

APR 5 1995

STATE OF ARIZONA

DEPARTMENT OF INSURANCE  
DEPARTMENT OF INSURANCE By                     

In the matter of:	)	Docket No. 95-067
	)	
ARIZONA SUNBURST COCHINA	)	CONSENT ORDER
UNDERWRITING SERVICES, INC., dba	)	
INSURANCE WORLD, UNIGROUP INSURANCE	)	
CORPORATION, and ROBERT CHRYSLER	)	
MORGAN	)	
	)	
Respondent.	)	
_____	)	

On or about January 12, 1995, the Director of the Arizona Department of Insurance (Director) commenced an investigation of Respondents Arizona Sunburst Kachina Underwriting Services, Inc., dba Insurance World, Unigroup Insurance Corporation, and Robert Chrysler Morgan (Respondents) pursuant to A.R.S. § 20-142(C). The investigation revealed Respondents' violations of Arizona Revised Statutes, Title 20.

In order to resolve this matter, without commencement of formal proceedings, Respondents hereby admit that the following Findings of Fact are true and consent to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. The Director of Insurance of the State of Arizona (Director) is charged with the enforcement of Title 20, Arizona Revised Statutes, relating to insurance.

2. Respondent Arizona Sunburst Kachina Underwriting Services, Inc., dba Insurance World ("Insurance World") is currently licensed as a property and casualty insurance broker and a property and casualty insurance agent, license No. 512067, which license expires March 31, 1996. Insurance World also held

1 a life and disability insurance agent license, license No.  
2 512067, which license expired March 31, 1995.

3 3. Respondent Unigroup Insurance Corporation  
4 ("Unigroup") is currently licensed as a property and casualty  
5 insurance broker, license No. 17822, which license expires March  
6 31, 1996.

7 4. Respondent Robert Chrysler Morgan is currently  
8 licensed as a property and casualty insurance broker, which  
9 license expires March 31, 1996, and was licensed as a life and  
10 disability agent, license No. 5498, which license expired March  
11 31, 1995. Respondent Morgan is the CEO of Respondent Insurance  
12 World and is the CEO and President of Respondent Unigroup.

13 5. From July 1, 1994 through December 31, 1994,  
14 Respondents received premium refund checks from the following  
15 premium finance companies: Arizona Premium Finance Co., Inc.,  
16 Emerald Finance Company, and ETI Financial Corporation. These  
17 checks were made payable to the insured and either Insurance  
18 World or Unigroup.

19 6. Respondents Insurance World and/or Unigroup  
20 deposited into their bank account a total of twenty thousand  
21 nine hundred ninety-seven dollars and fifty-six cents  
22 (\$20,997.56) in premium refund checks with only their  
23 endorsement and without that of the insured. Respondents failed  
24 both to perform account reconciliations and to forward any of  
25 the premium refunds owed to the insureds as listed in Exhibit 1.

26 7. From October 1, 1994 to March 9, 1995, Respondents  
27 routinely charged a \$15.00 fee on all applications for insurance  
28 coverage processed. The service charge was not disclosed to the

1 insured on a form approved by the Director. A total of \$38,250  
2 in service charges was collected by Respondents from the  
3 insureds listed in Exhibit 2.

4 8. In addition to automobile insurance coverage,  
5 Respondents offered applicants membership in the Unigroup  
6 Automobile Club or Interstate Auto Club. The auto club provided  
7 towing services and other benefits. Respondents represented, to  
8 at least eight hundred and forty-one applicants, that this was  
9 an additional benefit included in the insurance coverage sought  
10 by the applicant.

11 9. The auto club membership and service was not  
12 provided by the property and casualty insurer. Respondents  
13 charged a \$65.00 fee for the membership that was added into the  
14 total premium quoted to the applicant, which in some cases was  
15 then financed. In cases where the premium was financed and the  
16 policy was cancelled within thirty (30) days of issuance, no  
17 auto club membership fee was collected. The actual cost of the  
18 auto club membership was not disclosed or agreed to by the  
19 applicants listed in Exhibit 3.

20 10. From and after September 24, 1992,, Respondents  
21 obtained workers compensation coverage through Safeco to cover  
22 Respondents' employees. Respondents reported to Safeco that the  
23 policy was to cover a payroll amount of thirty-nine thousand  
24 dollars (\$39,000) from September 24, 1992 to June 30, 1993, a  
25 payroll amount of seventy-two thousand dollars (\$72,000) from  
26 June 30, 1993 to June 30, 1994, and a payroll amount of  
27 ninety-seven thousand one hundred twenty-nine dollars (\$97,129)  
28 from June 30, 1994 to June 30, 1995. In fact, Respondents had a

1 payroll amount of seventy-one thousand four hundred nineteen  
2 dollars (\$71,419) from September 24, 1992 to June 30, 1993, a  
3 payroll amount of six hundred forty-seven thousand fifty-seven  
4 dollars (\$647,057) from June 30, 1993 to June 30, 1994, and a  
5 payroll amount of four hundred fifty-four thousand two hundred  
6 twenty-two dollars (\$454,222) from June 30, 1994 to December 31,  
7 1994 that was not accurately disclosed to Safeco.

8 11. On or about December 7, 1994, Respondents received  
9 an application from Joanie Korb for a twelve-month motor vehicle  
10 insurance policy with a full premium payment of \$837.  
11 Respondents issued a motor vehicle insurance card to Korb  
12 showing coverage through Unigroup/Insurance World. Respondents  
13 never forwarded the application or premium payment to any  
14 insurer. On or about January 17, 1995 Korb cancelled the  
15 coverage and Respondents refunded \$589.50. Respondents charged  
16 Korb \$247.50 for coverage they provided to Korb from December 7,  
17 1994 through January 17, 1995.

18 CONCLUSIONS OF LAW

19 1. The Director has jurisdiction over this matter.

20 2. Respondents' conduct described above constitutes  
21 misappropriation, conversion, or illegal withholding of monies  
22 belonging to policyholders, insurers, beneficiaries or others  
23 and received in or during the conduct of business under the  
24 license or through its use pursuant to A.R.S. § 20-316(A)(4).

25 3. Respondents' conduct described above constitutes  
26 the charging or receipt of any fee or service charge in addition  
27 to the premium charged for services customarily provided in the  
28

1 transaction of insurance for motor vehicles in violation of  
2 A.R.S. § 20-465(A).

3 4. Respondents' conduct described above constitutes a  
4 violation of A.R.S. § 20-465(B) by charging or receiving any fee  
5 for services not customarily provided in the transaction of  
6 insurance without having first received the approval of the fee  
7 from the Director and without the presence of the other  
8 requisite statutory conditions.

9 5. Respondents' conduct described above constitutes  
10 the misrepresentation of the terms of any policy issued or to be  
11 issued or the benefits or advantages promised pursuant to A.R.S.  
12 § 20-443.

13 6. Respondents' conduct described above constitutes  
14 the unlawful transaction of insurance business pursuant to  
15 A.R.S. § 20-401.01(A).

16 7. Respondents' conduct described above constitutes a  
17 violation of A.R.S. § 20-316(A)(2).

18 8. Respondents' conduct described above constitutes  
19 the presentation of statements to an insurer containing false  
20 information concerning the rating of an insurance policy  
21 pursuant to A.R.S. § 20-463(A)(1).

22 9. Respondents' conduct described above constitutes a  
23 conduct of affairs under their licenses showing the licensees to  
24 be incompetent or a source of injury and loss to, or repeated  
25 complaint by, the public or any insurer pursuant to A.R.S. §  
26 20-316(A)(7).

27 10. Grounds exist for the Director to suspend, revoke  
28 or refuse to renew Respondents' insurance licenses, impose a

1 civil penalty upon Respondents, and/or order restitution  
2 pursuant to A.R.S. §§ 20-316(A), 20-316(C) and 20-456.

3 ORDER

4 IT IS HEREBY ORDERED THAT:

5 1. The license of Robert Chrysler Morgan is  
6 immediately revoked upon entry of this Consent Order.

7 2. Respondents shall, within thirty (30) days of the  
8 date this Order is filed, make restitution to Safeco for unpaid  
9 workers compensation premium from September 24, 1992 through  
10 June 30, 1994 in the amount of \$2,919.

11 3. Within thirty (30) days of the date this Order is  
12 filed, Respondents shall undertake an account reconciliation to  
13 determine what portion of unrefunded premium is due and owing  
14 the insureds listed in Exhibit 1.

15 4. Respondents shall, within forty-five days of the  
16 date this Order is filed, pay restitution to the insureds listed  
17 in Exhibits 1, 2 and 3 in the amounts listed below:

18	a. Premium Refunds	\$20,997.56
19	b. Service Charges	\$38,250.00
20	c. Auto Club Memberships	\$54,665.00

21 Restitution owed to insureds listed in Exhibit 1 may be reduced  
22 by any portion of the unrefunded premium that Respondents are  
23 able to substantiate is due and owing to Respondents.  
24 Respondents shall not be required to refund automobile club  
25 membership fees to insureds listed in Exhibit 3 whose policies  
26 Respondents are able to substantiate were financed and cancelled  
27 within thirty (30) days of issuance and from whom no automobile  
28 membership fee was collected.

1           5.    A list of payments, giving the name and address of  
2 each party to whom they were made, the amount of payment, the  
3 check number and the date of payment shall be provided by  
4 Respondent to the Department within sixty (60) days of the date  
5 this Order is filed.

6           6.    Respondents shall mail monies described in  
7 Paragraph 4 above to insureds listed in Exhibits 1, 2 and 3 at  
8 the last address reflected in the insureds' file. In the event  
9 that monies mailed to the insureds is returned by the Post  
10 Office, the amount owed to such insured shall be paid to the  
11 Unclaimed Property Unit at the Arizona Department of Revenue in  
12 accordance with the Uniform Unclaimed Property Act as set forth  
13 in A.R.S. § 44-302 et seq.

14           7.    The lists in Exhibits 1, 2 and 3 are not  
15 necessarily exhaustive and do not preclude these or other  
16 unnamed claimants from exercising their rights against the  
17 Respondents.

18           8.    The Department shall be permitted, through an  
19 authorized representative, to verify that all individuals  
20 included in Exhibits 1, 2 and 3 have been fully paid, and to  
21 verify that Respondents have complied with all provisions of  
22 this Order, and the Director may separately order Respondent to  
23 comply.

24           9.    Pursuant to A.R.S. §§ 20-316(C) and 20-456(B)  
25 Respondents shall pay a civil penalty in the amount of twenty  
26 thousand dollars (\$20,000) to the Director, within thirty days  
27 from the date of the entry of this Order, for remission to the  
28 State Treasurer for deposit in the State General Fund.

1 DATED AND EFFECTIVE this 5th day of April, 1995.

2  
3 

4 CHRIS HERSTAM  
5 Director of Insurance

6 CONSENT TO ORDER

7 1. Respondents have reviewed the foregoing Findings  
8 of Fact, Conclusions of Law and Order.

9 2. Respondents admit the jurisdiction of the Director  
10 of Insurance, State of Arizona, and admit the foregoing Findings  
11 of Fact and Conclusions of Law and consent to the entry of this  
12 Order.

13 3. Respondents are aware of their right to a hearing  
14 at which Respondents may be represented by counsel, present  
15 evidence and cross-examine witnesses. Respondents hereby  
16 irrevocably waive their rights to such public hearing and to any  
17 court appeals relating thereto.

18 4. Respondents state that no promise of any kind or  
19 nature whatsoever, except as expressly contained in this Consent  
20 Order, was made to them to induce them to enter into this Order  
21 and that they have entered into this Order voluntarily.

22 5. Respondents acknowledge that the acceptance of  
23 this Order by the Director of Insurance, State of Arizona, is  
24 solely for the purpose of settling this matter against them and  
25 does not preclude any other agency or officer of this state or  
26 subdivision thereof from instituting civil or criminal  
27 proceedings as may be appropriate now or in the future.  
28

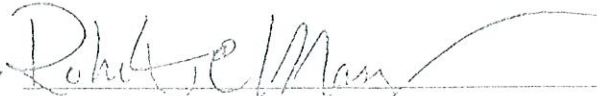


1           6. Robert Chrysler Morgan represents that he is the  
2 Chief Executive Officer and President of Respondent Unigroup,  
3 and that as such he has been authorized by them to enter into  
4 this Order on their behalf.

5           7. Robert Chrysler Morgan represents that he is the  
6 Chief Executive Officer of Respondent Insurance Group, and that  
7 as such he has been authorized by them to enter into this Order  
8 on their behalf.


9  
10           4-4-95

11           \_\_\_\_\_  
          (Date)

12           By   
13           Robert Chrysler Morgan,  
14           Chief Executive Officer  
15           Arizona Sunburst Kachina  
16           Underwriting Services, Inc., dba  
17           Insurance World

18  
19           4-4-95

20           \_\_\_\_\_  
          (Date)

21           By   
22           Robert Chrysler Morgan,  
23           Chief Executive Officer and  
24           President, Unigroup  
25           Insurance Corporation

26  
27           4-4-95

28           \_\_\_\_\_  
          (Date)

          By   
          ROBERT CHRYSLER MORGAN

1 Copies of the foregoing mailed/delivered  
2 this 5th day of ~~March~~, 1995, to:  
3 April,

4 Robert C. Morgan  
5 Insurance World/ASKUS/Unigroup  
6 607 North 59th Avenue, #E-3  
7 Glendale, Arizona 85302

8 Gerrie L. Switzer  
9 Assistant Attorney General  
10 1275 West Washington, Room 259  
11 Phoenix, Arizona 85007

12 Chris Herstam, Director  
13 Gay Ann Williams, Deputy Director  
14 Charles Cohen, Executive Assistant Director  
15 Erin Klug, Executive Assistant  
16 Catherine O'Neil, Assistant Director  
17 Deloris Williamson, Assistant Director  
18 Kelly McKay, Deputy Assistant Director  
19 Frank Hinds, Supervisor, Fraud Unit  
20 John Gagne, Manager, Investigations Unit  
21 Maureen Catalioto, Supervisor  
22 Department of Insurance  
23 2910 North 44th Street, Suite 210  
24 Phoenix, Arizona 85018

25   
26 Chris Crawford