

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Before the Director of Insurance and Financial Services

Department of Insurance and Financial Services
Petitioner

v

Karen Larson, Keith Larson,
and
Larson's Insurance Solutions Agency, Inc.
Respondents

Case No. 14-943-L

Issued and entered
this 14th day of May 2015
by Randall S. Gregg
Special Deputy Director

FINAL DECISION

I. BACKGROUND

Karen Larson and Keith Larson are resident insurance producers authorized to transact the business of insurance in Michigan. Larson's Insurance Solutions Agency, Inc. (Larson's Agency) is a Michigan corporation with its principal place of business in Livonia, Michigan. Larson's Agency is a licensed resident insurance producer agency with qualifications to transact business in the lines of accident, health, property, casualty, life, and variable annuities.

Keith Larson is president, secretary, treasurer, and director of Larson's Agency. At all times relevant to this case Keith Larson and Karen Larson were Larson's Agency's Designated Responsible Licensed Producers (DRLPs).¹

In February 2014, the Department of Insurance and Financial Services (DIFS) received information that the Respondents had submitted forged applications to insurers and had obtained money in the name of clients and used the funds for Respondents' own purposes without the clients' knowledge or consent.

DIFS investigated the complaints and, on March 20, 2014, initiated a compliance action which included the summary suspension of the Respondents' insurance licenses. On that date, DIFS also issued a Notice of Opportunity for Hearing and Notice of Intent to Revoke. The notices set forth detailed allegations that Respondents had failed to comply with various sections of the Michigan Insurance Code.

The Respondents, through counsel, replied to the notices. Prehearing procedures, including discovery, followed and a hearing was scheduled. On February 17, 2015, Respondents filed a request to have their Answer and Request for Hearing withdrawn. The Petitioner then

1. Under the Michigan Insurance Code, a Designated Responsible Licensed Producer, or DRLP, is a producer affiliated with an insurance agency who is responsible for the agency's compliance with Michigan's insurance laws and regulations. See MCL 500.1205(2)(b).

brought a motion requesting that a final decision be entered revoking the Respondents' insurance licenses and authority. The Respondents did not contest the motion.

Because the Respondents have elected not to participate in a hearing to address the allegations presented in the Notice of Opportunity for Hearing, the Director grants the Petitioner's motion and finds the allegations to be true. The allegations are adopted and made a part of this Final Decision. They are summarized below.

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. In the course of their investigation, DIFS staff found numerous transactions in which Respondents Karen Larson and Keith Larson, acting through the Larson Agency, submitted forged applications to a premium finance company using customers' information to obtain money for Respondents' personal and business use. Respondents have 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. Examples of these transactions are described below.

Customer "ML"

2. In November 2013, ML, a Michigan landscaping business, had four insurance policies scheduled to renew with Liberty Mutual Insurance Company (Liberty Mutual). The ML account was set up to bill ML on a monthly basis for premium payments via electronic fund transfer. On November 27, 2013, Larson Agency staff completed and submitted a premium finance application to Prime Rate Premium Finance Corporation (Prime Rate) using ML's business and policy information and requesting \$18,411.00 in funds to pay a portion of the premium due on the policies ML purchased.
3. The owner of ML had no knowledge of the premium finance application and did not authorize the Larson Agency to submit or sign a premium finance application to Prime Rate. At this time, ML was making timely monthly installment payments to Liberty Mutual and did not need financing of the premium payments. The signature of ML's owner was forged on the Prime Rate premium finance application.
4. On December 5, 2013, Prime Rate, unaware of the forgery, approved the ML premium finance application. Prime Rate transferred \$18,411.00 to the Larson Agency bank account that was jointly owned and controlled by Respondents Keith Larson and Karen Larson. After the funds were deposited, 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.
5. Section 1207(1) of the Michigan Insurance Code (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.”

6. Respondents violated section 1207(1) of the Code by accepting funds from a premium finance company, intended for the payment of insurance premiums, and failing to remit the funds to the insurers to which the funds were owed.
7. Section 1239(l)(d) of the Code, MCL 500.1239(l)(d), provides that the Director may revoke the license of an insurance producer who improperly converts money and/or other valuable property received in the course of doing insurance business.
8. Respondents violated section 1239(1)(d) of the Code by improperly converting client insurance premium payments for their own use.

Customer “KTS”

9. In October 2013, KTS, a Michigan tree service, renewed its two commercial liability policies with Great American Insurance Company. The premium and fees due totaled \$222,306.05. KTS paid the Larson Agency the premium and fees due in full.
10. Between December 2, 2013, and December 10, 2013, individuals at the Larson Agency completed and submitted two premium finance applications to Prime Rate using KTS’ business and policy information. The individuals 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. On December 11, 2013, an individual at the Larson Agency completed and submitted a third premium finance application to Prime Rate using KTS’ business information. The policy referenced in the third premium finance application did not exist.
11. Prime Rate approved all of the premium finance applications submitted under KTS’ name, and transferred \$170,482 to the Larson Agency bank account. After the funds were deposited, 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.
12. 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 Larson told Prime Rate that KTS had paid its policy in full and that the Larson Agency would return the balance of the funds received. The Respondents never returned those funds to Prime Rate.

13. Respondents violated section 1207(1) of the Code by accepting funds from insureds and premium finance companies intended for the payment of insurance premium and failing to remit the funds to the insurers to which the funds were owed.
14. Respondents violated section 1239(1)(d) of the Code by improperly converting client insurance premium payments for their own use.

Customer "AB"

15. In December 2013, an individual at the Larson Agency completed and submitted a premium finance application to Prime Rate in the name of AB, a Michigan lawn care business.
16. On December 5, 2013, Prime Rate approved the AB premium finance application and transferred \$17,648.00 to a Larson's Agency bank account. After the funds were deposited, 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.
17. In an effort to conceal the misuse of AB's information and premium funds, Karen Larson sent an email to Prime Rate stating that AB was not going to finance their premium with Prime Rate and that the Larson Agency would return the funds received. The Respondents never returned those funds to Prime Rate and did not remit the funds to any insurer for payment of AB's insurance premiums.
18. In January 2014, AB's insurer sent AB a Notice of Cancellation for Nonpayment. Although the Respondents had received \$17,648.00 from Prime Rate to pay the premium in full, the Respondents did not remit all of the funds to the insurer. Instead, Respondents remitted only \$2,092.30, the minimum premium payment required to have the policy reinstated.
19. Respondents violated section 1207(1) of the Code by obtaining funds from a premium finance company, intended for the payment of insurance premiums, and retaining the funds for their own use.
20. Respondents violated section 1239(1)(d) of the Code by improperly converting client insurance premium payments for their own use.

Auto-Owners Insurance Company

21. On March 20, 2014, Auto-Owners Insurance Company reported to DIFS that Respondents had submitted premium finance applications to PREMCO Financial Corporation Inc. requesting funds for nonexistent policies purportedly underwritten by Auto-Owners. Respondents submitted the false insurance policy information for the purpose of obtaining funds from PREMCO for their own personal and business use.

22. Section 1239(1) of the Insurance Code authorizes the Director to revoke an insurance producer's license for any one of the following causes:
 - Improperly withholding, misappropriating, or converting any money or property received in the course of doing insurance business.
 - Having admitted or been found to have committed any insurance unfair trade practice or fraud.
 - Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.
 - Forging another's name to an application for insurance or to any document related to an insurance transaction.
23. By submitted fraudulent insurance applications and false information in order to obtain funds for their own use, the Respondents violated the provisions of section 1239(1) of the Code.
24. Section 1239(3) of the Code, MCL 500.1239(3), provides that the license of a business entity may be revoked 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.
25. Respondents Keith Larson and Karen Larson, as DRLPs of Respondent Larson's Insurance Solutions Agency, Inc., were required to report to the Director the violations of the Insurance Code that were occurring at the agency they owned and managed. They were further required to take corrective action with respect to those violations. Instead, Respondents Keith Larson and Karen Larson were the individuals who engaged in and concealed the violations. Their actions in violating the Code, and their inaction in failing to report or correct the violations, warrant the revocation of the insurance licenses of all three Respondents.
26. Section 1239(1)(h) of the Code, MCL 500.1239(1)(h), provides that the Director may 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.
27. Respondents used fraudulent and dishonest practices and/or demonstrating untrustworthiness, incompetence and financial irresponsibility in the conduct of business. This conduct includes:
 - 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. Improperly using 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.

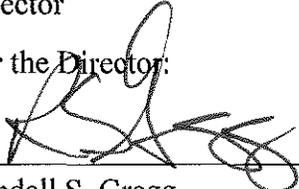
III. ORDER

The Respondents have provided grounds for license sanctions pursuant to sections 1207(1) and 1239(1) of the Michigan Insurance Code. Pursuant to section 1239(1) and (3) and section 1244(1)(d) of the Michigan Insurance Code it is ordered that:

1. The Respondents shall cease and desist from violating the Michigan Insurance Code provisions described in this Order;
2. The insurance producer license of Respondent Keith Larson is revoked;
3. The insurance producer license of Respondent Karen Larson is revoked;
4. The insurance producer license of Respondent Larson's Insurance Solutions Agency, Inc. is revoked.

Annette E. Flood
Director

For the Director:



Randall S. Gregg
Special Deputy Director