

**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:

United Defend Company

Enforcement Case No. 11-11367

iWorld Financial Group

Chris Smith

Scott Roughen

Respondents

Issued and entered
On 9-21-11, 2011
by Annette E. Flood
Chief Deputy Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Regulation (OFIR) of the Michigan Department of Licensing and Regulatory Affairs pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Insurance Code, 1956 PA 218, as amended; MCL 500.100 *et seq.* (Code), and the rules promulgated under the Code, says that:

**I
BACKGROUND**

1. At all pertinent times, Chris Smith (Smith) was a resident of [REDACTED] who is 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.
2. At all pertinent times, Scott Roughen (Roughen) was the incorporator of the United Defend Company who is also 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.
3. At all pertinent times, United Defend Company (United) was incorporated by Roughen in the State of Colorado with its registered office located at P.O. Box 280790 Lakewood, CO 80228. United held itself out to the public to have a business office in Michigan that was located at 2885 Sanford Ave., SW #12711, Grandville, MI. United 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.
4. At all pertinent times, iWorld Financial Group (iWorld) was an unincorporated business that held itself out to the public to have a business office in Michigan located at 2885 Sanford Ave., SW #12711, Grandville, MI. iWorld 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.
5. Smith, Roughen, United and iWorld, are collectively herein referred to as Respondents.
6. In May 2011, OFIR received a complaint concerning Smith, Roughen, United and iWorld. The complaint alleged that these Respondents were acting as an insurance producer, an insurance agency, and/or an insurance company by issuing Insurance Agents

Errors and Omissions Certificate of Coverage originating in the State of Michigan without proper licensure.

7. On May 31, 2011, OFIR Staff went to United and iWorld's Michigan office located at the Grandville address and found that the office location is a mail forwarding business. Smith contracted with the mail forwarding business as an agent of United to forward United's mail to his business location in Colorado. Neither United, nor iWorld have a physical office location at the Grandville address.
8. OFIR also received information that Respondents were selling, soliciting, or negotiating insurance via its internet site uniteddefendco.com and Facebook. On Facebook, iWorld advertised the availability and sale of errors and omission coverage to insurance agents through United. Insurance agents could visit United's website to submit an application for errors and omissions coverage, remit premium payment via credit card and receive a certificate of coverage via the internet.
9. OFIR Staff obtained information and declarations showing that insurance agents and insurance agencies located in Arizona, California, New York, Texas, New Jersey and Utah purchased errors and omissions coverage from United for a 12 month period with coverage limited to the sale and servicing of insurance policies and financial planning services with respect to the sale of life insurance products. The policy limits of liability were \$1 million per act and \$2 million aggregate.
10. Respondents collected premium money for the policies via credit and debit cards. The consumers were unaware at the time of purchase that their funds were being wired out of the country to Belize City, Belize, and that they would incur additional charges to their card for the international wire transfer.

11. Some policyholders demanded that their errors and omissions coverage be cancelled and premium funds refunded. One consumer who had not done business with iWorld received a check from iWorld shortly after cancelling his policy with United. Other consumers received no return of their premium.
12. Respondents held no Michigan appointments with insurance companies, thus it is believed that no insurance coverage was ever provided to the consumers who purchased coverage.
13. At all pertinent times, Respondents did not have a license to sell, solicit, or negotiate insurance or act as an insurance company in the State of Michigan.

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II CONCLUSIONS OF LAW

WHEREAS, Section 251 of the Code, MCL 500.251 states that in the reasonable exercise of discretion, the Commissioner may issue a cease and desist order if the Commissioner 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; and

WHEREAS, the Commissioner finds that under Section 1201a of the Code, a person shall not sell, solicit, or negotiate insurance in Michigan for any line of insurance unless the person is licensed for that qualification; and

WHEREAS, the Commissioner finds the Respondents sold, solicited, or negotiated insurance in the State of Michigan without licenses; and

WHEREAS, the Commissioner finds that under 1208a of the Code a person shall not act as an agent of an insurer unless the producer becomes an appointed agent of that insurer; and

WHEREAS, the Commissioner finds the Respondents are acting as agents of insurers without being appointed agents of those insurers; and

WHEREAS, the Commissioner finds that a person must be licensed under Section 402 of the Code in order to conduct transactions of insurance; and

WHEREAS, the records of OFIR do not show that Respondents are licensed under Section 402 of the Code to conduct transactions of insurance in the State of Michigan; and

WHEREAS, the Commissioner finds that, in addition to any other powers under this act, the Commissioner shall refuse to issue an insurance producer's license or may levy a civil fine under Section 1244 of the Code for violating any insurance laws or violating any regulation, subpoena, or order of the commissioner or of another state's insurance commissioner; and

WHEREAS, the Commissioner finds that Respondents violated, including but not limited to, Sections 402, 1201a, 1208a, 1239(1), 2005, and 4503 of the Code; and

WHEREAS, the Commissioner finds that under Section 1239 of the Code, the Commissioner shall refuse to issue a producer's license or may levy a civil fine under Section 1244 of the Code for improperly withholding, misappropriating, or converting money or property received in the course of doing insurance business; and

WHEREAS, the Commissioner finds that Respondents were improperly withholding, misappropriating, or converting any money or property received in the course of doing insurance business; and

WHEREAS, the Commissioner finds that under Section 1239 of the Code, the Commissioner shall refuse to issue an insurance producer's license or may levy a civil fine under Section 1244 of the Code for intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance; and

WHEREAS, the Commissioner finds that Respondents were intentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance; and

WHEREAS, the Commissioner finds that under Section 1239 of the Code, the Commissioner shall refuse to issue an insurance producer's license or may levy a civil fine under Section 1244 of the Code for using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere; and

WHEREAS, the Commissioner finds that Respondents used fraudulent, coercive, or dishonest practices and demonstrated incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere; and

WHEREAS, the Commissioner finds that under Section 2005 of the Code, 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 that misrepresents the terms, benefits, advantages, or conditions of an insurance policy; and

WHEREAS, the Commissioner finds that Respondents committed an unfair or a deceptive act or practice in the business of insurance in violation of Section 2005 of the Code by misrepresenting the terms, benefits, advantages, or conditions of an insurance policy; and

WHEREAS, the Commissioner finds that under Section 4503 of the Code 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; and

WHEREAS, the Commissioner finds that Respondents are violating Section 4503 of the Code by committing fraudulent insurance acts; and

WHEREAS, based on all of the foregoing, the Commissioner finds that Respondents are engaged in acts and practices that violate the Code; and

WHEREAS, the Commissioner finds this action necessary and appropriate in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Code.

IT IS THEREFORE ORDERED, pursuant to Section 251 of the Code, that Respondents shall immediately **CEASE AND DESIST** from violating Sections 402, 1201a, 1208a, 1239(1), 2005 and 4503 of the Code by acting as an insurance producer, an insurance agency or as an insurance company to conduct the business of insurance in the State of Michigan.

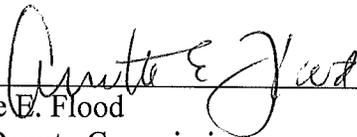
A person who violates or otherwise fails to comply with a cease and desist order is subject to a civil fine of not more than \$1,000.00 for each violation not to exceed an aggregate civil fine of \$30,000.00. However, if the person knew or reasonably should have known the person was in violation of the order, payment of a civil fine of not more than \$25,000.00 for each violation not to exceed an aggregate civil fine of \$250,000.00. The Commissioner may also recover reasonable attorney fees if judicial action is necessary for enforcement of a cease and desist order under this section.

A person who is the subject of a cease and desist order may contest the order by requesting a hearing before the Commissioner not later than 30 days after the order is delivered or mailed to the person. Within 10 days after receiving the request, the Commissioner shall commence a hearing in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969. Pending the hearing, the cease and desist order continues in full force and effect unless the order is stayed by the Commissioner. Any request for a hearing

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should be addressed to: the Office of Financial and Insurance Regulation, Attention: Hearing
Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.

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LICENSING AND REGULATORY AFFAIRS

By: 
Annette E. Flood
Chief Deputy Commissioner
Office of Financial and Insurance Regulation

