

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Before the Director of the Department of Insurance and Financial Services

In the matter of:

KAREN E. LARSON
System ID No. 0033507

ENFORCEMENT CASE NO. 14-11983

KEITH A. LARSON
System ID No. 0025739

LARSON'S INSURANCE SOLUTIONS AGENCY INC.
System ID No. 0070255

Respondents.

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Issued and entered
on March 20, 2014
By **Teri L. Morante**
Chief Deputy Director

**ORDER OF SUMMARY SUSPENSION, NOTICE OF OPPORTUNITY FOR HEARING,
AND NOTICE OF INTENT TO REVOKE**

Pursuant to the Section 1242 of the Michigan Insurance Code (Code), MCL 500.1242, and Section 92 of the Michigan Administrative Procedures Act (APA), MCL 24.292, and based upon the attached FINDINGS, including that the public health, safety and welfare requires emergency action,

IT IS THEREFORE ORDERED that:

1. The insurance producer licenses and authority of Respondents are **SUMMARILY SUSPENDED**.
2. A copy of this Order shall be immediately served upon Respondents. This order shall be effective upon the date of service.
3. If requested by Respondents, a hearing on this matter shall be held within a reasonable time, but not later than 20 calendar days after service of this Order, unless Respondents request a later date. The hearing shall address the following issues:
 - a. Whether the suspension should be continued or withdrawn.
 - b. Whether Respondents' licenses should be revoked.

4. If a hearing is requested, an administrative law judge from the Michigan Administrative Hearing System shall preside over any such hearing.
5. The Director retains jurisdiction of the matters contained within and the authority to issue such further Orders as shall be deemed just, necessary and appropriate.


Teri L. Morante
Chief Deputy Director

FINDINGS OF FACT AND CONCLUSIONS OF LAW

6. Pursuant to Executive Order 2013-1 the Director has assumed the statutory authority and responsibility, granted to the Commissioner by the Insurance Code of 1956, MCL 500.100 *et seq.*, to exercise general supervision and control over persons transacting the business of insurance in Michigan.
7. Karen Larson (Karen L.), System ID No. 0033507, is a licensed resident insurance producer in the state of Michigan with qualifications to transact business in the lines of accident, health, property, casualty, life, and variable annuities.
8. Keith Larson (Keith L.), System ID No. 0025739, is a licensed resident insurance producer in the state of Michigan with qualifications to transact business in the lines of accident, health, casualty, property, life, and variable annuities.
9. Larson's Insurance Solution Agency, Inc. (LISA), System ID No. 0070255, is a Michigan corporation with its principal place of business located at 34441 8 Mile Rd., Livonia, MI 48152. LISA is a licensed resident insurance producer agency in the state of Michigan with qualifications to transact business in the lines of accident, health, property, casualty, life, and variable annuities. Keith L. serves as LISA's president, secretary, treasurer, and director. LISA's Designated Responsible Licensed Producers (DRLPs) during the relevant time periods were Karen L. and Keith L..
10. Based upon the information as set forth below, protection of the public health, safety, and/or welfare requires emergency action.
11. In February 2014, DIFS commenced an investigation into the Respondents' business activities after receiving a complaint that alleged misconduct on the part of Karen L., Keith L. and LISA in handling customers' insurance transactions.
12. DIFS' investigators found several transactions where Respondents submitted forged applications to a premium finance company using customers' information to obtain money for Respondents' personal and business use. Respondents have borrowed funds using customers' information for their own use and failed to repay the funds.

Respondents have also exposed customers to liability for the borrowed funds, and have jeopardized the coverage provided under the customers' commercial liability policies.

13. More specifically, in November 2013, ML had four insurance policies scheduled to renew with Liberty Mutual. The ML account was set up to bill ML on a monthly basis for premium payments via electronic fund transfer (EFT).
14. DIFS' investigation revealed that on November 27, 2013, an agent at LISA completed and submitted a premium finance application to Prime Rate Premium Finance Corporation (Prime Rate) using ML's business and policy information. The agent requested \$18,411 in funds to pay a portion of the premium due on the policies ML purchased.
15. The owner of ML had no knowledge of the premium finance application and did not authorize LISA to submit or sign a premium finance application on its behalf to Prime Rate. A DIFS review of the ML insurance account shows that ML was making on-time monthly installment payments to Liberty Mutual via EFT and did not need financing of the premium payments.
16. The owner's signature was forged on the Prime Rate premium finance application.
17. On December 5, 2013, Prime Rate, unaware of the forgery, approved the ML premium finance application. Prime Rate transferred \$18,411 to LISA's bank account. The funds were held in a LISA business bank account that was jointly owned and controlled by Keith L. and Karen L.. After the funds were received, several transactions occurred where the Respondents withdrew those funds and used the funds for personal and business expenses. None of the money was used to pay the premium on the ML policies, or for ML's benefit.
18. DIFS' investigation also detailed two other transactions where Respondent LISA and agents at LISA requested premium financing using customers' business and policy information to obtain money for their own personal and business use.
19. In October 2013, KTS renewed its two commercial liability policies with Great American Insurance Company (GAIC). The premium plus fees due totaled \$222,306.05. KTS paid LISA the premium and fees due in full.
20. Between December 2, 2013, and December 10, 2013, agents at LISA completed and submitted two premium finance applications to Prime Rate using KTS' business and policy information. The agent requested funds to pay a portion of the premium due on the policies KTS purchased despite the fact that KTS had already paid the premium in full.
21. On December 11, 2013, an agent at LISA completed and submitted a third premium finance application to Prime Rate using KTS' business information. However, the policy information included in the application was not issued by GAIC. The policy in the third application was false as the policy did not exist.

22. Prime Rate approved all of the premium finance applications submitted under KTS' name, and transferred \$170,482 to LISA's bank account. The funds were held in a LISA business bank account that was jointly owned and controlled by Keith L. and Karen L.. After the funds were received, several transactions occurred where the Respondents withdrew those funds and used the funds for personal and business expenses. None of the money was used to pay the premium on KTS' policies, or for KTS' benefit.
23. In an effort to conceal their misuse of KTS' information and premium funds, Respondents remitted a payment to Prime Rate in the amount of \$18,504.19. In a later communication, Karen L. told Prime Rate that KTS had paid its policy in full and that LISA would return the balance of the funds received. The Respondents never returned those funds to Prime Rate.
24. Finally, in December 2013, an agent at LISA completed and submitted a premium finance application to Prime Rate using AB's business and policy information. The agent requested funds to pay a portion of the premium due on the policies AB purchased.
25. On December 5, 2013, Prime Rate approved the AB premium finance application and transferred \$17,648 to LISA's bank account. The funds were held in a LISA business bank account that was jointly owned and controlled by Keith L. and Karen L.. After the funds were received, several transactions occurred where the Respondents withdrew those funds and used the funds for personal and business expenses. None of the money was used to pay the premium on AB's policies, or for AB's benefit.
26. In an effort to conceal the Respondents' misuse of AB's information and premium funds, Karen L. sent an email to Prime Rate stating that AB was not going to finance their premium with Prime Rate and that LISA would return the funds received. The Respondents never returned those funds to Prime Rate and did not remit the funds to AB's insurer for payment due on the premium.
27. In January 2014, AB's insurer sent AB a Notice of Cancellation for Nonpayment. Although LISA received \$17,648 from Prime Rate to pay the premium in full, LISA did not remit all of the funds to the insurer. Instead LISA only remitted \$2,092.30, the minimum premium payment required, in order to have the policy reinstated.
28. DIFS' investigation also revealed that the Respondents habitually submitted premium finance applications to premium finance companies to obtain money for their own personal and business use. They used their customers' business and policy information to obtain the funds with no intent of forwarding the premium funds to the persons to whom they were due or owed.
29. DIFS' staff continues to field calls and complaints from insurers, premium finance companies and insureds pertaining to Respondents' misconduct related to debt incurred, policy validity, policy effectiveness, premium payments, forged documents, false insurance policy information, and possible lapses in coverage.

30. On March 20, 2014, Auto-Owners Insurance Company (Auto Owners) reported to DIFS that Respondents submitted premium finance applications to PREMCO Financial Corporation Inc. (PREMCO) requesting funding for policies underwritten by Auto-Owners that do not exist. Respondents submitted false insurance policy information for the sole purpose of obtaining funds from PREMCO for their own personal and business use.
31. Respondents' actions demonstrate a pattern of behavior constituting a serious threat to the public.
32. Respondents knew or should have known that Section 1205(2)(b) of the Code, MCL 500.1205(2)(b), provides that each business entity must have a DRLP who is responsible for the business entity's compliance with Michigan's insurance laws, rules and regulations. Keith L. and Karen L. are the DRLPs who are responsible for LISA's compliance with Michigan's insurance laws, rules and regulations.
33. Respondents knew or should have known that Section 1207(1) of the Code, MCL 500.1207(1), provides that an agent "shall be a fiduciary for all money received or held by the agent in his or her capacity as an agent. Failure by an agent in a timely manner to turn over the money which he or she holds in a fiduciary capacity to the persons to whom they are owed is prima facie evidence of violation the agent's fiduciary responsibility."
34. Respondents violated Section 1207(1) of the Code when Respondents and agents at LISA accepted funds from insureds and premium finance companies intended for the payment of insurance premium and failed to remit the funds to the insurers to which they were owed.
35. Respondents knew or should have known that Section 1239(3), MCL 500.1239(3), provides that the license of a business entity may be suspended, revoked, or refused if the Director finds that an individual licensee's violation was known or should have been known by one or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was neither reported to the Director nor corrective action taken.
36. Respondent LISA has provided justification for suspension and revocation of licensure when Keith L., president, treasurer and DRLP of LISA, knew or should have known that when Respondents and other agents of LISA accepted funds intended for the payment of insurance premium and failed to remit those funds to the insurers to which they were owed, and the violations were not reported to the Director and no corrective action was taken, that such conduct is a violation under the Code.
37. Respondents knew or should have known that Section 1239(1)(d) of the Code, MCL 500.1239(1)(d), provides that the Director may suspend or revoke the license of an insurance producer who improperly converts money and/or other valuable property received in the course of doing insurance business.

38. Respondents Keith L. and Karen L. provided justification for suspension and revocation when they improperly converted money received as payment for insurance premiums by using money meant for insurance premiums for their own personal and business expenses.
39. Respondent LISA has provided justification for suspension and revocation of licensure when Keith L., president, treasurer and DRLP of LISA, knew or should have known that Respondents and other agents of LISA were improperly converting money received as payment for insurance by using money meant for insurance premiums for their own personal and business expenses, and the violations were not reported to the Director and no corrective action was taken, that such conduct is a violation under the Code.
40. Respondents knew or should have known that Section 1239(1)(j) of the Code, MCL 500.1239(1)(j), provides that the Director may suspend or revoke the license of an insurance producer who forges another's name to an application for insurance or to any document related to an insurance transaction.
41. Respondents Keith L. and Karen L. have provided justification for suspension and revocation when they forged customers' signatures on premium finance applications in order to obtain money for their personal and business use.
42. Respondent LISA has provided justification for suspension and revocation of licensure when Keith L., president, treasurer and DRLP of LISA, knew or should have known that Respondents and other agents of LISA knew or should have known that customers' signatures were being forged on premium finance applications, and the violations were not reported to the Director and no corrective action was taken, that such conduct is a violation under the Code.
43. Respondents knew or should have known that Section 1239(1)(h) of the Code, MCL 500.1239(1)(h), provides that the Director may suspend or revoke the license of an insurance producer who uses fraudulent or dishonest practices and/or demonstrates untrustworthiness, incompetence and financial irresponsibility in the conduct of business.
44. Respondents Keith L. and Karen L. have provided justification for suspension and revocation of licensure by using fraudulent and dishonest practices and/or demonstrating untrustworthiness, incompetence and financial irresponsibility in the conduct of business by:
 - a. Accumulating significant debts with premium finance companies;
 - b. Causing policy coverages to lapse for nonpayment of customers' premium;
 - c. Concealing their misconduct from insureds, insurers, and premium finance companies by providing false information;
 - d. Failing to remit premium funds to insurers;

- e. Failing to return premium funds to premium finance companies when the funds were not used for intended purposes;
 - f. Forging customers' signatures on premium finance applications;
 - g. Misappropriating customers' personal and business information to obtain premium finance loans;
 - h. Misappropriating premium funds for personal and business expenses;
 - i. Obligating customers to repay premium finance loans they did not authorize or have knowledge of; and
 - j. Using the cover of insurance to defraud premium finance companies of funds.
45. Respondent LISA has provided justification for suspension and revocation of licensure when Keith L., LISA's president, secretary, treasurer, and DRLP, knew or should have known that Respondents and other agents at LISA were using fraudulent and dishonest practices and/or demonstrating untrustworthiness, incompetence and financial irresponsibility in the conduct of business by:
- a. Accumulating significant debts with premium finance companies;
 - b. Causing policy coverages to lapse for nonpayment of customers' premium;
 - c. Concealing their misconduct from insureds, insurers, and premium finance companies by providing false information;
 - d. Failing to remit premium funds to insurers;
 - e. Failing to return premium funds to premium finance companies when the funds were not used for intended purposes;
 - f. Forging customers' signatures on premium finance applications;
 - g. Misappropriating customers' personal and business information to obtain premium finance loans;
 - h. Misappropriating premium funds for personal and business expenses;
 - i. Obligating customers to repay premium finance loans they did not authorize or have knowledge of; and
 - j. Using the cover of insurance to defraud premium finance companies of funds;
- and the violations were not reported to the Director and no corrective action was taken.

46. The alleged conduct of Respondents indicates that a summary suspension of licensure is appropriate and necessary in order to protect the public from further financial damage and other harm and to protect the public interest.
47. The alleged conduct of Respondents indicates that Respondents do not possess the requisite character and fitness to be engaged in the business of insurance, and further indicates that Respondents do not command the confidence of the public nor warrant the belief that Respondents will comply with the law.