

NOV 9 1994

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE
By

In the Matter of)	Docket No. 8520
)	
BONNY LYNN MURPHY, dba)	
EXECUTIVE INSURANCE BROKERS,)	
ROBERTA LEE, ERIC CLIFFORD)	ORDER
KOSLOW, and LAURENCE STUART)	
KOSLOW,)	
)	
Respondents.)	
_____)	

On October 3, 1994, a hearing took place in the above-referenced matter. Kathryn Leonard represented the Arizona Department of Insurance ("Department"). Respondents Bonny Lynn Murphy, dba Executive Insurance Brokers, Roberta Lee and Eric Clifford Koslow did not appear for the hearing, but appeared through counsel, Frederick C. Berry, Jr. Respondent Laurence Stuart Koslow did not appear for the hearing in person or through counsel. Unless otherwise indicated, the respondents will be referred to collectively as the "Respondents".

Based upon the entire record in this matter, including all pleadings, motions, testimony, and exhibits admitted during the hearing of this matter, Administrative Law Judge Gregory Y. Harris has prepared the following Findings of Fact, Conclusions of Law, and Order for consideration and approval by Chris Herstam, the Director of the Arizona Department of Insurance (the "Director"). Based upon these recommendations, the Director makes the following Findings of Fact, Conclusions of Law and enters the following Order:

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FINDINGS OF FACT

1
2 1. At all times material to this matter, Bonny Lynn
3 Murphy, doing business as Executive Insurance Brokers ("Ms.
4 Murphy"), held license number 761785 to transact property and
5 casualty insurance business in Arizona as an agent and broker.

6 2. At all times material to this matter, Roberta Lee
7 ("Ms. Lee") held license number 253930 to transact property and
8 casualty and life and disability insurance business in the State
9 of Arizona as an agent. At all times relevant to this matter,
10 Ms. Lee was employed by Executive Insurance Brokers. Ms. Lee is
11 the mother of Ms. Murphy.

12 3. At all times material to this matter, Eric
13 Clifford Koslow ("Mr. Eric Koslow") held license number 576720 to
14 transact property and casualty, and life and disability insurance
15 business in the State of Arizona as an agent. At all times
16 relevant to this matter, Mr. Eric Koslow was employed by
17 Executive Insurance Brokers. Mr. Eric Koslow is the brother of
18 Ms. Murphy.

19 4. At all times material to this matter, Laurence
20 Stuart Koslow ("Mr. Laurence Koslow") held license number 205511
21 to transact property and casualty and life and disability
22 insurance business in the State of Arizona as an agent. At all
23 times relevant to this matter, Mr. Laurence Koslow was employed
24 by Executive Insurance Brokers. Mr. Laurence Koslow is the
25 father of Ms. Murphy.

26 5. Mr. Laurence Koslow did not appear for the hearing
27 of this matter in person or through counsel. Mr. Laurence Koslow
28 called no witnesses, presented no evidence, and presented no

1 arguments in response to the evidence and arguments presented by
2 the other parties to this proceeding.

3 6. Ms. Murphy, Ms. Lee, and Mr. Eric Koslow appeared
4 through counsel but did not personally appear for the hearing of
5 this matter. These respondents did not testify. Instead, each
6 of these respondents offered the stipulation through counsel that
7 the privilege against self-incrimination would be invoked and
8 asserted by these respondents in response to every question
9 relating to the substance of the allegations raised in the Notice
10 of Hearing. The Department accepted this stipulation.

11 7. Between September 9, 1993 and June 21, 1994, the
12 Respondents offered to sell insurance or to bind insurance
13 coverage to customers of Courtesy Chevrolet, Arrowhead Honda,
14 West Valley Nissan, Sands Used Cars/Trucks, Camelview Car & Truck
15 Sales (collectively referred to as the "Auto Dealers").

16 8. A binder is a temporary contract for insurance
17 which incorporates the terms of an insurance policy issued by an
18 insurer. A.R.S. §20-1120.

19 9. Between the following dates, Respondents had
20 authority to bind coverage on behalf of the following insurers or
21 on behalf of insurers represented by the following managing
22 general agents:

23	<u>Insurer or</u>	<u>Commencement of</u>	<u>Termination of</u>
24	<u>MGA</u>	<u>Binding Authority</u>	<u>Binding Authority</u>
25	Carnegie General Insurance Agency	9/23/93	7/12/94
26	Century National Insurance Company	9/29/92	
27	Dairyland Insurance Company	7/28/93	

1 Four Corners General
2 Agency, Inc. 10/28/92 12/31/93
3 Safeway Insurance Company 5/16/91
4 Viking Insurance
5 Company of Wisconsin 4/22/92 7/12/94

6 10. Between September 9, 1993 and June 21, 1994,
7 Respondents, devoted a portion of their insurance sales
8 activities to answering calls from representatives of the Auto
9 Dealers seeking information about the Respondents' ability to
10 furnish proof of insurance to the Auto Dealers' customers.

11 11. In response to these calls from the Auto Dealers'
12 representatives, Respondents obtained information about the
13 prospective insured necessary to underwrite a policy. The
14 underwriting information included the prospective insured's name,
15 address, zip code, phone number, age, license number, and
16 automobile VIN number. Respondents recorded this underwriting
17 information on a "lead sheet" which Respondents later used to
18 solicit the prospective insured for the actual purchase of
19 insurance. Upon the receipt of underwriting information from a
20 prospective insured, Respondents prepared an insurance rate
21 quote. If the prospective insured agreed to purchase a binder,
22 Respondents issued a binder number for a specified period of time
23 and fee.

24 12. Between September 9, 1993 and June 21, 1994,
25 Respondents collected or received payments ranging between \$25.00
26 and \$50.00 from at least 48 customers of Courtesy Chevrolet for
27 the issuance of binders with durations of between 24 and 72
28 hours. See Appendix A (identification of the 48 customers).

1 13. Between September 9, 1993 and June 21, 1994,
2 Courtesy Chevrolet tendered checks to Respondents totaling
3 \$1,750.00 for the issuance of binders. The checks constituted
4 the proceeds attributed by Courtesy Chevrolet to the Respondents'
5 sale of binders to customers of Courtesy Chevrolet. Courtesy
6 Chevrolet included the charge for the Respondents' issuance of a
7 binder in the automobile sales contract entered into between
8 Courtesy Chevrolet and its customer.

9 14. Courtesy Chevrolet would not permit a purchaser to
10 remove an automobile from the sales lot without the purchaser's
11 presentation of proof of insurance, including a binder of
12 insurance.

13 15. Courtesy Chevrolet relied upon Respondents'
14 representations that binders would be issued to its customers and
15 accepted as proof of insurance the "binders" issued by the
16 Respondents, including the "binders" issued to the individuals
17 identified in Appendix A.

18 16. Respondents issued binders and generated binder
19 numbers through their use of a coding system which generally,
20 included the initials of the State of Arizona, the time of the
21 "binder" (using a 24 hour clock), the initial or initials of the
22 agent, and the date. Each Respondent worked under the name of
23 the Executive Insurance Brokers and each took part in the
24 creation and operation of the system of creating false binder
25 numbers.

26 17. None of the binder numbers issued by Respondents
27 corresponded to a contract of insurance issued by an insurer for
28 which Respondents had been authorized to write or bind coverage.

1 18. Individuals to whom Respondents had issued a
2 "binder," including the individuals identified in Appendix A, did
3 not receive insurance coverage or a contract of insurance from
4 the Respondents or any insurer represented by the Respondents
5 during the period specified in the "binder" for which Respondents
6 collected a fee.

7 19. Respondents used the process through which
8 binders were purportedly created as a marketing tool to solicit
9 customers of the Auto Dealers to actually purchase a contract of
10 insurance from the Respondents. Sales agents employed by the
11 Respondents received lead sheets from the Respondents with the
12 instruction that an effort be made to sell an insurance policy to
13 the individuals who had sought to purchase a binder from the
14 Respondents. These lead sheets identified the binder number and
15 the rates quoted to the individuals who had sought to purchase a
16 binder from the Respondents in connection with the purchase of an
17 automobile from one of the Auto Dealers.

18 20. Between September 9, 1993 and June 21, 1994, Mr.
19 Eric Koslow and Mr. Laurence Koslow, or an agent of the
20 Respondents retrieved the proceeds from the sale of "binders" to
21 persons who purchased an automobile from one of the Auto Dealers,
22 including Courtesy Chevrolet.

23 21. Respondents negotiated the checks received by
24 Respondents from Courtesy Chevrolet and deposited these checks
25 into the Executive Insurance Brokers' bank account with First
26 Interstate Bank.

1 22. At all times relevant to this matter, Ms. Murphy,
2 Mr. Eric Koslow and Mr. Laurence Koslow had signature control
3 over the First Interstate bank account.

4 23. An insufficient record was created to demonstrate
5 the proof of the other allegations pled against the Respondents
6 in the Notice of Hearing in this matter.

7 24. On May 11, 1989, the Director entered a Consent
8 Order to which Mr. Koslow was a party individually and in a
9 representative capacity and to which Ms. Lee was a party in a
10 representative capacity. In the Matter of Laurence S. Koslow;
11 Roberta Lee; and American Southwest Insurance Professionals (the
12 "Consent Order").

13 25. Mr. Laurence Koslow signed the Consent Order as an
14 individual and as president of American Southwest Insurance
15 Professionals ("American Southwest"); Ms. Lee signed the Consent
16 Order in her capacity as corporate secretary of American
17 Southwest.

18 26. In the Consent Order, the Director concluded as a
19 matter of law that the conduct of Respondents Laurence S. Koslow
20 and American Southwest, which included misappropriation of
21 premium received from an insured, constituted violations of
22 A.R.S. §20-316(A)(4) and (7). The Director ordered:

23 a. a fifteen day suspension of Mr. Laurence
24 Koslow's license;

25 b. a \$500.00 civil penalty against both Mr.
26 Laurence Koslow and American Southwest; and

27 c. the payment of restitution of \$1,409.43 by
28 both Mr. Laurence Koslow and American Southwest.

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CONCLUSIONS OF LAW

1. Respondents' conduct constitutes a record of dishonesty in business or financial matters under A.R.S. §20-290(B)(2).

2. Respondents' conduct constitutes the existence of any cause for which original issuance or any renewal of an insurance license could have been refused such that Respondents' licenses may be suspended or revoked pursuant to A.R.S. §20-316(A)(1), together with §20-290(B)(2).

3. Respondents' conduct constitutes a wilful violation of, or wilful noncompliance with, any provision of this title, or any lawful rule, regulation or order of the Director in violation of A.R.S. §20-316(A)(2).

4. Respondents' conduct constitutes misappropriation or conversion to their own use or illegal withholding of monies belonging to policyholders, insurers, beneficiaries or others and received in or during the conduct of business under the license or through its use in violation of A.R.S. §20-316(A)(4).

5. Respondents' conduct constitutes a conduct of affairs under the licenses showing the licensees to be incompetent or a source of injury and loss to, or repeated complaint by, the public or any insurer in violation of A.R.S. §20-316(A)(7).

6. Respondents' conduct constitutes the misrepresentation of the terms, benefits, or advantages of an insurance policy, within the meaning of A.R.S. §20-443(1).

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7. Grounds exist to suspend, revoke, or refuse to renew Respondents' licenses and impose civil penalties, pursuant to A.R.S. §§20-316(A) and (C).

8. Grounds exist for the Director to enter an Order to Cease and Desist and impose civil penalties, pursuant to A.R.S. §§20-465(A) and (B).

ORDER

IT IS ORDERED:

1. Effective 30 days from the date of this Order, with the license to be delivered to the Director within that time pursuant to A.R.S. §20-317(C):

a. Insurance license number 761785 issued to Bonny Lynn Murphy is revoked.

a. Insurance license number 253930 issued to Roberta Lee is revoked.

a. Insurance license number 576720 issued to Clifford Koslow is revoked.

a. Insurance license number 205511 issued to Laurence Stuart Koslow is revoked.

2. Pursuant to A.R.S. §§20-316 and 20-456, and within 30 days of the date of this Order, the following civil penalties shall be paid to the Department:

a. Bonny Lynn Murphy \$ 10,000.00.

b. Roberta Lee \$ 5,000.00.

c. Clifford Koslow \$ 5,000.00.

d. Laurence Stuart Koslow \$ 10,000.00.

3. Pursuant to A.R.S. §20-316(C), the Respondents are jointly and severally liable to pay restitution and present proof

1 of the payment of \$1,750.00 in restitution within 30 days of the
2 date of this Order to Courtesy Chevrolet or the individuals
3 identified in Appendix A to this Order.
4

5 The aggrieved party may request a rehearing with
6 respect to this Order by filing a written petition with the
7 Administrative Law Division within 30 days of the date of this
8 Order, setting forth the basis for such relief pursuant to A.A.C.
9 R4-14-114(B).

10 The final decision of the Director may be appealed to
11 the Superior Court of Maricopa County for judicial review
12 pursuant to A.R.S. §20-166.

13 DATED this 9th day of November, 1994.

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16 _____
CHRIS HERSTAM
Director of Insurance

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18 
19 _____
GREGORY Y. HARRIS
Chief Administrative Law Judge

20 COPY of the foregoing mailed/delivered
21 this 9th day of November, 1994, to:

22 Gay Ann Williams, Deputy Director
23 Charles R. Cohen, Executive Assistant Director
24 John Gagne, Acting Manager, Investigations
25 Arnold Sniegowski, Investigator
26 Maureen Catalioto, Supervisor, Licensing
27 Department of Insurance
28 2910 N. 44th Street, Suite 210
Phoenix, AZ 85018

Kathryn Leonard
Assistant Attorney General
1275 W. Washington
Phoenix, AZ 85007


- 1 Frederick C. Berry, Jr.
4041 N. Central Ave., Ste. 800
2 Phoenix, AZ 85012
- 3 Bonny Lynn Murphy, aka
4 Executive Insurance Brokers
4526 W. Altadena
5 Glendale, AZ 85304
- 6 Bonny Lynn Murphy, aka
7 Executive Insurance Brokers
9035 N. 43rd Ave., #A
8 Phoenix, AZ 85051
- 8 Roberta Lee
9 4929 W. Townley
Glendale, AZ 85302
- 10 Eric Clifford Koslow
11 6332 W. Saguaro
Glendale, AZ 85304
- 12 Laurence Stewart Koslow
13 5006 W. Christy Dr.
Glendale, AZ 85304
- 14 Carnegie General Insurance Agency
15 101 Hodencamp Road, #209
Thousand Oaks, CA 91360
- 16 Sentry Insurance Company
17 1800 N. Point Dr.
Stevens Point, WI 54481
- 18 Kentucky Central Insurance Company
19 Kincaid Towers
Lexington, KY 40507
- 20 Metropolitan Life Insurance Company
21 One Madison Avenue
New York, NY 10010
- 22 John Hancock Mutual Life Insurance Company
23 P.O. Box 111
Boston, MA 02117
- 24 William Penn Association
25 709 Brighton Rd.
Pittsburgh, PA 15233
- 26 Safeway Insurance Company
27 500 S. Racine Ave.
Chicago, IL 60685
- 28 . . .

- 1 Century-National Insurance Company
P.O. Box 3999
North Hollywood, CA 91609
- 2
- 3 Jackson National Life Insurance Company
P.O. Box 24068
Lansing, MI 48909
- 4
- 5 Prudential Life Insurance Company
213 Washington Street
Newark, NJ 07102
- 6
- 7 Penn Mutual Life Insurance Company
530 Walnut St.
Philadelphia, PA 19172
- 8
- 9 Statewide Insurance Company
P.O. Box 799
Waukegan, IL 60079
- 10
- 11 Dairyland Insurance Company
1800 N. Point Dr.
Stevens Point, WI 54481
- 12
- 13 United Southern Assurance Company
P.O. Box 2648
Melbourne, FL 32902-2648
- 14
- 15 New Hampshire Insurance Company
P.O. Box 180
Manchester, NH 03105-0180
- 16
- 17 Transamerica Life Insurance Company
P.O. Box 54178, Terminal Annex
Los Angeles, CA 90054
- 18
- 19 Five Star Insurance Company
2400 Main St., #100
Irvine, CA 92714
- 20
- 21 Clarendon National Insurance Company
P.O. Box 5619
Diamond Bar, CA 91765-7619
- 22
- 23 Viking Insurance Company of Wisconsin
P.O. Box 5365
Madison, WI 53705-0365
- 24
- 25 Colonial Insurance Company of California
P.O. Box 4347
Anaheim, CA 92803-4347
- 26
- 27 Guy Johnson
8435 N. 35th Ave., #2002
Phoenix, AZ 85051
- 28

1 Phil Gossic, Business Manager
2 Courtesy Chevrolet
3 1233 E. Camelback Rd.
Phoenix, AZ 85014

4 Andrew Burasco
5 18811 N. 19th Ave., #2020
Phoenix, AZ 85027

6 Robert Peter Ripley
7 9035 N. 43rd Ave.
Phoenix, AZ 85051

8 
9 Chris Crawford

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Appendix A

Customer Name	Courtesy Chevrolet Check No.	Check Amount
1 Allen	93075	50.00
2 Alvarez	92586	50.00
3 Armenta	93772	25.00
4 Bane	93075	50.00
5 Beasley	89850	25.00
6 Bryant	91757	25.00
7 Clevenger	88505	25.00
8 De La Paz	91757	50.00
9 De La Rosa	89791	50.00
10 Dills	93075	25.00
11 Drisdell	93842	25.00
12 Fabian, Sr.	91452	50.00
13 Garcia	89775	25.00
14 Gavino	89775	50.00
15 Graybill	88092	50.00
16 Guerro	93075	50.00
17 Johnson	92466	25.00
18 Kramer	91452	25.00
19 Lechuga	92990	25.00
20 Loftus	91839	25.00
21 Lopez	89775	25.00
22 Lubich	93075	50.00
23 Lunsford	90915	50.00
24 Macey	92466	25.00
25 Macias	92586	25.00
26 Marquina	93772	25.00
27 Matson	91385	50.00
28 McDaniel	93477	50.00
29 Montijo	93298	50.00
30 Moreno	93298	50.00
31 Munoz	93842	25.00
32 Nava	92586	50.00
33 Ovalle	89850	25.00
34 Owens	93075	25.00
35 Ozooco	89850	25.00
36 Perry	91542	25.00
37 Reininger	92753	50.00
38 Renteria	90915	50.00
39 Rorison	93075	25.00
40 Schmuck	93654	50.00
41 Scott	88506	25.00
42 Soto	89809	50.00
43 Startz	90821	25.00
44 Torreblanca	93075	25.00
45 Virgen	90633	50.00
46 Whitt	93868	50.00
47 Williams	91757	25.00
48 Yazzie	89808	25.00
TOTAL		\$1,750.00