

STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Before the Director of the Department of Insurance and Financial Services

In the matter of:

Justin Arabo
System ID No. 0635406

Enforcement Case No. 14-12259

AA1 Insurance, Inc.
System ID No. 0102062

Respondents.

_____ /

Issued and entered
on May 24, 2016
by Teri L. Morante
Chief Deputy Director

ORDER ACCEPTING STIPULATION AND REVOKING LICENSE

Based upon the Stipulation for Entry of Order and the files and records of the Department of Insurance and Financial Services (DIFS) in this matter, the Chief Deputy Director finds and concludes that:

1. Pursuant to Executive Order 2013-1, all authority, powers, duties, functions, and responsibilities of the Commissioner of the Office of Financial and Insurance Regulation (Commissioner) have been transferred to the Director of DIFS.
2. The Chief Deputy Director has jurisdiction and authority to adopt and issue this Order Accepting Stipulation in this proceeding pursuant to the Michigan Administrative Procedures Act of 1969 (APA), as amended, MCL 24.201 *et seq.*, and the Michigan Insurance Code of 1956 (Code), MCL 500.100 *et seq.*
3. All required notices have been issued in this case, and the notices and service thereof were appropriate and lawful in all respects.
4. Acceptance of the Stipulation to Entry of Order is reasonable and in the public interest.
5. All applicable provisions of the APA have been met.
6. At all relevant times AA1 Insurance, Inc. (Respondent AA1) was a licensed resident insurance producer agency in the state of Michigan, and its license is currently active.

7. At all relevant times Justin Arabo (Respondent Arabo) was a licensed resident insurance producer in the state of Michigan and the Designated Responsible Licensed Producer for AA1 Insurance, Inc., and his license is currently active.
8. On January 16, 2014, and on January 28, 2014, staff from the Michigan Automobile Insurance Placement Facility (MAIPF) sent Respondent Arabo letters notifying him of issues with information he had been inaccurately submitting on insurance applications. According to staff at the MAIPF, Respondent Arabo rated applications incorrectly.
9. Specifically, Respondent Arabo was reducing the amount of his customer's initial deposits by engaging in the following conduct:
 - a) • Using inaccurate addresses to produce lower-rated territories;
 - b) • Asserting employment status as unemployed and then requesting Coordinated Medical with Medicaid or Medicare as the medical carrier;
 - c) • Overriding the territory assignments with lower-rated territories; and
 - d) • Overriding symbol assignments to produce lower comprehensive/collision insurance rates.

10. As licensees, Respondents knew or had reason to know that Section 1239(1)(h) of the Code, MCL 500.1239(1)(h), states that:

(1) In addition to any other powers under this act, the commissioner may place on probation, suspend, or revoke an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions, and the commissioner shall refuse to issue a license under section 1205 or 1206a, for any 1 or more of the following causes:

(h) Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

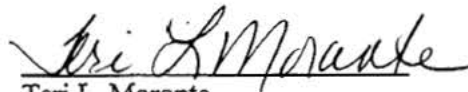
11. As licensees, Respondents knew or had reason to know that Section 1239(3) of the Code, MCL 500.1239(3), states that:

(3) The license of a business entity may be suspended, revoked, or refused if the commissioner finds, after hearing, that an individual licensee's violation was known or should have been known by 1 or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was neither reported to the commissioner nor corrective action taken.

12. Respondents have provided justification for sanctions, pursuant to Section 1239(1)(h) of the Code, MCL 500.1239(1)(h).
13. Respondent AA1 has provided justification for sanctions pursuant to Section 1239(3) of the Code, MCL 500.1239(3).
14. Based upon the actions listed above, Respondents have committed acts that provide justification for the Director to order the payment of a civil fine, and/or other licensing sanctions, including revocation of licensure.

Now therefore, based upon the Stipulation to Entry of Order and the facts surrounding this case, **IT IS ORDERED THAT:**

15. Respondents Cease and Desist from operating in a manner that violates the Code.
16. Respondents Cease and Desist from all insurance activity.
17. Respondents' resident insurance producer licenses (System ID Nos. 0635406 and 0102062) are hereby REVOKED.
18. The Chief Deputy Director retains jurisdiction over the matters contained herein and has the authority to issue such further order(s) as shall be deemed just, necessary, and appropriate in accordance with the Code. Failure to abide by the terms and provisions of the Stipulation to Entry of Order and this Order may result in the commencement of additional proceedings.



Teri L. Morante
Chief Deputy Director

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DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

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Justin Arabo
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Respondents.

_____ /

STIPULATION TO ENTRY OF ORDER

Justin Arabo (Respondent Arabo) and AA1 Insurance, Inc. (Respondent AA1) stipulate to the following:

1. At all relevant times Respondent AA1 was a licensed resident insurance producer agency in the state of Michigan, and its license is currently active.
2. At all relevant times Respondent Arabo was a licensed resident insurance producer in the state of Michigan and the Designated Responsible Licensed Producer for AA1 Insurance, Inc., and his license is currently active.
3. On January 16, 2014, and on January 28, 2014, staff from the Michigan Automobile Insurance Placement Facility (MAIPF) sent Respondent Arabo letters notifying him of issues with information he had been submitting on insurance applications. According to staff at the MAIPF, Respondent Arabo had been attempting to rate applications incorrectly in order to reduce the amount of the required initial premium deposit.
4. Specifically, Respondent Arabo was reducing the amount of his customer's initial deposits by engaging in the following conduct:
 - a) • Using inaccurate addresses to produce lower-rated territories;
 - b) • Asserting employment status as unemployed and then requesting Coordinated Medical with Medicaid or Medicare as the medical carrier;
 - c) • Overriding the territory assignments with lower-rated territories; and
 - d) • Overriding symbol assignments to produce lower comprehensive/collision insurance rates.

5. As licensees, Respondents knew or had reason to know that Section 1239(1)(h) of the Code, MCL 500.1239(1)(h), states that:

(1) In addition to any other powers under this act, the commissioner may place on probation, suspend, or revoke an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions, and the commissioner shall refuse to issue a license under section 1205 or 1206a, for any 1 or more of the following causes:

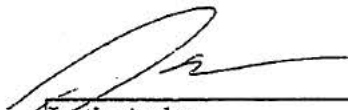
(h) Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

6. As licensees, Respondents knew or had reason to know that Section 1239(3) of the Code, MCL 500.1239(3), states that:

(3) The license of a business entity may be suspended, revoked, or refused if the commissioner finds, after hearing, that an individual licensee's violation was known or should have been known by 1 or more of the partners, officers, or managers acting on behalf of the partnership or corporation and the violation was neither reported to the commissioner nor corrective action taken.

7. Respondents have provided justification for sanctions, pursuant to Section 1239(1)(h) of the Code, MCL 500.1239(1)(h).
8. Respondent AA1 has provided justification for sanctions pursuant to Section 1239(3) of the Code, MCL 500.1239(3).
9. Based upon the actions listed above, Respondents have committed acts that provide justification for the Director to order the payment of a civil fine, and/or other licensing sanctions, including revocation of licensure.
10. Respondents and DIFS conferred for the purpose of resolving this matter.
11. Respondents waive the right to an opportunity to show compliance pursuant to the Michigan Administrative Procedures Act (APA), MCL 24.201 *et seq.*
12. Respondents agree that all parties have complied with the procedural requirements of the APA and the Code.

13. Respondents agree that they will Cease and Desist from operating in a manner that violates the Code and from all insurance activity.
14. Respondents agree that they have had an opportunity to review this Stipulation to Entry of Order and the proposed Order Accepting Stipulation and have the same reviewed by legal counsel.
15. Respondents agree that Respondents' Michigan resident insurance producer licenses (System ID Nos. 0635406 and 0102062) shall be revoked.
16. Respondents understand and agree that this Stipulation to Entry of Order will be presented to the Chief Deputy Director for approval.
17. Respondents understand and agree that the Chief Deputy Director may, in her sole discretion, decide to accept or reject this Stipulation to Entry of Order. If the Chief Deputy Director accepts the Stipulation to Entry of Order, Respondents waive the right to a hearing in this matter and consent to the entry of the Order Accepting Stipulation and Requiring Compliance and Payment of Fines. If the Chief Deputy Director does not accept the Stipulation to Entry of Order, Respondents waive any objection to the Director holding a formal administrative hearing and making a decision after such hearing.


Justin Arabo
System ID No. 0635406 |

5-13-16
Date

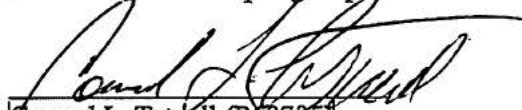
AA1 Insurance, Inc.

By: Justin Arabo

5-13-16
Date

Its: _____

DIFS Staff approve this Stipulation and recommend that the Chief Deputy Director accept it and issue an Order Accepting Stipulation.


Conrad L. Tattall (P69785)
DIFS Staff Attorney

5-13-16
Date