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STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION

DEPT. OF LEG. Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

Office of Financial and Insurance Regulation
Petitioner,

Enforcement Case No. 11-11191

v

Charles H. Keys
System ID No. 0069758

Key Benefits Insurance Agency, Inc.
System ID No. 0040085

Respondents.

_____ /

CONSENT ORDER AND STIPULATION

Issued and entered,
on March 22, 2012,
by Annette E. Flood
Chief Deputy Commissioner

I.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. At all times relevant Charles H. Keys (Respondent Keys) was a licensed resident insurance producer with qualifications in accident and health, life, and variable annuities, and authorized to conduct the business of insurance in the State of Michigan.
2. At all times relevant, Key Benefits Insurance Agency, Inc., (Respondent Key Benefits), a business organized as a corporation in the State of Michigan, was a licensed resident agency with qualifications in accident and health, life, and variable annuities, and authorized to conduct the business of insurance in the State of Michigan.
3. Respondent Keys was the Designated Responsible Licensed Producer (DRLP) for Respondent Key Benefits.

4. At some time prior to April 24, 2008, Respondent Keys arranged for K.P. dba S.G. to purchase a Group Life and Accidental Death and Dismemberment Insurance policy through
5. On January 26, 2009, _____ notified Respondents of cancellation of the K. P. policy, citing "non-payment of premium" as the reason.
6. Respondents continued to invoice the K. P. policy after Respondents had received notification of cancellation from
7. On or about March 27, 2009, J. C. sent Respondents a check for the K. P. policy in the amount of \$49.50. This check was deposited by Respondent Key Benefits on March 30, 2009.
8. On or about March 31, 2009, M. M. (C.V.) sent Respondents a check in the amount of \$1,427.00 for the K. P. policy. This check was deposited by Respondent Key Benefits on April 6, 2009.
9. In April of 2009, P.H. made a payment of \$103.20 to Respondents for the K. P. policy.
10. On April 6, 2009, _____ informed Respondents that reinstatement consideration would require a no-claims statement and additional premium as needed to bring the policy current as of April 1, 2009.
11. On May 12, 2009, _____ informed Respondents that reinstatement was denied for failure to provide the required no-claims statement and failure to provide the required additional premium.
12. On or about June 25, 2009, B. N. made a payment of \$133.65 for the K. P. policy to Respondent Key Benefits.
13. On or about July 1, 2009, B. N. made a payment of \$44.55 for the K. P. policy to Respondent Key Benefits.
14. On or about July 31, 2009, B. N. made a payment of \$44.55 for the K. P. policy to Respondent Key Benefits.
15. On or about September 28, 2009, J. C. sent Respondents a check for the K. P. policy in the amount of \$49.50. This check was deposited by Respondent Key Benefits on September 29, 2009.
16. On or about October 1, 2009, B. N. made a payment of \$44.55 for the K. P. policy to Respondent Key Benefits.
17. On or about October 30, 2009, B. N. made a payment of \$44.55 for the K. P. policy to Respondent Key Benefits.

18. Respondents accepted these premium payments from clients for the K. P. policy subsequent to Respondents' knowledge that the K. P. policy had been cancelled.
19. Because the K. P. policy had been cancelled, none of these premium payments were sent to
20. On March 15, 2010, a complaint was filed with OFIR against Respondent by G. S. and his attorney, I. M.
21. On October 20, 2010, OFIR Investigators _____ and _____ met with Respondent Keys and requested accounting records for the 2008 and 2009 policy years. Respondent requested additional time to compile his records. However, he advised the investigators that he paid K.P. \$10,000 towards settlement of the disputed unremitted premium payments. The investigators requested that he provide a copy of the settlement check.
22. On January 4, 2011, Investigator _____ sent, by certified mail, a letter to Respondent Keys reiterating the October 20, 2010 request for information.
23. On January 6, 2011, Respondent Keys sent Investigator _____ a response that included a copy of the settlement check as requested, but failed to provide the accounting records for 2008 and 2009.
24. A review of OFIR records showed that as of January 5, 2012, Respondent Keys had failed to provide the accounting records for OFIR's examination.
25. Respondents knew or had reason to know that Section 1207(1) of the Michigan Insurance Code (Code), MCL 500.1207(1), requires that "[a]n agent shall be a fiduciary for all money received or held by the agent in his or her capacity as an agent."
26. Respondents violated Section 1207(1) of the Code by failing to uphold their fiduciary duty with regard to premium payments received.
27. Respondents knew or had reason to know that Section 1207(2) of the Code, MCL 500.1207(2) requires that "[a]n agent shall use reasonable accounting methods to record funds received in his or her fiduciary capacity . . . [r]ecords required by this section shall be open to examination by the Commissioner."
28. Respondent Keys violated Section 1207(2) of the Code by failing to open his records to examination by the Commissioner.
29. Respondents knew or had reason to know that Section 1239(1)(h) of the Code, allows the Commissioner to place on probation, suspend, or revoke an insurance producer's license or levy a civil fine under Section 1244, for "using fraudulent, coercive, or dishonest practices or

demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.”

30. Based on the foregoing, Respondents have committed grounds for REVOCATION pursuant to Section 1239(1) of the Code, MCL 500.1239(1) and Section 1244 of the Code, MCL 500.1244.

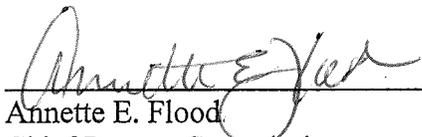
II. ORDER

Based upon the Findings of Fact and Conclusions of Law above and Respondents' stipulation, the Commissioner ORDERS that:

1. Respondents shall CEASE and DESIST from violating the Michigan Insurance Code.
2. Respondents' resident insurance producer licenses issued pursuant to the provisions of the Michigan Insurance Code are hereby REVOKED.
3. Respondents shall CEASE and DESIST from engaging in any activity requiring licensure under the Michigan Insurance Code.

IT IS SO ORDERED

Dated: 3-22-12


Annette E. Flood
Chief Deputy Commissioner

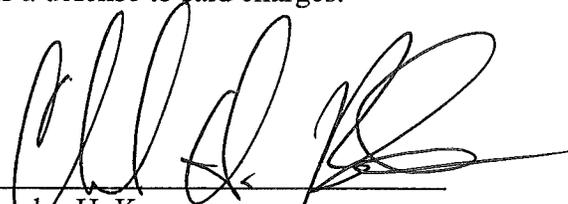
III. STIPULATION

Respondents have read and understand the consent order above. Respondents agree that the Chief Deputy Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. Respondents waive their right to a hearing in this matter if this consent order is issued. Respondents understand that this stipulation and consent order will be presented to the Chief Deputy Commissioner for approval and the Chief Deputy Commissioner may or may not issue this consent order. Respondents waive any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. Respondents admit the findings of fact and conclusions of law set forth in the above consent order and agree to the entry of this order. Respondents admit that both parties have complied with the procedural requirements of the Michigan Administrative Procedures Act (MAPA) and

the Michigan Insurance Code (Code). Respondents have had an opportunity to review the Stipulation and Consent Order and have the same reviewed by legal counsel.

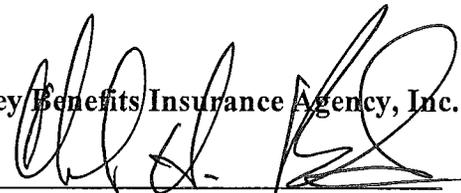
Respondents understand and intend that by signing this Stipulation, Respondents are waiving the right, pursuant to the Code, the rules promulgated thereto, and the MAPA, to a hearing before an administrative law judge, at which the OFIR would be required to prove the charges set forth by presentation of evidence and legal authority and at which Respondents would be entitled to appear to cross-examine all witnesses presented by the OFIR and to present such testimony or other evidence or legal authority deemed appropriate as a defense to said charges.

Dated: 3/15/2012



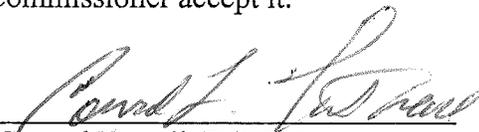
Charles H. Keys

Dated: 3/15/2012



Key Benefits Insurance Agency, Inc.
By: Charles H. Keys
Its: President

The Office of Financial and Insurance Regulation staff approves this Settlement Agreement and Stipulation and recommends that the Chief Deputy Commissioner accept it.



Conrad Tatnall (P69785)
Attorney

Dated: 3/19/12

