

STATE OF MICHIGAN

DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES

Before the Director of the Department of Insurance and Financial Services

In the matter of:

Charles H. Walker (unlicensed),

Enforcement Case No. 19-15656

Respondent.

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Issued and entered
on October 3, 2019
by Teri L. Morante
Chief Deputy Director

**ORDER TO CEASE AND DESIST WITH STATEMENT OF FINDINGS
AND NOTICE OF OPPORTUNITY FOR HEARING**

Pursuant to Section 251 of the Michigan Insurance Code (Code), MCL 500.251, and after reviewing evidence of the conduct described in the attached Statement of Findings, and

WHEREAS, the Director of the Department of Insurance and Financial Services finds that immediate action is necessary and appropriate in the public interest for the protection of the public health, safety, and welfare, and consistent with the purposes fairly intended by public policy and provisions of the Code,

IT IS THEREFORE ORDERED THAT:

1. Respondent shall immediately **CEASE AND DESIST** from all activities in violation of the Code as described in the Statement of Findings.
2. A copy of this Order shall be immediately served upon Respondent and shall be effective upon the date of service.
3. Respondent has 30 calendar days after the service of this Order to contest it by requesting a hearing. Within 10 calendar days after receiving the request, the hearing process shall commence. This Order shall remain in effect until further order of the Director. Any request for a hearing should be addressed to the Department of Insurance and Financial Services, Attention: Valerie Donally, Hearings Coordinator, P.O. Box 30220, Lansing, MI 48909-7720 or faxed to 517-284-8843.
4. Any such hearing held shall address the following issues:
 - a. The facts set forth in the Statement of Findings.
 - b. The continuation of the Order to Cease and Desist.

- c. Restitution to be paid by Respondent.
5. If a hearing is requested, an administrative law judge from the Michigan Administrative Hearing System shall preside over any such hearing.
 6. The Director retains jurisdiction of the matters contained herein and the authority to issue such further Orders as shall be deemed just, necessary, and appropriate.
 7. Pursuant to Section 251(6) of the Code, MCL 500.251(6), a person who violates or otherwise fails to comply with an Order to Cease and Desist is subject to one or more of the following:
 - a. Payment of a civil fine of not more than \$1,000 for each violation not to exceed an aggregate civil fine of \$30,000. However, if the person knew or reasonably should have known the conduct was in violation of the cease and desist order, the person shall be subject to a civil fine of not more than \$25,000 for each violation not to exceed an aggregate civil fine of \$250,000.
 - b. Suspension or revocation of the person's license or certificate of authority.
 - c. Complete restitution, in the form, amount, and within the period determined by the Director, to all persons in Michigan damaged by the violation or failure to comply.

Dated: October 3, 2019



Teri L. Morante
Chief Deputy Director

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STATEMENT OF FINDINGS

1. Pursuant to Section 251(1) of the Code, MCL 500.251(1), the Director of the Department of Insurance and Financial Services (DIFS) is empowered to issue a cease and desist order if the Director finds any of the following:
 - (a) A person is conducting transactions of insurance for which a certificate of authority is required by this act without having obtained a certificate of authority.
 - (b) A person is acting as an insurance agent, solicitor, adjuster, or counselor without a license as required by this act.
 - (c) A person is engaged in an act or practice in the business of insurance for which authority from or notification to the commissioner is required by this act and the person has not received authority or given notification.
 - (d) A person authorized to engage in the business of insurance under this act is engaged in conduct that presents an immediate danger to public health, safety, or welfare. MCL 500.251(1).

2. Pursuant to Section 2277 of the Code, MCL 500.2277, the Director may sanction a person who has violated Chapter 22 of the Code as follows:

If the director finds that a person has violated this chapter, after an opportunity for a hearing under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, the director shall reduce the findings and decision to writing and shall issue and cause to be served upon the person charged with the violation a copy of the findings and an order requiring the person to cease and desist from the violation. In addition, the director may order any of the following:

 - (a) Payment of a civil fine of not more than \$500.00 for each violation. However, if the person knew or reasonably should have known that he or she was in violation of this chapter, the director may order the payment of a civil fine of not more than \$2,500.00 for each violation. An order of the director under this section shall not require the payment of civil fines exceeding \$25,000.00. A fine collected under this subdivision

shall be turned over to the state treasurer and credited to the general fund of this state.

3. Pursuant to Section 1244 of the Code, MCL 500.1244, the Director may sanction a person who has violated Chapter 12 of the Code as follows:

(1) If the director finds that a person has violated this chapter, after an opportunity for a hearing under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, the director shall reduce the findings and decision to writing and shall issue and cause to be served on the person charged with the violation a copy of the findings and an order requiring the person to cease and desist from the violation. In addition, the director may order any of the following:

(a) Payment of a civil fine of not more than \$1,000.00 for each violation. However, if the person knew or reasonably should have known that he or she was in violation of this chapter, the director may order the payment of a civil fine of not more than \$5,000.00 for each violation. An order of the director under this subsection must not require the payment of civil fines exceeding \$50,000.00. A fine collected under this subdivision must be turned over to the state treasurer and credited to the general fund of this state.

(b) A refund of any overcharges.

(c) That restitution be made to the insured or other claimant to cover incurred losses, damages, or other harm attributable to the acts of the person found to be in violation of this chapter.

(3) If a person knowingly violates a cease and desist order under this chapter and has been given notice and an opportunity for a hearing held under the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328, the director may order a civil fine of not more than \$20,000.00 for each violation, a suspension or revocation of the person's license, or both. An order issued by the director under this subsection must not require the payment of civil fines exceeding \$100,000.00. A fine collected under this subsection must be turned over to the state treasurer and credited to the general fund of this state.

4. By DIFS order dated November 9, 2016, the resident agency producer license of Charles Walker & Associates, (System ID 0083588) and the resident insurance producer license of Respondent (System ID No. 0090268) were summarily suspended. Charles Walker & Associates was located at 25901 West 10 Mile Road, Suite 224, Southfield, MI 48033.
5. The Walker Insurance Agency Group, LLC (Agency) (System ID No: 0112460) was a licensed resident agency producer located at the exact same address as Charles Walker & Associates —

25901 West Ten Mile Road, Suite 224, Southfield, MI 48033. It received its license in April 2017 and had a Designated Responsible Licensed Producer (DRLP) from April 18, 2017-April 23, 2017, and from April 12, 2018-April 7, 2019. The Agency license was voluntarily surrendered on August 31, 2019. It had no appointments during the entirety of its existence and had no DRLP from April 7, 2019 until the surrender of its license on August 31, 2019.

6. By DIFS order dated July 18, 2017, both the license of Charles Walker & Associates and the Respondent's license were revoked.
7. DIFS conducted onsite visits of the Walker Insurance Agency Group, LLC on March 21, 2019, May 14, 2019, and July 31, 2019, and discovered evidence indicating that Respondent was continuing to conduct the business of insurance subsequent to the July 18, 2017 revocation of his license. DIFS discovered numerous documents containing the handwritten or stamped signature of Charles Walker identifying him as the authorized representative, insurance producer or agent, including premium finance agreements, insurance applications, and certificates of insurance. Moreover, virtually all of these documents indicated that Respondent was signing as an agent of either Charles Walker & Associates or The Walker Insurance Agency Group, LLC. Respondent appeared to make no modifications to his behavior subsequent to the revocation of his license—he continued to work at the same address, continued to sell, solicit, and negotiate insurance, continued to sign documents as an agent, continued to indicate that his business was named Charles Walker & Associates, and continued to submit insurance applications to general agents representing that he was a licensed producer. DIFS investigation revealed the following irregularities and/or Code violations:
 - (a) Numerous false certificates of insurance were created and distributed to customers as follows:
 - (1) A certificate of insurance purporting to be for Western World Insurance Company (Western World) policy number NPP8339811 was issued on July 31, 2018 to customer 5842T. The certificate contained the handwritten signature of Charles Walker. Western confirmed to DIFS that the policy does not exist.
 - (2) A certificate of insurance for United Specialty Insurance Company (United Specialty) policy number DCG065032-00 was issued on April 10, 2018 to customer ATR with MMc listed as the certificate holder. The certificate overstated the general aggregate limit by \$1,000,000 and contained the stamped signature of Charles Walker. That same certificate also purported to be for Liberty Mutual Insurance (Liberty Mutual) policy number WC5-39S-325231-014 with an effective date of August 6, 2017. Liberty Mutual confirmed to DIFS that the policy was not in force for the timeframe set forth in the certificate because the customer had not renewed the policy in 2016.
 - (3) A certificate of insurance purporting to be for Century Surety Insurance Company (Century) policy number CSI125861 was issued on June 19, 2018 to customer BOPI with St. ASA listed as the certificate holder. The certificate contained the handwritten signature of Charles Walker. Century confirmed to DIFS that the policy does not exist.

- (4) A certificate of insurance purporting to be for Century policy number CS1125861 was issued on June 20, 2018 to customer BOPI with EPM listed as the certificate holder. The certificate contained the handwritten signature of Charles Walker. Century confirmed to DIFS that the policy does not exist.
- (5) A certificate of insurance purporting to be for Century policy number CS1125861 and Liberty Mutual policy number WC5-39S-0215698-018 was issued on June 22, 2018 to customer BOPI with EPM listed as the certificate holder. The certificate contained the handwritten signature of Charles Walker. Both Century and Liberty Mutual confirmed to DIFS that their respective purported policies cited above do not exist.
- (6) Two separate certificates of insurance purporting to be for Century policy number CS1125861 and Liberty Mutual policy number WC5-39S-0215698-018 were issued on June 29, 2018 to customer BOPI with EPM listed as the certificate holder. The certificates contained the handwritten signature of Charles Walker. Both Century and Liberty Mutual confirmed to DIFS that their respective purported policies cited above do not exist.
- (7) A certificate of insurance purporting to be for Liberty Mutual policy number ARP12004209 was issued on November 8, 2018 to customer DSH with the CoD listed as the certificate holder. The certificate contained the handwritten signature of Charles Walker. Liberty Mutual confirmed to DIFS that the policy does not exist.
- (8) A certificate of insurance for CIBA Insurance Group (CIBA) policy number P00061382 was issued on February 13, 2018 to customer HMEA with Fannie Mae ISAOA listed as mortgagee with additional interest. The certificate falsely indicated that flood coverage was included with the policy. The certificate contained the handwritten signature of Charles Walker.
- (9) A certificate of insurance for CIBA Insurance Group (CIBA) policy number P00061382 was issued on June 5, 2018 to customer HMEA with Fannie Mae ISAOA listed as mortgagee with additional interest. The certificate falsely indicated that flood coverage was included with the policy. The certificate contained the handwritten signature of Charles Walker.
- (10) A certificate of insurance for Great Lakes Insurance SE (Great Lakes) policy number GLCW00215694 was issued on March 22, 2018 to customer JWGI with ECPS listed as an additional insured. The certificate overstated the commercial property coverage limit by \$390,000.00 and contained the stamped signature of Charles Walker.
- (11) A certificate of insurance for Proassurance Insurance Company (Proassurance) policy number SFC9731517 was issued on August 22, 2018 to customer MC with CN listed as the certificate holder. The certificate overstated the products/completed operations aggregate limit by \$1,000,000—in fact, no such

coverage existed in any amount. The certificate contained the stamped signature of Charles Walker.

- (12) A certificate of insurance purporting to be for Nautilus Insurance Company (Nautilus) policy number NC748442, Progressive Insurance Company (Progressive) policy number CA02136594, and Liberty Mutual policy number WC5-34S-527249-045 was issued on July 21, 2017 to customer RC with ES listed as an additional insured. The certificate contained the stamped signature of Charles Walker. Nautilus, Progressive, and Liberty Mutual all confirmed to DIFS that their respective purported policies cited above do not exist.
- (13) A certificate of insurance purporting to be for Nautilus policy number NC748442, Progressive policy number CA02136594, and Liberty Mutual policy number WC5-34S-527249-045 was issued on August 2, 2017 to customer RC with DLB listed as an additional insured. The certificate contained the handwritten signature of Charles Walker. Nautilus, Progressive, and Liberty Mutual all confirmed to DIFS that their respective purported policies cited above do not exist.
- (14) A certificate of insurance purporting to be for Nautilus policy number NC748442, Progressive policy number CA02136594, and Liberty Mutual policy number WC5-34S-527249-045 was issued on July 26, 2017 to customer RC with ESL listed as the certificate holder. The certificate contained the handwritten signature of Charles Walker. Nautilus, Progressive, and Liberty Mutual all confirmed to DIFS that their respective purported policies cited above do not exist.
- (15) A certificate of insurance purporting to be for Nautilus policy number NC748442, Progressive policy number CA02136594, and Liberty Mutual policy number WC5-34S-527249-045 was issued on August 9, 2017 to customer RC with ESL listed as the certificate holder. The certificate contained the handwritten signature of Charles Walker. Nautilus, Progressive, and Liberty Mutual all confirmed to DIFS that their respective purported policies cited above do not exist.
- (16) A certificate of insurance purporting to be for Liberty Mutual policy number WC5-39S-350312-016 and Northland Insurance Company (Northland) policy number CA2301659 was issued on August 10, 2017 to customer USM with DIS, listed as the certificate holder. The certificate contained the stamped signature of Charles Walker. The certificate overstated the employers liability limit for injury by disease--each employee by \$400,000.00 and the employers liability limit for each accident by \$400,000.00. Moreover, Northland confirmed to DIFS that its purported policy cited above does not exist.
- (17) A certificate of insurance purporting to be for Accident Fund Insurance Company (Accident Fund) policy number 164-878-4A was issued on May 9, 2018 to customer GTE with OBCC listed as the certificate holder. The certificate contained the stamped signature of Charles Walker. Accident Fund confirmed to DIFS that the policy does not exist.

(b) Voluminous evidence of unlicensed practice of insurance by Charles Walker was discovered as follows:

(1) Walker's handwritten signature appears on:

- July 26, 2017 Certificate of liability insurance issued to customer RC
- August 9, 2017 certificate of liability insurance issued to customer RC
- August 2, 2017 certificate of liability insurance issued to customer RC
- February 13, 2018 certificate of liability insurance issued to customer HM & CMA
- June 19, 2018 certificate of liability insurance issued to customer BOPI
- June 20, 2018 certificate of liability insurance issued to customer BOPI
- June 22, 2018 certificate of liability insurance issued to customer BOPI
- Two June 29, 2018 certificates of liability insurance issued to customer BOPI
- July 31, 2018 certificate of liability insurance issued to customer 5842T
- September 10, 2018 certificate of liability insurance issued to customer VHM
- November 8, 2018 certificate of liability insurance issued to customer DSH
- July 25, 2017 evidence of property insurance issued to customer CH
- February 13, 2018 evidence of property insurance issued to customer HMEA
- June 5, 2018 evidence of commercial property insurance issued to customer HME

(2) Walker's stamped signature appears on:

- July 21, 2017 certificate of liability insurance issued to customer RC
- July 27, 2017 certificate of liability insurance issued to customer FLS
- August 7, 2017 certificate of liability insurance issued to customer WAR
- August 10, 2017 certificate of liability insurance issued to customer USM
- August 22, 2017 certificate of liability insurance issued to customer TRON
- September 14, 2017 certificate of liability insurance issued to customer VHM
- October 9, 2017 certificate of liability insurance issued to customer SBLT
- October 17, 2017 certificate of liability insurance issued to customer VHM
- January 24, 2018 certificate of liability insurance issued to customer HM & CMA
- February 20, 2018 certificate of liability insurance issued to customer DB
- March 12, 2018 certificate of liability insurance issued to customer USM
- March 22, 2018 certificate of liability insurance issued to customer JWGI
- March 23, 2018 certificate of liability insurance issued to customer JWGI
- April 10, 2018 certificate of liability insurance issued to customer ATRGC
- May 1, 2018 certificate of liability insurance issued to customer DC
- May 9, 2018 certificate of liability insurance issued to customer GTE
- January 16, 2018 evidence of property insurance issued to customer HH
- February 9, 2018 evidence of property insurance issued to customer TM
- February 19, 2018 evidence of property insurance issued to customer GRE
- March 8, 2018 evidence of property insurance issued to customer BG
- March 22, 2018 evidence of commercial property insurance issued to customer JWGI

- March 23, 2018 evidence of commercial property insurance issued to customer JWGI
- April 24, 2018 evidence of property insurance issued to customer SH
- May 25, 2018 evidence of property insurance issued to customer ST

(3) Walker's name is either handwritten or stamped as the producer or agent of record on the following insurance applications:

- November 2, 2017 application of customer EWB
- November 7, 2017 application of customer RI
- November 16, 2017 application of customers SG and JF
- December 21, 2017 application of customer IDI
- December 21, 2017 application of customer J & G B
- December 29, 2017 application of customer CA
- January 9, 2018 application of customer CJ
- January 9, 2018 application of customer JJ
- February 2, 2018 application of customer BKL
- March 29, 2018 application of customer MSP
- May 9, 2018 application of customer CB
- March 19, 2018 application of customer SH
- March 22, 2018 application of customer SGMBC
- February 21, 2018 application of customer CC
- February 28, 2018 application of customer SJ
- March 28, 2018 application of customer JWGI
- February 14, 2018 application of customer BG
- May 9, 2018 application of customer CC
- November 7, 2017 application of customer EW
- March 29, 2018 apartment supplemental application of customer MSA
- March 19, 2018 apartment supplemental application of customer SH
- February 28, 2018 apartment supplemental application of customer SJ
- March 28, 2018 apartment supplemental application of customer JWGI
- December 15, 2017 application of customer TS
- October 9, 2017 application of customer DUAC
- August 31, 2018 application of customer NAI
- August 3, 2018 application of customer CNL

(4) Walker's handwritten or stamped signature appears as the producer or agent of record on the following insurance premium financing contracts:

- August 1, 2017 contract of customer MC
- December 22, 2017 contract of customer TS
- August 10, 2017 contract of customer ToJ
- September 5, 2017 contract of customer FBIC
- September 8, 2017 contract of customer KRL
- October 8, 2017 contract of customer 811C

- November 20, 2017 contract of customer SPM
 - November 22, 2017 contract of customer DUAC
 - December 28, 2017 contract of customer IDI
 - January 8, 2018 contract of customer IDC
 - February 7, 2018 contract of customer BKL
 - February 7, 2018 contract of customer ASA
 - February 19, 2018 contract of customer IDIV
 - March 28, 2018 contract of customer SH
 - April 24, 2018 contract of customer PLA
 - May 4, 2018 contract of customer CC
 - May 10, 2018 contract of PPHL
 - May 14, 2018 contract of customer VCDG
 - May 29, 2018 contract of customer MDNK14608F
 - August 28, 2018 contract of customer ToJ
 - October 11, 2018 contract of customer EACC
 - September 5, 2018 contract of customer FBIC
 - October 23, 2018 contract of customer DUAC
 - October 12, 2018 contract of customer 811C
 - November 20, 2018 contract of customer TJEA
 - November 24, 2018 contract of customer HPM
 - November 24, 2018 contract of customer SPM
 - November 28, 2018 contract of customer BGC
- (c) Evidence that premium was collected from customers but never submitted to insurers was discovered as follows:
- (1) On or about August 31, 2018, Respondent sold policy number 70GHS042950 through Special Risks at a cost of \$8,149.00 to customer NAI. NAI provided Respondent a down-payment of \$3,300.00 for the policy and financed the additional \$4,849.00. By September 12, 2018, Respondent was in possession of the entire \$8,149.00 required for the purchase of the policy. Respondent failed to remit the premium funds to Special Risks, and the policy was ultimately canceled by Special Risks on November 28, 2018 for non-payment. Respondent failed to reimburse NAI for the unearned premium.
 - (2) On or about July 13, 2018, Respondent obtained \$1,434.00 from customer LMJ for the purpose of purchasing insurance. Respondent failed to purchase insurance for LMJ and failed to reimburse the \$1,434.00 that it received from LMJ.
 - (3) On or about May 14, 2018, Respondent sold policy # OME13585 at a cost of \$10,986.00 through Regency Insurance Brokerage (Regency), System ID 0091875 to VCDC. On or about May 18, 2018, VCDC paid the full premium of \$10,986.00 to Respondent. Respondent failed to remit the premium funds to

the insurer and the policy was ultimately canceled for non-payment on July 16, 2018. Respondent failed to reimburse VCDC for the unearned premium.

(4) On or about October 9, 2018, Respondent sold policy # PAV0054828 at a cost of \$13,179.58 through Regency to EACC. EACC paid the down payment of \$3,300.00 to Respondent on or about October 4, 2018 and forwarded the finance proceeds of \$9,879.58 to Respondent on or about October 15, 2018. Respondent failed to remit the premium to the insurer and the policy was ultimately canceled for non-payment on December 16, 2018. Respondent failed to reimburse EACC for the unearned premium.

8. Respondent knew or should have known that that under Section 1201a(1) of the Code, MCL 500.1201a(1), it is a violation for a person to sell, solicit, or negotiate insurance without first obtaining a license.

a. "Negotiate" means the act of conferring directly with or offering advice directly to a purchaser or prospective purchaser of a particular contract of insurance concerning any of the substantive benefits, terms, or conditions of the contract, provided that the person engaged in that act either sells insurance or obtains insurance from insurers for purchasers. MCL 500.1201(m).

b. "Sell" means to exchange a contract of insurance by any means, for money or its equivalent, on behalf of an insurance company. MCL 500.1201(n).

c. "Solicit" means attempting to sell insurance or asking or urging a person to apply for a particular kind of insurance from a particular company. MCL 500.1201(o).

9. By engaging in the activities set forth in paragraph 7 above, Respondent negotiated, sold, and solicited insurance without a license in violation of Section 1201a(1) of the Code.

10. Respondent knew or should have known that Section 1207(1) of the Code, MCL 500.1207(1), requires that an agent hold funds as a fiduciary and provides in relevant part as follows:

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 of the agent's fiduciary responsibility.

* * *

11. By failing to remit premiums as set forth in paragraph 7 above, Respondent violated Section 1207(1) of the Code.

12. By violating Chapter 12 of the Code in the manner described above, Respondent is subject to sanctions under Section 1244 of the Code, MCL 500.1244. These sanctions may include civil fines of up to \$50,000.00 and restitution.

13. Section 2271(b) of the Code, MCL 500.2271(b), prohibits any person from preparing or issuing “a certificate of insurance that contains any false or misleading information concerning an insurance policy referenced in the certificate of insurance.”
14. By issuing the false certificates as set forth in paragraph 7 above, Respondent violated Section 2271(b) of the Code.
15. By violating Chapter 22 of the Code in the manner described above, Respondent is subject to sanctions under Section 2277 of the Code, MCL 500.2277. These sanctions may include civil fines of up to \$25,000.00