

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

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

**Donald M. Diamond
System ID No. 0562440**

Enforcement Case No. 11-11293

**Ethos Insurance- Michigan
System ID No. 0095237**

**Ethos Insurance Group
System ID No. 0095748**

**Ethos Mutual Insurance Company
System ID No. 0095750**

Respondents.

_____ /

Issued and entered
on 7-25 2012
by Annette E. Flood
Chief Deputy Commissioner

CONSENT ORDER AND STIPULATION

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. At all pertinent times, Donald M. Diamond (Diamond) was a resident insurance producer in the State of Texas.
2. On December 15, 2010, the Office of Financial and Insurance Regulation (OFIR) licensed Respondent Diamond as a non-resident insurance producer.
3. At all pertinent times, Respondent Diamond had qualifications in Accident and Health, Life, and Personal Lines.
4. From January 18, 2011 to May 9, 2011, Respondent Diamond had a Personal Lines appointment with Progressive Michigan Insurance Company.
5. On May 8, 2011, Progressive Michigan Insurance Company cancelled Respondent Diamond's appointment.

6. At all pertinent times, Respondent Diamond did not have a Personal Lines appointment with another insurance company licensed in the state of Michigan.
7. At all pertinent times, Respondent Ethos Insurance - Michigan was a fictitious entity and was not licensed by OFIR as an insurance producer, an insurance agency or as an insurance company to conduct the business of insurance in the state of Michigan.
8. At all pertinent times, Respondent Ethos Insurance Group was a fictitious entity and was not licensed by OFIR as an insurance producer, an insurance agency or as an insurance company to conduct the business of insurance in the state of Michigan.
9. At all pertinent times, Respondent Ethos Mutual Insurance Company was a fictitious entity and was not licensed by OFIR as an insurance producer, an insurance agency or as an insurance company to conduct the business of insurance in the state of Michigan.
10. At all pertinent times, Respondent Diamond was using Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company to transact insurance business in the state of Michigan.
11. In May 2011, OFIR received a complaint concerning Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company. The complaint alleged that these Respondents were acting as an insurance producer, an insurance agency, and/or an insurance company by issuing certificates of no-fault insurance in the state of Michigan without proper licensure or certificate of authority.
12. OFIR also has received information that Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and/or Ethos Mutual Insurance Company were selling, soliciting, or negotiating insurance at several locations in the State of Michigan.
13. On May 9, 2011, an OFIR Investigator went to _____ located at: _____ Detroit, Michigan 48205 and spoke with _____
14. At all pertinent times, _____ was not licensed by OFIR as an insurance producer, insurance agency or as an insurance company to conduct the business of insurance in the state of Michigan.
15. At all pertinent times, _____ was not licensed by OFIR as an insurance producer to conduct the business of insurance in the state of Michigan.
16. _____ stated to the OFIR Investigator that he worked for Respondent Diamond and advertised and sold no-fault auto insurance in the state of Michigan for Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and/or Ethos Mutual Insurance Company. _____ further stated that he deposited all insurance premium money into a bank account controlled by Respondent Diamond.

17. The OFIR investigator obtained information and documentation showing Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company were selling, soliciting, and negotiating insurance in the state of Michigan.
18. At all pertinent times, Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and/or Ethos Mutual Insurance Company did not have a license to sell, solicit, or negotiate insurance or act as an insurance company in the state of Michigan.
19. OFIR obtained insurance receipts given to customers that indicate that Respondent Ethos Insurance – Michigan, P.O. Box 1506, Cypress, TX 77410-1506, is the insurance agent and that the insurance policy is issued by _____ (DCM), as the insurance company for these insurance policies.
20. DCM is not a licensed insurance company in the State of Michigan. DCM does not have any appointed insurance producers or insurance agencies in the State of Michigan. DCM did not receive any applications or any premium money from the Respondents for these insurance policies and DCM did not authorize the sale or underwriting of any insurance policies by any of the Respondents in the state of Michigan.
21. OFIR obtained documents showing the customers were to make future insurance premium payments to: Ethos Insurance – Michigan, P.O. Box 1506, Cypress, TX 77410-1506 or pay on-line at www.ethosins.com. Customers were instructed to make their check or money order payable to: Ethos Insurance – Michigan.
22. OFIR obtained documents showing that customers were given certificates purporting to be State of Michigan Certificates of No-Fault Insurance. The purported certificates listed: _____ as the insurance company and Ethos Insurance –Michigan as the insurance agent, or Ethos Insurance Group, LLC c/o Ethos Insurance Company as the insurance company and Ethos Insurance –Michigan as the insurance agent, or Farm Bureau Insurance of Michigan as the insurance company and Don Diamond Agency as the insurance agent, or Ethos Mutual Insurance Company as the insurance company and Ethos Insurance –Michigan as the insurance agent.
23. Respondent _____ stated to the OFIR Investigator that the purported certificates with Ethos Insurance Company or Ethos Mutual Insurance Company listed as the insurance company was a misprint. Respondent Lees alleged that Progressive Michigan Insurance Company was the correct insurance company.
24. Progressive Michigan Insurance Company is a licensed insurance company in the state of Michigan, but has no record of receiving any application for insurance or any insurance premium from any of the Respondents.

25. Dairyland Insurance Company is a licensed insurance company in the state of Michigan, but none of the Respondents have an appointment to write insurance business in the state of Michigan with Dairyland Insurance Company.
26. Farm Bureau Insurance of Michigan is a licensed insurance company in the state of Michigan, but none of the Respondents have an appointment to write insurance business in the state of Michigan with Farm Bureau Insurance of Michigan.
27. As a licensee, Respondent Diamond knew or had reason to know that Section 402 of the Code provides that “No person shall act as an insurer and no insurer shall issue any policy or otherwise transact insurance in this state except as authorized by a subsisting certificate of authority granted to it by the commissioner pursuant to this code.”
28. Respondent Diamond was acting as an insurer, individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company, by issuing fraudulent no-fault insurance policies/certificates and transacting insurance in the State of Michigan without a certificate of authority.
29. As a licensee, Respondent Diamond further knew or had reason to know that Section 1201a(1) of the Code provides that “A person shall not sell, solicit, or negotiate insurance in this state for any line of insurance unless the person is licensed for that qualification in accordance with this chapter.”
30. Respondent Diamond allowed unlicensed individuals to sell, solicit, and negotiate insurance in the State of Michigan without proper licensure under Chapter 12 of the Code.
31. As a licensee, Respondent Diamond further knew or had reason to know that Section 1207(1) of the Code 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 of the agent's fiduciary responsibility.”
32. Respondent Diamond failed to be a fiduciary for all money received or held by him in his capacity as an agent. Respondent Diamond's failure to turn over, in a timely manner, the money held in a fiduciary capacity to the persons to whom they are owed is prima facie evidence of violation of Respondent Diamond's fiduciary responsibility.
33. As a licensee, Respondent Diamond further knew or had reason to know that Section 1208a(1) of the Code provides that “An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer.”
34. Respondent Diamond purported to act as an agent of several insurers, including but not limited to, Progressive Michigan Insurance Company, Dairyland Insurance Company,

Dairyland County Mutual Insurance Company, and Farm Bureau Insurance of Michigan without becoming an appointed agent of these insurers.

35. As a licensee, Respondent Diamond further knew or had reason to know that Section 1239(1)(d) 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 "Improperly withholding, misappropriating, or converting any money or property received in the course of doing insurance business."
36. Respondent Diamond, individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company, improperly withheld, misappropriated, or converted money or property received in the course of doing insurance business.
37. As a licensee, Respondent Diamond further knew or had reason to know that Section 1239(1)(d) 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."
38. Respondent Diamond, individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company, intentionally misrepresented the terms of an actual or proposed insurance contract or application for insurance.
39. As a licensee, Respondent Diamond further knew or had reason to know that Section 1239(1)(h) 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 "Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere."
40. Respondent Diamond individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company used fraudulent, coercive, or dishonest practices or demonstrated incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in the state of Michigan.
41. As a licensee, Respondent Diamond further knew or had reason to know that Section 1239(1)(l) 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 "Knowingly accepting insurance business from an individual who is not licensed."
42. Respondent Diamond knowingly accepted insurance business from unlicensed individuals in the state of Michigan.
43. As a licensee, Respondent Diamond further knew or had reason to know that Section 2005(a) of the Code provides that "An unfair method of competition and an unfair or

deceptive act or practice in the business of insurance means the making, issuing, circulating, or causing to be made, issued, or circulated, an estimate, illustration, circular, statement, sales presentation, or comparison which by omission of a material fact or incorrect statement of a material fact does any of the following: (a) Misrepresents the terms, benefits, advantages, or conditions of an insurance policy.”

44. Respondent Diamond, individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company, committed an unfair method of competition and an unfair or deceptive act or practice in the business of insurance by making, issuing, circulating, or causing to be made, issued, or circulated, an estimate, illustration, circular, statement, sales presentation, or comparison which by omission of a material fact or incorrect statement of a material fact that misrepresented the terms, benefits, advantages, or conditions of an insurance policy.
45. As a licensee, Respondent Diamond further knew or had reason to know that Section 2064(1) of the Code provides that “No insurer, or any officer, director, agent or solicitor thereof shall issue, circulate or use or cause or permit to be issued, circulated or used, any written or oral statement or circular misrepresenting the terms of any policy issued or to be issued by such insurer, or misrepresenting the benefits or privileges promised under any such policy, or estimating the future dividends payable under any such policy.”
46. Respondent Diamond, individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company, issued, circulated or used or caused or permitted to be issued, circulated or used, written or oral statements or circulars misrepresenting the terms of policies issued or to be issued by an insurer, or misrepresented the benefits or privileges promised under any such policies.
47. As a licensee, Respondent Diamond further knew or had reason to know that Section 4503(a) of the Code provides that “A fraudulent insurance act includes, but is not limited to, acts or omissions committed by any person who knowingly, and with an intent to injure, defraud, or deceive: (a) Presents, causes to be presented, or prepares with knowledge or belief that it will be presented to or by an insurer or any agent of an insurer, or any agent of an insurer, reinsurer, or broker any oral or written statement knowing that the statement contains any false information concerning any fact material to an application for the issuance of an insurance policy.”
48. Respondent Diamond, individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company, committed a fraudulent insurance act by presenting, causing to be presented, or preparing with knowledge or belief that it will be presented to or by an insurer or any agent of an insurer, or any agent of an insurer, reinsurer, or broker any oral or written statement knowing that the statement contained false information concerning fact material to an application for the issuance of an insurance policy.
49. As a licensee, Respondent Diamond further knew or had reason to know that Section 4503(l) of the Code provides that “A fraudulent insurance act includes, but is not limited

to, acts or omissions committed by any person who knowingly, and with an intent to injure, defraud, or deceive: (h) Knowingly and willfully assists, conspires with, or urges any person to fraudulently violate this act, or any person who due to that assistance, conspiracy, or urging knowingly and willfully benefits from the proceeds derived from the fraud.”

50. Respondent Diamond, individually and through Respondents Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company, committed a fraudulent insurance act by knowingly and willfully assisting, conspiring with, or urging persons to fraudulently violate this act.
51. On May 20, 2011, OFIR issued and entered an Order to Cease and Desist against the Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company alleging the above referenced violations of the Code.
52. On June 1, 2011, OFIR issued and entered a Notice of Opportunity to Show Compliance against the Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company alleging the above referenced violations of the Code.
53. On July 8, 2011, OFIR issued and entered a Final Order to Cease and Desist against the Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company after the Respondents did not request a hearing on the May 20, 2011 Order to Cease and Desist.
54. Based upon the actions listed above, Respondent Diamond has committed acts that are grounds for the Commissioner ordering payment of a civil fine, refund of any overcharges, restitution made to cover losses, damages or other harm attributed to Respondent’s violation of the Code, and/or licensing sanctions under Sections 150, 1239, 1244, 2038, 2040, 2069, and 4511 of the Code for the Respondent’s violation of Sections 402, 1201a, 1208a, 1239(1), 2005, 2064, and 4503 of the Code.

B. ORDER

Based upon the findings of fact and conclusions of law above, and Respondent Diamond’s stipulation to said facts, it is hereby ORDERED that:

1. Respondent Diamond shall immediately cease and desist from operating in a manner that violates the Michigan Insurance Code, 1956 PA 218, as amended, MCL 500.100 *et seq.*
2. Respondent Diamond shall provide OFIR with a list of all known persons/policyholders to whom Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company sold insurance within 30 days of the issuance and entry of this Order.

3. Respondent Diamond shall send a letter to all known policyholders that were sold insurance by Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company and provide OFIR with a copy of the letter within 30 days of the issuance and entry of this Order.
4. Respondent Diamond shall pay restitution to all known policyholders that were sold insurance by Respondents Diamond, Ethos Insurance – Michigan, Ethos Insurance Group, and Ethos Mutual Insurance Company.
5. Respondent Diamond shall pay to the state of Michigan, a civil fine of One Thousand Dollars (\$1,000.00). Upon acceptance of this Order, OFIR will send an Invoice to Respondent Diamond, and Respondent Diamond shall pay the fine by the due date printed on the Invoice.
6. Respondent Diamond's insurance producer license and authority are hereby **REVOKED**.

OFFICE OF FINANCIAL AND
INSURANCE REGULATION

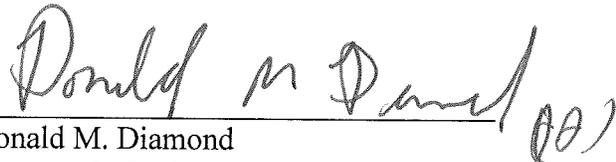


Annette E. Flood
Chief Deputy Commissioner

C. STIPULATION

1. Respondent Diamond has read and understands the Consent Order above. Respondent Diamond agrees that the Chief Deputy Commissioner has jurisdiction and authority to issue this Consent Order pursuant to the Insurance Code. Respondent Diamond waives his right to a hearing in this matter if this Consent Order is issued. Respondent Diamond 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 Diamond waives any objection to the Commissioner deciding this case following a hearing in the event the Consent Order is not approved. Respondent Diamond admits the findings of fact and conclusions of law set forth in the above Consent Order and agrees to the entry of this Order. Respondent Diamond 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.

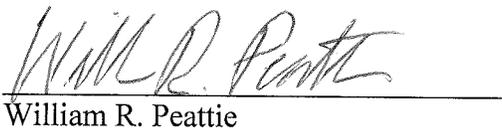
2. Respondent Diamond understands and intends that by signing this Stipulation, Respondent Diamond is waiving the right, pursuant to the Code, the rules promulgated thereto, and the MAPA, to a hearing before an administrative law judge, at which the OFIR would be required to prove the charges set forth by presentation of evidence and legal authority and at which Respondent Diamond 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.



Donald M. Diamond
System ID No. 0562440

Dated: 7/9/12

OFIR staff approves this Stipulation and recommends that the Commissioner issue the above Consent Order.



William R. Peattie
Dated: 7/17/12

