers was not in the consumers' best interests. Rather, it appears that variable annuities were replaced with other variable annuities that allowed you to control investments and exposed the consumers to higher risks of loss.

In the replacement transactions at issue, there was no objective demonstration by you to the consumers comparing their existing annuity contract with the proposed replacement. This conduct is considered the "churning of business" and is an unfair trade practice under Ark. Code Ann. § 23-66-206(2). Additionally, Arkansas law requires that in the replacement of one policy with another, it must be for the purpose of providing either better coverage or coverage more suitable to the needs of the insured. Ark. Code Ann. § 23-66-307(a)(3). The Department has found that the replacements did not place the consumers with better or more suitable products. Further, the replacements made by you were not done in conformity with the provisions of Ark. Code Ann. § 23-66-307(c), which requires a written comparison of the existing and the proposed coverage. No such documentation was discovered during this Department's investigation.

The Department has reviewed the Securities Department Consent Order No. S-03-039-05-C001, in which the Securities Department revoked your Investment Adviser Representative registration and your Agent registration. Accordingly, your Resident Insurance Producer License No. 27021 will be restricted so that you are no longer licensed through this Department to sell variable annuities.

In dealing with consumers, particularly senior citizens, it is extremely important that you exercise an abundance of caution. Pursuant to the above statutory provisions and applicable Department Rules, comparison documentation must be completed and furnished to both the

consumer and the insurance company. It is of critical importance that, when replacing one policy with another, you are bettering the consumer's position and marketing a product that is suitable for the consumer based upon his or her individual and family needs.

In view of the foregoing facts, please be advised that this **Letter of Reprimand** will be placed in your license file as a permanent record for referral should any other related complaints be received by this Department. Additionally, this **Letter of Reprimand** will be forwarded to the National Association of Insurance Commissioners ("NAIC") for publication on the NAIC website.

The Department reserves all rights and remedies under the Arkansas Insurance Code with regard to any continuing or additional investigation into your conduct as a licensee.

Sincerely yours,



Amanda Capps Rose
Associate Counsel, Legal Division
Amanda.Rose@arkansas.gov

ACR/

cc: Guy Wade, Jay Morgan, Jackie Smith, Fred Stiffler, Mary Coney, Taryn Lewis, Joie Tester, Correspondence File