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STATE OF ARIZONA
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DEPT. OF INSURANCE
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STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of: **JAMES WILLIAM KING, License No. 17638 and INSURANCE CENTER INC., License No. 471160** Respondents.	No. 97A-228-INS **FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER**

On December 10, 1997, the Arizona Department of Insurance (the "Department") issued an Order Summarily Suspending Licenses and Notice of Hearing ("Notice") in this matter, a copy of which is attached and incorporated herein by this reference. The Notice required James William King and Insurance Center Inc. ("Respondents") to provide written answers to the allegations set forth in the Notice within twenty days of the issuance of the Notice. As of this date, Respondents have failed to file answers. On February 6, 1998, counsel for the Department filed a Request for Default and proposed Findings of Fact, Conclusions of Law and Order. As of this date, Respondent has not responded to the Department's request. Pursuant to A.A.C. R20-6-106(D), a party that fails to file an answer within the time provided shall be deemed to be in default and one or more of the allegations in the Notice of Hearing may be deemed to be admitted.

FINDINGS OF FACT

1. Notice was proper.

2. James William King and Insurance Center Inc. are in default.

3. The allegations in the Notice of Hearing are deemed admitted.

CONCLUSIONS OF LAW

1. The conduct alleged in the Notice constitutes grounds for the Director to suspend, revoke or refuse to renew Mr. King's and Insurance Center's license to transact insurance in Arizona, within the meaning of A.R.S. § 20-316(A).

2. The conduct alleged in the Notice constitutes grounds for the Director to impose a civil penalty pursuant to A.R.S. §§ 20-316(C) and 456(B).

3. The conduct alleged in the notice constitutes grounds for the Director to order restitution, pursuant to A.R.S. § 20-316(C).

RECOMMENDED ORDER

IT IS ORDERED:

1. All insurance licenses held by James William King are revoked effective upon the issuance of this Order.

2. All insurance licenses held by Insurance Center Inc. are revoked effective upon the issuance of this Order.

3. Respondents shall make restitution to victims as follows:

   a. To Dottie Allington in the amount of $587.25.

   b. To Corina Araiza in the amount of $268.00.

   c. To Dorothy Golgart in the amount of $723.00.

4. Respondent shall pay a civil penalty in the amount of $3,750.00 to the Director payable upon entry of this Order for remission to the State Treasurer for deposit in the State General Fund.

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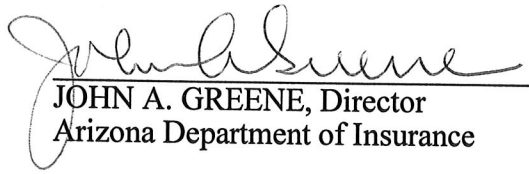
5. The hearing set for January 8, 1998, shall be vacated.

DATED this 7 day of January, 1998.



JOHN A. GREENE, Director
Arizona Department of Insurance

COPY of the foregoing mailed this
7 day of January, 1998, to:

The Honorable Lewis D. Kowal
Administrative Law Judge
Office of Administrative Hearings
1700 West Washington, Suite 602
Phoenix, Arizona 85007

Charles R. Cohen, Deputy Director
Gregory Y. Harris, Executive Assistant Director
John Gagne, Assistant Director
Maureen Catalioto, Licensing Supervisor
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Respondent

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Respondent

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Consumer Protection & Advocacy Section

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STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of: **JAMES WILLIAM KING, License No. 17638, and INSURANCE CENTER INC., License No. 471160,** Respondents.	Docket No. 97A-228-INS **ORDER SUMMARILY SUSPENDING LICENSES AND NOTICE OF HEARING**

The Arizona Department of Insurance ("Department") alleges that James William King ("King") and Insurance Center, Inc. ("ICI") have violated the provisions of Arizona Revised Statutes, Title 20. In light of the serious nature of these allegations, the Director of Insurance ("Director") finds that the public health, safety and welfare require emergency action, within the meaning of A.R.S. §41-1064(C).

The Department has also received evidence that Respondents have transacted the business of insurance as insurers in the State of Arizona without a certificate of authority issued by the Director within the meaning of A.R.S. §20-401.01(A).

THEREFORE, IT IS ORDERED, summarily suspending the Arizona insurance licenses held by Respondents, effective immediately, pending the revocation proceedings commenced this date.

EFFECTIVE this 10 day of December 1997.

JOHN A. GREENE
Director of Insurance

NOTICE OF HEARING

PLEASE TAKE NOTICE, that pursuant to the provisions of A.R.S. §§20-161 through and including 20-165. and A.R.S. Title 41, the above captioned matter will be heard before the Director or the Director's duly designated representative, on the 8th day of January, 1998, at nine o'clock a.m., at the Office of Administrative Hearings, 1700 West Washington, Capitol Tower, West Wing, Suite 602, Phoenix, Arizona (the "Hearing").

Motions to continue this matter shall be made in writing to the Administrative Law Judge named herein, not less than five (5) business days prior to the date set for hearing. A copy of any motion to continue shall be mailed or hand-delivered to the opposing party on the same date of filing with the Office of Administrative Hearings.

A.R.S. §20-164(B) entitles any person affected by this hearing to appear in person and by counsel, to be present during the giving of all evidence, to have a reasonable opportunity to inspect all documentary evidence, to examine witnesses, to present supporting evidence, and to have subpoenas issued by the Director to compel attendance of witnesses and production of evidence.

If Respondents are represented by counsel, the attorney shall be licensed to practice law in the state of Arizona, or if the Respondents are insurers, they may be represented by a corporate officer, pursuant to A.R.S. §20-161(B).

Pursuant to A.R.S. §41-1092.07(D), a clear and accurate record of the proceedings will be made by a court reporter or by electronic means. Any party that requests a transcript of the proceedings shall pay the cost of the transcript to the court reporter or other transcriber.

Questions concerning issues raised in the Notice of Hearing should be directed to Assistant Attorney General Shelby L. Cuevas, 1275 West Washington, Phoenix, Arizona 85007.

NOTICE OF APPLICABLE RULES

On January 23, 1992, the Arizona Department of Insurance adopted A.A.C. R20-6-101 through 20-6-115, setting forth the rules of practice and procedure applicable in contested cases before the Director. The hearing will be conducted pursuant to these rules.

PURSUANT TO A.A.C. R20-6-106, RESPONDENTS SHALL FILE A WRITTEN ANSWER WITHIN 20 DAYS AFTER ISSUANCE OF THIS NOTICE OF HEARING AND SHALL MAIL OR DELIVER A COPY OF THE ANSWER TO THE ASSISTANT ATTORNEY GENERAL DESIGNATED ABOVE. THE ANSWER SHALL STATE RESPONDENTS' POSITION OR DEFENSE AND SHALL SPECIFICALLY ADMIT OR DENY EACH ASSERTION IN THE NOTICE OF HEARING. ANY ASSERTION NOT DENIED SHALL BE DEEMED TO BE ADMITTED. ANY DEFENSE NOT RAISED IN THE ANSWER SHALL BE DEEMED WAIVED. IF AN ANSWER IS NOT TIMELY FILED, RESPONDENTS SHALL BE DEEMED IN DEFAULT AND THE DIRECTOR MAY DEEM THE ALLEGATIONS IN THE NOTICE OF HEARING TO BE TRUE, AND TAKE WHATEVER ACTION IS APPROPRIATE, INCLUDING SUSPENSION, REVOCATION, DENIAL OF A LICENSE OR DENIAL OF A RENEWAL OF A LICENSE, IMPOSITION OF A CIVIL PENALTY AND/OR ORDER RESTITUTION TO ANY PARTY INJURED.

The Department alleges:

1. Respondent, James William King holds, and at all material times held, Arizona license number 176328, to transact business as a property and casualty insurance broker and agent and as a life and disability insurance agent. The property and casualty licenses expire May 31, 1998. King's life and

disability insurance agent license expires May 31, 1999. King is the president and a director of Respondent, Insurance Center, Inc.

2. Respondent, Insurance Center, Inc., holds and at all material times held, Arizona license number 471160, to transact business as a property and casualty insurance broker. ICI's property and casualty licenses expire May 31, 1998. ICI also held at all material times a life and disability insurance agent's license which expired August 31, 1997.

COUNT I

3. On August 15, 1997, the Director issued a subpoena duces tecum to Respondent King for an examination under oath at the Department on August 25, 1997. King failed to appear on the designated date and time. King subsequently appeared on August 29, 1997.

4. Following the August 29, 1997, examination under oath, the Department continued to receive numerous complaints regarding King and ICI. King has not responded to the Department's repeated written requests for information on these complaints, nor has he returned any of the phone messages left for him by the Department's Investigator.

COUNT II

5. On or about February 28, 1997, King took Dottie Allington's applications for insurance coverage with Northwestern National Insurance Company ("Northwestern") for her vehicle and a motel, which she owns. Allington delivered to King a check for premium in the amount of $587.25. King gave her an Arizona Automobile Insurance Group card as proof of coverage for the vehicle.

6. Allington's premium check was never cashed and she never received a policy for either the vehicle or the motel.

7. Northwestern never received Allington's application or premium. Northwestern's attempts to contact King were unsuccessful.

8. King's agency agreement with Northwestern required him to report all risks bound within five (5) business days.

9. During his August 29, 1997, examination under oath, King produced a letter dated April 29, 1997, that he purportedly sent to Allington notifying her that he could not obtain coverage for her car or motel and returning her check for $587.25. Allington never received the letter or her check.

COUNT III

10. On or about April 1, 1997, King issued a "Certificate of Liability Insurance", policy number HDK2-822204/JW, and Arizona Automobile Insurance Cards to Star Plumbing, Inc. The coverage was purportedly written by Hawkeye Security Insurance Company ("Hawkeye").

11. Hawkeye has no record of any policy written for Star Plumbing. The policy number appearing on the certificate issued by King was assigned to a policy for a trucking business unrelated to Star Plumbing.

12. Transwestern General, the managing general agent for Hawkeye, had terminated King's producer agreement on November 1, 1996, based on his lack of production, five full months before King issued the certificate of insurance and identification cards to Star Plumbing.

COUNT IV

13. On September 23, 1996, the Veterans of Foreign Wars of the U.S., Colorado River Valley Post No. 10005 ("VFW"), delivered a check for $500.00 to Insurance Center, Inc., for property and liability insurance with a 90 day binder. The VFW never received a policy or a bill. King did not cash the VFW check until February 19, 1997.

14. On August 30, 1997, following service of the Department's order to appear upon King , the VFW received a $500.00 refund check and a letter from King, purportedly written July 17, 1997. King's letter to the VFW states that on December 5, 1996, coverage was bound for the VFW with American States Insurance.

15. American States did not receive the VFW application and, as a result, no coverage was considered bound for the VFW.

COUNT V

16. On April 16, 1997, Joyce Leonard received a quote from ICI and gave a check in the amount of $394.00 to King for a homeowner's insurance policy. The check was made payable to CSE Safeguard Insurance Company ("CSE"). Leonard never received a policy.

17. When she did not receive a policy, Leonard called King to inquire about the status of her coverage. King did not return the messages she left over a two week period.

18. After getting no response from King or ICI, Leonard contacted CSE. CSE never received an application or premium payment from King for Leonard's homeowner's policy.

19. On or about August 11, 1997, King refunded Leonard's $394.00.

COUNT VI

20. On March 14, 1997, American States Insurance Company received nineteen (19) commercial applications for insurance from King/ICI with effective dates of September 1996, plus one in January 1997. On this same date, the Arizona Field Sales Manager for American States called King and advised him that in order for the insurer to consider issuing the late items, King would have to call and discuss each application with the territory manager by March 21, 1997.

21. As of March 31, 1997, King had not contacted American States. By letter of that date, American States advised King he was in violation of his agency contract by failing to notify the insurer within 3 days of binding coverage. American States refused to consider coverage bound on the twenty (20) late items.

COUNT VII

22. On September 5, 1996, Corina Araiza paid $268.00, by check payable to ICI, for insurance on her business, Journey's Windows. On that same date, King issued a binder to Araiza representing coverage through American States. King cashed Araiza's check on September 23, 1996.

23. Araiza never received the American States policy. She called King weekly to find out about her insurance coverage, but neither King nor anyone else at ICI ever returned her calls.

24. King produced, at his examination under oath, a letter to Araiza dated April 5, 1997. The letter states that he was unable to secure insurance for her business and purports to enclose her refund of $268. As of September 1997, Araiza had received neither the letter nor the refund.

COUNT VIII

25. Dorothy Golgart received from King a binder for coverage through American States on a building she owns in Bullhead City, Arizona, with effective dates of October 21, 1996, through October 21, 1997. King did not tell Golgart the amount of premium owed on this coverage until January 1997 and the copy of the binder provided by King indicates an effective date of December 2, 1996.

26. On January 24, 1997, Golgart paid $723, by check payable to ICI, for the insurance she believed was in place on the building. King cashed Golgart's check on February 10, 1997, but Golgart never received a policy.

27. American States did not receive Golgart's application and, as a result, no coverage was considered bound for Golgart's commercial property.

28. King produced, at his examination under oath, a letter to Golgart dated April 5, 1997. The letter he purportedly sent states that he was unable to secure insurance for her property and was refunding her $268. Golgart did not receive the letter nor the refund.

COUNT IX

29. King purportedly sent letters, dated April 1997, to various commercial clients notifying them of American States' refusal to issue their policies. The letters state "I am sending a letter regarding this matter to my own insurance carrier which will put them on notice should you discover you have had a claim."

30. Employers Reinsurance is King's errors and omissions carrier. Employers Reinsurance never received copies of the April 1997 letters from King or any other notification prior to the Department's inquiries regarding potential unpaid claims.

31. On four occasions, King personally paid claims submitted by clients for whom he never obtained coverage. These four claims totaled $8523.37.

COUNT X

32. On October 3, 1995, Dennis Miller and Mike McKalip dba Mike's Electronic Supply Company purchased an insurance policy from Employers Mutual Casualty Company ("EMC") through King and ICI. The effective dates of the coverage were from October 3, 1995 through October 3, 1996. On August 2, 1996, EMC canceled the policy for the stated reason that EMC terminated its producer agreement with King and ICI. Miller requested that King obtain a new policy for the business through another insurer. King assured Miller that he would obtain the requested coverage, but never did so.

33. During the period of time King was purportedly trying to obtain coverage for Mike's Electronic Supply Company, the shop was burglarized several times. Electronic equipment belonging to consumers was stolen and McKalip personally incurred the expense of replacing it because King never obtained another policy for the business.

VIOLATIONS

34. Respondents' conduct, as alleged above, constitutes the willful violation or noncompliance with any provision of Title 20, within the meaning of A.R.S. §20-316(A)(2).

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

36. Respondents' conduct, as alleged above, constitutes a conduct of affairs under the license showing the licensees to be incompetent or a source of injury and loss to the public or any insurer within the meaning of A.R.S. §20-316(A)(7).

37. Respondents' conduct, as alleged above, constitutes the making of assertions, representations, or statements with respect to the business of insurance which are untrue, deceptive or misleading within the meaning of A.R.S. §20-444(A).

38. Respondents' conduct, as alleged above, constitutes misrepresentation of the terms of a policy of insurance within the meaning of A.R.S. §20-443.

39. Respondents' conduct, as alleged above, constitutes fraud within the meaning of A.R.S. §20-463(A)(1) and (4).

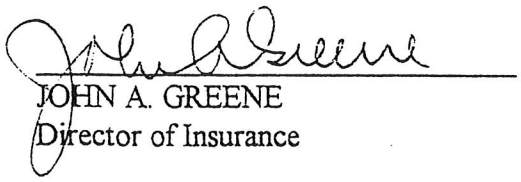
WHEREFORE, if after hearing, the Director finds the grounds alleged above, the Director may suspend, revoke or refuse to renew Respondents' licenses or order restitution, or order Respondents to pay civil penalties, pursuant to A.R.S. §§20-316 and 20-456.

Pursuant to A.R.S. §20-150, the Director delegates the authority vested in the Director of Insurance of the State of Arizona, whether implied or expressed, to the Director of the Office of Administrative Hearings or his designee to preside over the hearing of this matter as the Administrative Law Judge, to make written recommendations to the Director of Insurance consisting of proposed findings of fact, proposed conclusions of law, and a proposed order. This delegation does not include delegation of the authority of the Director of Insurance to make the order on hearing or other final decision in this matter.

Pursuant to A.R.S. §41-1092.01, your hearing will be conducted through the Office of Administrative Hearings, an independent agency. Enclosed is a copy of the procedures to be followed.

Persons with disabilities may request reasonable accommodations, such as interpreters, alternative formats or assistance with physical accessibility, by contacting the Office of Administrative Hearings at (602) 542-9825. Requests should be made as early as possible to allow time to arrange the accommodation.

EFFECTIVE THIS 10 day of December, 1997.



JOHN A. GREENE
Director of Insurance

COPIES of the foregoing mailed/delivered
this 10th day of December, 1997, to:

James William King
7071 Mt. View
Mohave Valley, AZ 86440

Insurance Center, Inc.
2118 Hwy. 95
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Charles R. Cohen, Deputy Director
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Phoenix, AZ 85018-7256

Mario Guevara
Office of Administrative Hearings
1700 West Washington
Capitol Tower, West Wing
Phoenix, AZ 85007

A courtesy copy of this Notice of Hearing has been mailed/delivered to the persons listed below. If you are listed below, you will receive no further notices or documents concerning this matter other than the Director's final order. Information about the status of this matter, including whether the hearing date has been changed, may be obtained by contacting the Department of Insurance at (602) 912-8454 or the Assistant Attorney General identified above, at (602) 542-3702.

Principal Mutual Life Insurance Company
711 High Street
Des Moines, IA 50392

John Alden Life Insurance Company
P.O. Box 020270
Miami, FL 33102-0270

American Medical Security Insurance Company
3100 AMS Blvd.
Green Bay, WI 54313

CSE Safeguard Insurance Company
989 Market Street
San Francisco, CA 94103

Viking Insurance Company of Wisconsin
P.O. Box 5365
Madison, WI 53705-0365

American Reliable Insurance Company
8655 E. Via De Ventura
Scottsdale, AZ 85258

American States
P.O. Box 1636
Indianapolis, IN 46206-1636

Farmers Home Mutual Insurance Company
P.O. Box 9420
Minneapolis, MN 55440

Foremost Property and Casualty Insurance Company
P.O. Box 2450
Grand Rapids, MI 49501

National Insurance Association
P.O. Box 6070, Specialty Auto Division
C/O GRE Insurance Group
Indianapolis, IN 46206-6070

Contractors Bonding and Insurance Company
P.O. Box 9271
Seattle, WA 98109-0271

Omaha Property and Casualty Insurance Company
3102 Farnam Street
Omaha, NE 68131

Dairyland Insurance Company
1800 North Point Drive
Stevens Point, WI 54481

Atlanta Casualty Company
P.O. Box 105435
Atlanta, GA 30348

National American Insurance Company of California
P.O. Box 5810
Long Beach, CA 90805-0750

Merchants Bonding Company (Mutual)
2425 East Camelback Road, Suite 800
Phoenix, AZ 85016

Western Surety Company
P.O. Box 5077
Sioux Falls, SD 57117-5077

Windsor Insurance Company
P.O. Box 105091
Atlanta, GA 30348

Curvey Walters Burton