

KIM REYNOLDS
GOVERNOR

DOUG OMMEN
COMMISSIONER OF INSURANCE

ADAM GREGG
LT. GOVERNOR

January 13, 2023

Governor Kim Reynolds
State Capitol
Des Moines, Iowa 50319

Mr. W. Charles Smithson
Secretary of the Iowa Senate
State Capitol
Des Moines, Iowa 50319

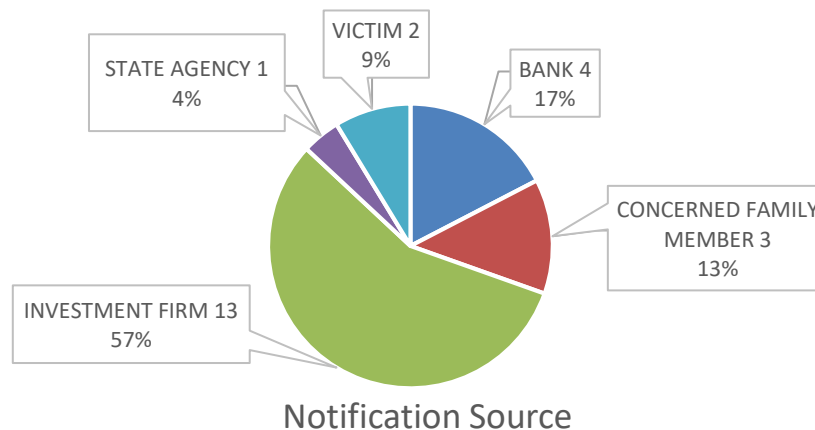
Ms. Meghan Nelson
Chief Clerk of the Iowa House
State Capitol
Des Moines, Iowa 50319

RE: Financial Exploitation of Eligible Adults Annual Report

Dear Governor Reynolds, Secretary Smithson, and Chief Clerk Nelson:

In accordance with Iowa Code § 502.810, the Iowa Insurance Division (Division) is pleased to submit this report on the Division's continuing efforts to combat financial exploitation of eligible adults for the 2022 calendar year.

The Division received 23 notifications of financial exploitation of an eligible adult in 2022. This is a 229% increase from the 7 notifications the Division received during the last half of calendar year 2021, after the law became effective July 1, 2021. The Division received notification of financial exploitation from many different sources, with the majority reported by investment firms, as shown below:



The Division believes its continued efforts to raise awareness of the legislation and our resources dedicated to investigating senior financial exploitation are contributing to the increase in reports by firms. The Division hosted a live training webinar for broker-dealers and state-registered investment advisers in September, with 222 attendees. To increase accessibility, the live training webinar was recorded and was made available on the Division's website. The Division directs individuals to the recorded webinar in the periodic emails it sends to the investment industry, in addition to notifying the industry of other training opportunities related to senior financial exploitation. The Division also provided training at 4 specific events throughout the year in partnership with various industry groups, which trained another 85 individuals.

The Division investigated all of the 23 notifications made to the Division. The actual or attempted monetary loss to victims from these notifications totaled \$6.4 million. The schemes used in the financial exploitation cases being reported continue to evolve, with allegations of caretaker exploitation and alleged romance schemes continuing to be the most prevalent. The Division would like to highlight the results of its investigative efforts:

- The Division issued a cease and desist order (order) in a wine investment scam. The order was issued against the company, its owner, and another person who sold securities to the Iowa investor. In the scam, the Iowa investor was told that the company would buy wine that could be sold a year or so later for a large profit; in fact, the sellers took an undisclosed 30 or 40% commission off the top and have never returned any of the investor's principal. The unregistered broker-dealer and its owner were ordered to pay \$2.4M in restitution and fines.
- Another notification of senior financial exploitation found a senior fell victim to financial exploitation during a romance scam. The Division tracked money across the country and discovered the perpetrators were laundering funds as part of a larger scale fraud operation. Since the older Iowa consumer was one of many nationwide victims, the Division worked with law enforcement, which resulted in two individuals being charged criminally.
- In another romance scam, an older Iowan was convinced to purchase securities through an unregistered offering. The victim was promised a percentage of the business and its profits, which was owned by the scammer. The funds given by the older consumer were eventually used to pay for non-business-related expenses and vehicles. Through a collaborative investigation with the Iowa Attorney General's Office and a local prosecutor's office, the individual offering securities was criminally charged with securities fraud.

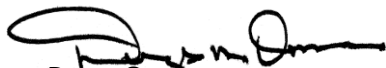
Numerous reports made to the Division in 2022 are still currently active and it is anticipated more actions will be taken against individuals and companies as a result of these investigations. It is also promising that future notifications of senior financial exploitation will be reported sooner due to the Division's outreach efforts, providing more efficiency in investigative efforts and likely less financial exploitation to Iowans.

Another aspect of the statute is the ability it affords broker-dealers and investment advisers to delay disbursements. By way of example, during the last quarter of 2022, the Division received four cases of

delayed disbursements by broker-dealers or registered investment advisors that resulted \$325,000 of potential lost investments not leaving lowans' accounts.

The Division appreciates the opportunity to offer this report on this important topic. If you have questions, please contact Andrew Hartnett at (515) 654-6470 or Chance McElhaney at (515) 654-6547.

Respectfully,

A handwritten signature in black ink, appearing to read "Doug Ommen". The signature is fluid and cursive, with a large initial "D" and "O".

Doug Ommen
Commissioner of Insurance