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OFFICE OF
INSURANCE COMMISSIONER

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Heardings Unit, DIC
Pamela L. Robinson
Chief Insurance Officer

In the Matter of

EDMUND C. SCARBOROUGH and
WALTER W. WOLF,

Respondents

) No. 13-0084
)
) NOTICE OF REQUEST FOR HEARING
) FOR IMPOSITION OF FINES
)

I. REQUEST FOR IMPOSITION OF FINES

A. BASIS

Walter Wolf is a Washington-licensed producer. He has been licensed since 1975 and has not had any complaints against him with the Washington OIC. He sells surety bonds, and is properly licensed to do so. However, Mr. Wolf is not licensed either as a surety insurer or a surplus lines broker.

Edmond Scarborough is the Chief Executive Officer of IBCS Group, Inc., an entity incorporated in Florida. Mr. Scarborough is a resident of Virginia. He claims to hold approximately 23,000 gross tons of mined coal on his personal property in Nicholas County, West Virginia. He uses this mined coal as collateral when guaranteeing surety bonds. Neither Mr. Scarborough nor IBCS are licensed as insurance producers or insurers in Washington. Mr. Scarborough pledged as an individual surety (rather than IBCS Group, Inc.) for the surety bonds in question.

In May, 2012, OIC received a complaint that Mr. Wolf and Mr. Scarborough were listed as individual sureties on a performance bond for the City of Clarkston, WA in the amount of \$754,543.09. The complainant represents a material supplier on the construction project, which alleged that it was owed for materials furnished for the project.

The performance bond, Bond No. SKYLINEPP05112011, shows that Mr. Wolf is listed as the agent or broker, and the sureties are listed as "Edmund Scarborough & Walter W. Wolf, Individual Sureties." The document is purportedly signed by both Mr. Scarborough and Mr. Wolf under signature lines that say their names and "individual surety."

The City of Clarkston filed suit against Skyline Contractors, Inc., Mr. Wolf, Mr. Scarborough, and Wells Fargo Bank (the issuer of an Irrevocable Trust Receipt which purports to place the



coal in escrow), claiming breach of contract by Skyline and alleging, in part, that the City of Clarkston has received bond claims in the amount of \$135,694.72.

In addition to the surety sold to the City of Clarkston, Mr. Wolf has participated in two other Washington surety transactions with Mr. Scarborough and IBCS, Inc.. (There are some discrepancies as to one of them which are being investigated.)

Mr. Scarborough and IBCS Group, Inc. have judgments against them in the Commonwealth of Virginia, and the State of Iowa in matters identical to the instant case. In both cases, Mr. Scarborough was assessed significant fines for transacting the business of an individual surety insurer without proper licensure. Both Virginia and Iowa have ordered Mr. Scarborough and IBCS not to do business in those states.

1. By acting as insurers in this state without a certificate of authority, Mr. Wolf and Mr. Scarborough violated RCW 48.05.030(1).

2. By soliciting and transacting insurance business in this state on behalf of an unauthorized insurer without being licensed as surplus lines brokers, Mr. Wolf and Mr. Scarborough violated RCW 48.15.020 and RCW 48.15.070.

B. PENALTIES AND RELIEF REQUESTED

1. Pursuant to RCW 48.15.020 and RCW 48.17.560, the OIC seeks to impose a fine against Mr. Wolf in the total amount of \$5,000 for one violation of RCW 48.05.030(1) and three violations each of RCW 48.15.020 and RCW 48.15.070.

2. Pursuant to RCW 48.15.020 and RCW 48.17.560, the OIC seeks to impose a fine against Mr. Scarborough in the total amount of \$75,000 for three violations each of RCW 48.05.030(1), RCW 48.15.020, and RCW 48.15.070.

II. NOTICE OF HEARING

The Insurance Commissioner will convene a hearing at a date, location, and time to be determined, to consider the allegations above and the sanctions to be imposed upon Mr. Wolf and Mr. Scarborough pursuant to RCW 48.15.020 and RCW 48.17.560. At the hearing, the OIC will present evidence showing that Mr. Wolf and Mr. Scarborough violated the Insurance Code as summarized above and that the sanctions requested above are authorized under the law. The Respondents may cross-examine OIC witnesses and present any defenses, evidence, or arguments they may have in opposition.

The Insurance Commissioner's staff will participate in this matter through its designated representative, Andrea L. Philhower, P.O. Box 40255, Olympia, Washington, 98504-0255, AndreaP@oic.wa.gov, (360) 725-7063. Pursuant to RCW 34.05.428 and WAC 10-08-083, OIC requests that the Respondents provide the Chief Presiding Officer and Ms. Philhower

with written notification of the identity of any representative who will appear at conferences and hearings, including the person's name, address, e-mail address, and telephone number.

Executed at Tumwater, Washington, this 8th day of March, 2013.

MIKE KREIDLER
Insurance Commissioner

By: Andrea L. Philhower
Andrea L. Philhower,
Staff Attorney - Legal Affairs

CERTIFICATE OF MAILING

The undersigned certifies under the penalty of perjury under the laws of the State of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the State of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action, and competent to be a witness herein.

On the date given below I caused to be served the foregoing NOTICE OF REQUEST FOR HEARING FOR IMPOSITION OF FINES on the following individuals in the manner indicated:

Patricia Peterson, Administrative Law Judge
5000 Capitol Blvd., MS 40255
Olympia, WA 98501

(XXX) Via Hand Delivery

For Mr. Wolf:

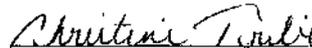
James A. McPhee
Workland & Witherspoon, PLLC
601 W. Main Avenue, Suite 714
Spokane, WA 99201

For Mr. Scarborough and IBCS:

Edward Chang
Ballard Spahr, LLP
100 North City Parkway, Suite 1750
Las Vegas, NV 89106-4617

(XXX) Via U.S. Regular Mail

SIGNED this 2nd day of March, 2013, at Tumwater, Washington.


Christine Tribe