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STATE OF MICHIGAN  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

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OFFICE OF FINANCIAL AND INSURANCE REGULATION

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OFIR/OC

Before the Commissioner of the Office of Financial and Insurance Regulation

In the Matter of:

Lynnette Maddox  
System ID No. 0345328,

Enforcement Case No. 10-11116

Respondent.

\_\_\_\_\_ /

Issued and entered  
on Feb 28<sup>th</sup>, 2012  
by Annette E. Flood  
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

FINDINGS OF FACTS AND CONCLUSIONS OF LAW

1. At all times relevant, Lynnette Maddox (Respondent), System ID No. 0345328 was a licensed resident producer in the state of Michigan with qualifications in Life, Accident and Health, Casualty, Property, and Variable Annuities.
2. In November of 2005, Respondent was appointed by Auto Club Group Insurance Co. (Auto Club). In August of 2010, Auto Club conducted an internal investigation into Respondent's insurance practices.
3. The results of Auto Club's investigation revealed that on at least 2 occasions, Respondent improperly issued an unauthorized certificate of insurance to individuals in the state of Michigan, in violation of the Insurance Code of Michigan.
4. In particular, the first instance revealed that Respondent issued an auto policy to Ms. O. on July 16, 2010. This policy was not authorized by Auto Club, and was submitted on an unapproved template. Moreover, further investigation revealed that this policy was issued to Ms. O., despite the fact that Ms. O.'s license had been suspended. After Auto Club's underwriting department refused to authorize the issuance of this policy until proof of clearance of the suspension was received, Respondent nevertheless transmitted a certificate of insurance to Ms. O. on July 16, 2010.
5. During Auto Club's investigation, Respondent admitted to issuing the certificate of insurance to Ms. O. on the unapproved template. Moreover, Respondent admitted that proof of clearance of the license suspension was never received prior to the issuance of

Ms. O.'s certificate of insurance and that there was, in fact, no insurance policy in effect at the time the certificate was issued.

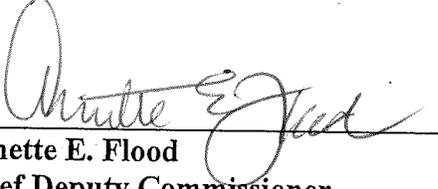
6. The second instance involved a policy issued to Mr. N. on July 19, 2010 with an effective date of August 15, 2010. On July 21, 2010, Mr. N. contacted Auto Club, requesting a certificate of insurance indicating proper coverage as of July 19, 2010 (even though he knew the policy would not actually become effective until August 15, 2010). Knowing that the issued policy had an effective date of August 15, 2010, Respondent nevertheless issued a manual certificate of insurance to Mr. N. on July 23, 2010, improperly indicating that Mr. N. had coverage effective July 19, 2010.
7. During Auto Club's investigation, Respondent admitted to issuing the certificate of insurance to Mr. N. Respondent indicated during the investigation that the effective date of August 15, 2010 was selected due to the fact that Mr. N. had a "significant item" on his driving record that would have been removed from the record on August 14, 2010. The decision to write this policy in such a manner would have saved the insured significant sums on his monthly policy premium.
8. Auto Club's investigation revealed that on at least eight (8) occurrences, Respondent unlawfully issued fraudulent certificates of insurance to individuals, in violation of the Michigan Insurance Code.
9. In a letter dated August 25, 2010, Mr. \_\_\_\_\_ of Auto Club, advised the Office of Financial and Insurance Regulation ("OFIR") pursuant to MCL 500.1208b that Respondent's appointments were terminated for cause as a result of Auto Club's investigation.
10. Specifically, Mr. \_\_\_\_\_ noted that Respondent issued fraudulent certificate of insurance on multiple occasions.
11. Respondent knew or had reason to know that Section 1239(1)(e) of the Code, allows the Commissioner to place on probation, suspend, revoke, or levy a civil fine under Section 1244 or any combination thereof, for "Intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance."
12. Respondent 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."
13. On September 28, 2011, Respondent participated in a compliance conference, and she provided credible information and testimony that showed that she did not intentionally misrepresent the terms of the afore-mentioned insurance policies. Per Respondent, she was merely trying to facilitate Mr. N's request to change the effective date of his policy. However, the system would not allow the change until the first policy canceled, so she

issued a manual certificate. In Ms. O's case, Respondent relied on Ms. O's verbal assertion that she had clearance of suspension from the Secretary of State. Therefore OFIR staff agreed to allow her to voluntarily surrender her license.

### ORDER

Based on Respondent's stipulation to the findings of fact and conclusions of law above, it is hereby **ORDERED** that:

1. Respondent shall immediately cease and desist from operating in a manner that violates the Michigan Insurance Code, and Respondent shall immediately voluntarily surrender her resident insurance producer license.
2. Respondent shall pay to the State of Michigan, through OFIR, a civil fine of **Five Hundred and 00/100 Dollars (\$500.00)**. Respondent shall pay this fine within 30 days of the invoice date indicated on the OFIR invoice.

  
Annette E. Flood  
Chief Deputy Commissioner

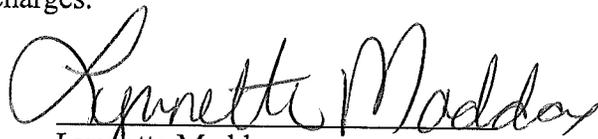
### STIPULATION

Respondent has read and understand the consent order above. Respondent agrees that the Chief Deputy Commissioner has jurisdiction and authority to issue this consent order pursuant to the Insurance Code. Respondent waives her right to a hearing in this matter if this consent order is issued. Respondent understands 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. Respondent waives any objection to the Commissioner deciding this case following a hearing in the event the consent order is not approved. Respondent admits the findings of fact and conclusions of law set forth in the above consent order and agree to the entry of this order. Respondent admits that both parties have complied with the procedural requirements of the Michigan Administrative Procedures Act (MAPA) and the Michigan Insurance Code (Code). Respondent has had an opportunity to review the Stipulation and Consent Order and have the same reviewed by legal counsel.

1. It is further stipulated, by and between the parties hereto, that failure to pay the administrative and civil fines as set forth above within thirty (30) days of the date of the invoice shall result in a suspension or continued suspension of all license or registrations by Respondent or in the denial of any license or registration renewal and the denial of future applications for licensure or registration until compliance is made with the terms of this Stipulation. In addition, if Respondent fails to comply with the terms of this

Stipulation and Consent Order, then the Fine shall increase to **\$1,000.00**. Unless otherwise specified in this Stipulation, requirements imposed on the Respondent must be fulfilled in accordance with the terms of this Stipulation and Consent Order.

2. It is further stipulated, by and between the parties hereto, that failure to pay the administrative and civil fines as set forth above within (6) months of the invoice date shall result in a revocation or continued revocation of all licenses or registrations held by Respondent, or in the denial of any license or renewal and the denial of future applications for licensure or registration until compliance is made with the terms of this Stipulation.
3. Respondent understands and intends that by signing this Stipulation, Respondent is 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 Respondent 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.

  
Lynnette Maddox

Dated: 2-15-12

The Office of Financial and Insurance Regulation staff approves this stipulation and recommends that the Chief Deputy Commissioner issue the above consent order.

  
Conrad Tatnall (P69785)  
Attorney

Dated: 2/22/12