

STATE OF WASHINGTON

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER



OFFICE OF  
INSURANCE COMMISSIONER

FILED  
P.O. BOX 40265  
OLYMPIA, WA 98504-0265  
Phone: (360)725-7000

2013 MAY -9 P 1:32

Hearing Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

In the Matter of

GERONIMO R. VILLARREAL, ) No. 13-0139  
VILLARREAL INSURANCE AND TAXES )  
Respondents ) NOTICE TO SHOW CAUSE  
)  
)

To: Geronimo R. Villarreal  
And To: Villarreal Insurance & Taxes

Pursuant to RCW 48.04.050, you are hereby notified that the Washington State Office of the Insurance Commissioner intends to enter an order revoking the insurance licenses of Geronimo R. Villarreal and Villarreal Insurance & Taxes unless the Licensees show cause at the hearing in this matter why such action should not be taken. This proposed action is based upon the following grounds:

**A. BASIS**

**The Complaint**

1. This matter came to OIC's attention as the result of a complaint from a consumer. The consumer alleged that producer Sandra Castillo was misappropriating his cash payments for insurance premiums. Ms. Castillo was affiliated with Villareal Insurance & Taxes (the "Agency"). The Agency holds a Washington resident producer's license, WAOIC #237507, issued November 6, 1996.

2. The consumer alleged that he went in person to the Agency and paid for his auto premiums in cash. He claimed that he always paid for each entire six-month period of coverage up front. At some point, the consumer sought the assistance of another insurance producer in Othello, WA (where he and Ms. Castillo live). That new producer obtained a Prior Insurance Report and discovered that the consumer had a record of several lapses of his insurance for nonpayment. Given his alleged habit of paying cash in advance for the entire coverage period, the consumer could not understand this. The new producer obtained some documents from various insurance companies, which appear to show that the consumer had auto insurance policies with four different companies from 2007 to 2012. The history from each insurance company appears to show multiple cancellations and lapses in coverage.

3. The consumer alleges that he never received any notices of unpaid premiums or notices of lapses in his insurance coverage. The documents show that, on November 28, 2011, Ms.

Castillo changed the address given to the insurance companies for the consumer from his home address to the address of Ms. Castillo's office. Ms. Castillo admits that she used the office address for the consumer. She alleges that she did this because he was disruptive when he visited the Agency and because he told her that he only wanted to receive his proof of insurance cards, and nothing else, by mail. There is no evidence that she ever asked him for permission, or told him that she was going to change his address so that all correspondence related to his auto insurance would be received by her office.

4. The documentation in this matter is voluminous and does not fit neatly together. The consumer provided copies of some receipts, allegedly from the Agency for his cash payments. However, he does not have receipts for all of his payments since Ms. Castillo originally became his insurance producer in approximately 2005. In addition, the receipts do not have policy numbers on them, frequently do not list the name of the insurer, are for cash amounts and dates that do not correspond with the premium amounts and dates on the insurance documents, and dates of coverage seem to overlap. OIC was unable to recreate Ms. Castillo's actions with respect to this consumer's coverage. However, the documents clearly show that the payments made by Ms. Castillo for the consumer's coverage were for the monthly payment option (not payment in full for the entire coverage period) and were less than the amounts shown on the cash receipts. The documents also show lapses in coverage and cancellations for nonpayment of premiums.

5. When contacted by OIC during the investigation of this matter, Ms. Castillo denied misappropriating or converting any of the consumer's premium payments. However, she did admit "yes I was neglectful in applying payments on time and I would do as I remembered." Ms. Castillo told OIC, "I know I have a mess." She admitted that she got very behind in her work and that she stopped selling business and trucking insurance "to get myself together." The documents and this confession, together, support a violation of RCW 48.17.530(1)(d), "improperly withholding, misappropriating, or converting any moneys or properties received in the course of doing insurance business."

6. Ms. Castillo was unable to produce records of the consumer's payments or of his insurance coverage. She alleged that former employees had thrown out receipt books. She did not have records of the consumer's coverage in response to OIC's requests, but had to obtain them from the insurers. Her written confession to poor recordkeeping and improper money handling, along with the lack of documentation of the consumer's coverage support a violation of RCW 48.17.470(1)(a)(i), which requires every insurance producer to retain a record of all transactions consummated under the license. The record must be in organized form and include a record of each insurance contract procured or issued, together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance. Subsection (2) of that statute requires the producer to maintain all such records as to any particular transaction for five years following completion of the transaction.

7. The documents and Ms. Castillo's statement also support a violation of RCW 48.17.480(2), which requires that all funds representing premiums received by an insurance producer shall be so received in the insurance producer's fiduciary capacity, and shall be promptly accounted for and paid to the insurer as entitled thereto. They also support a violation of subsection (3) of that statute, which provides that any licensee who receives funds which should be paid to another person as a result of or in connection with an insurance transaction is deemed to have received the funds in a fiduciary capacity, and must promptly account for and pay the funds to the person entitled to the funds.

8. Sandra Castillo left her employment with Villarreal Insurance & Taxes in 2012. She has since surrendered her Washington State Resident Insurance Producer's license.

9. As a result of all of the missing documents, the discrepancies in the documents that do exist, Ms. Castillo's admission to inadequate or nonexistent bookkeeping, and OIC's concerns about the lack of agency oversight by the Designated Responsible Licensed Person ("DRLP"), OIC determined that a financial examination of Villarreal Insurance & Taxes was necessary.

### **The First Financial Examination**

10. As part of the First Financial Examination of the Agency (the "First Exam"), an OIC Financial Examiner conducted an on-site examination of the records of Villarreal Insurance & Taxes. Jerry Villarreal answered the Examiner's questions and provided access to the financial records of the agency.

11. The First Exam showed that the Agency failed in several ways to keep records as required under RCWs 48.17.470, 48.17.480, and 48.17.600, and WAC 284-12-080. As a result, there was no way to track consumer premium payments or payments to parties entitled to the funds. See attached Exhibit 1, entitled "Financial Examination of Villarreal Insurance and Taxes" dated December 3, 2012 (the "First Examination Report").

12. The First Exam also showed that the Agency's separate premium account had recurring shortages, which Jerry Villarreal stated that the Agency had addressed by attaching a \$5,000.00 line of credit to the account as overdraft protection. There were records of \$6,700.00 in business loan advances to the separate premium account between May and October, 2011. Two of these charges were for the Agency, rather than an insurer, paying a consumer's \$2,053.95 claim to a collision shop. Bank charges for overdrafts aggregated to \$1,485.00 for the first 9 months of 2012, and the account was overdrawn on the most current statement available at the time of the exam. See First Examination Report, at pgs. 2-3. These were violations of RCW 48.17.600(1) and WAC 284-12-080.

13. The separate premium account was not reconciled. Jerry Villarreal stated that he merely scans the bank statement when it arrives. See First Examination Report, at pg. 4. This is a violation of RCWs 48.17.480(2), 48.17.600(1), and 48.17.470, and WAC 284-12-080(8).

14. When it was concluded, the OIC Examiner notified the Agency that this was an unacceptable examination. The Examiner then drafted the First Examination Report setting forth her findings. See, First Examination Report, at Pg. 6. The First Examination Report also included instructions to the Agency to correct the violations that were found.

15. Jerry Villarreal told the Examiner that he believed the problem with Villarreal Insurance & Taxes' bookkeeping had been Sandra Castillo and that, since she was no longer at the Agency, the problem had been solved. He stated that he believed the Agency's accounting practices were adequate. He asked the Examiner what could happen to him as a result of the unacceptable Exam. The Examiner informed him of the possibility of disciplinary action.

16. The First Examination Report was provided to Villarreal Insurance & Taxes. It included notification to the Agency that OIC would be conducting a Financial Re-examination on March 12, 2013. See First Examination Report, at pg. 6.

### **The Second Financial Examination**

17. Three weeks prior to the date for the scheduled re-examination, the OIC Financial Examiner contacted Villarreal Insurance & Taxes. She sent a certified letter, fax, and email reminding him of the re-examination and requesting that DRLP Jerry Villarreal notify her of the status of his and the Agency's efforts to correct the three compliance violations in the Report of Examination.

18. There was no response to this request, either from Jerry Villarreal or from anyone on behalf of Villarreal Insurance & Taxes.

19. The Examiner therefore called the Agency on March 8, 2013, to confirm the exam appointment and ask about the changes made by the Agency in response to the Examination Report. She spoke to a man who identified himself as "Tony Villarreal."

20. During this phone call, the man stated that no changes have been made to the Agency's operating procedures, and the Agency has not implemented any accounting system. He said that he believes Sandra Castillo had been the problem with the Agency in the past, and she is no longer with the agency. He stated that he does not believe that he should have to change the way the Agency operates. The man said that, if the examiner returned to the Agency, he could provide bank statements showing that he has made deposits, but they would also show that the balance was negative. He stated he did not know what else he could provide.

21. The man admitted that he has not filed a police report regarding the money allegedly taken by Ms. Castillo. He stated that five or six people have come to the Agency with receipts from Ms. Castillo for their cash payments which they claim were not forwarded to their insurers. He reported that as of the week just ended, the Agency's separate premium account was overdrawn, and that he had to transfer \$2,000 of his own money to the account, so that the account has had a positive balance for the past ten days.

22. As a result of these statements, the OIC financial examiner sent an email to the Agency asking a series of questions to be answered in writing, in order to determine whether a re-examination was necessary. This list of questions asked specifically what changes had been made in response to each of the instructions in the First Exam Report. The response, signed by Tony Villarreal, does not set forth any change made as a response to any of the instructions. At best, it suggests that Tony Villarreal and the newly-licensed agent now affiliated with the Agency, Laconda Braziel, are attempting to watch the existing system of bookkeeping more closely. As that system does not meet statutory requirements, closer monitoring would be inadequate to resolve the violations.

23. On March 25, 2013, the OIC Examiner conducted a second on-site examination of Villarreal Insurance & Taxes. She met with Tony Villarreal, who stated that he was the acting owner/manager of the Agency. Tony Villarreal answered the Examiner's questions and provided access to the Agency's records available for examination. He stated that DRLP Jerry Villarreal remained out of the country on a mission in Columbia. See Financial Re-Examination of Villarreal Insurance and Taxes, dated April 8, 2013 ("Second Exam Report").

24. The Second Exam showed that the Agency still had no accounting system, and the amounts computed for deposit based upon handwritten daily logs did not match the actual amounts deposited to the bank. Therefore, the Agency had not followed Instruction #1 from the First Exam. See Second Exam Report, pg. 2.

25. The Agency had also failed to correct the shortage in the separate premium account or to implement any internal control procedures to stop the continuing overdrafts. Therefore, the Agency had not followed Instruction #2 from the First Exam.

26. There were overdraft charges of \$2,561.00 and bank fees of \$188.68 charged to the account from October, 2012 through February, 2013. The overdrafts went from a low of \$122.44 in December, 2012 to a high of \$1,289.67 in January, 2013. Due to the lack of records, the Examiner had to estimate the amount that would need to be deposited into the separate premium account to correct the overdraft and cover the outstanding sweeps. She estimated the total shortage in the account to be \$2,907.57. See Second Exam Report, pg. 4-5.

27. The Agency had also failed to begin a process of reconciling the separate premium account. Therefore, the Agency had not followed Instruction #3 from the First Exam. See Second Exam Report, pg. 5.

28. The Agency recently began charging fees, and it was found that the fee disclosure forms were not being filled out correctly. Although the Agency was attempting to use the forms, thus it had not entirely failed to follow Instruction #4 from the First Exam, the Examiner learned that the only licensed producer in the Agency was not given access to the information necessary to fill out the forms. See Second Exam Report at pg. 6.

29. Tony Villarreal told the Examiner that he believed the Agency's accounting practices were adequate. He asked the Examiner what could happen to him as a result of the unacceptable

Exam. The Examiner informed him of the possibility of disciplinary action. Tony Villarreal stated that he was aware that the Agency could appeal any disciplinary action, and that one of his relatives is an attorney.

### **The Missing DRLP**

30. Each insurance agency in Washington is required to have a Designated Responsible Licensed Person ("DRLP") who is "responsible for the business entity's compliance with the insurance laws and rules of this state". RCW 48.17.090(3)(b). In other words, each agency is required to have a licensee responsible to see that exactly what happened at Villarreal Insurance & Taxes does not occur.

31. Ms. Castillo was not the DRLP for Villarreal Insurance and Taxes. Laconda Braziel, the licensed person on site at the Agency, is not the DRLP. That person is Geronimo R. ("Jerry") Villarreal. Jerry Villarreal holds a Washington resident producer's license, WAOIC #232334, issued March 21, 1984.

32. OIC could not determine from the records, Ms. Castillo's statements, and the statements of various witnesses exactly how often Jerry Villarreal is in the office, or how much oversight he does of the Agency. However, the evidence is clear that the DRLP has been absent from the agency for long periods of time.

33. In May, 2012, Ms. Castillo told OIC that her "big boss" was out of the country and planned to visit "for a couple of days in August." She appears to be referring to Jerry Villarreal. She also stated, "I myself take the responsibility of all the payments since I have been the only licensed agent here."

34. In March, 2013, the OIC financial examiner sent a series of questions via email to the Agency. The questions were sent to the email address on file at OIC for Geronimo R. Villarreal and Villarreal Insurance & Taxes. However, the responses to these questions were not signed by Jerry Villarreal, but instead included this response: "My name is Hugo (Tony) Antonio Villarreal, son of Geronimo R. Villarreal, partner/owner of Villarreal Ins & Taxes." By return email, OIC asked, "Where is Geronimo R. Villarreal and why are you responding to our questions rather than he?" The response, dated March 14, 2013, was, "The reason that I, Hugo Antonio (Tony) Villarreal have responded to these email questions is that my father, Geronimo R. Villarreal is currently serving a LDS mission in Colombia. Despite the long distance he can make himself available via phone, email or even return to the United States if absolutely needed."

35. Ms. Castillo had reported on May 22, 2012 that Jerry Villarreal was on a trip to Colombia and indicated that, as of that date, Mr. Villarreal had already been on that trip for some time. Tony Villarreal's email responses show that Jerry Villarreal remains on that trip. Thus, it appears that he has not been in the Agency on a regular basis for at least nine months. In addition, Ms. Castillo has informed OIC that, during her time at Villarreal Insurance & Taxes,

Jerry Villarreal had been absent from the agency at one time for two to three years, and at a separate time for approximately a year.

36. Moreover, the man identifying himself as Tony Villarreal states that he is not a licensed Insurance Producer, but is nonetheless running the insurance agency. The responses to OIC's questions included this exchange:

OIC: "What is your role in the business enterprise (the respondent to this email)? Please state what services or oversight you provide."

Tony Villarreal: "I am currently the acting owner/manager of Villarreal Ins & Taxes. My primary areas of services is: accounting, payrolls, filing of state and federal quarterly reports, federal income tax preparation. Though I am not licensed I oversee the day to day P&C operations, reconciliations and deposits."

37. Geronimo R. Villarreal, as the DRLP for Villarreal Insurance & Taxes, is "responsible for the business entity's compliance with the insurance laws and rules of this state." RCW 48.17.090(3)(b). Mr. Villarreal has violated this statute by failing to participate in the activities of the Agency, apparently not even being physically in the United States for significant lengths of time, instead allowing an unlicensed person to assume complete control of the Agency's business.

38. The Examiner noted in the Second Exam Report the responsibility of the DRLP, including:

Assuring that the business processes and internal controls are sufficient to ensure funds received constituting premiums and return premiums are properly handled, accounted for, and paid to the party entitled to the funds (insurer, broker, or insured); required records are maintained; accounts are reconciled; and fees charged to insureds are properly disclosed in compliance with RCW 48.17.250.

The Examiner included an additional Instruction #5 to the Second Exam Report, instructing the Agency and the DRLP to comply with the Insurance Code by "Providing the business oversight necessary to ensure the Agency complies with the Insurance laws and rules of the state of Washington."

39. The Second Financial Exam was closed as an unacceptable examination. See Second Exam Report at pg. 9.

40. By failing to retain for five years a record of all transactions consummated under their licenses in an organized form (including a record of each insurance contract procured or issued, together with the names of the insurers and insureds, the amount of premium paid or to be paid, and a statement of the subject of the insurance), Villarreal Insurance & Taxes and Geronimo R. Villarreal violated RCW 48.17.470(1)(a)(i) and (2).

41. By Ms. Castillo's failure to promptly account for and pay the consumer's premiums to the insurer entitled to them, Villarreal Insurance & Taxes and Geronimo R. Villarreal violated RCW 48.17.480(2) and (3). The licensees are responsible for each of these violations, both as the DRLP under RCW 48.17.090(3)(b) and under the law of agency as Ms. Castillo's employer / principal.

42. By failing to make any of the corrections required in the First Examination Report, both licensees have continued to violate each of the statutes and regulations cited in the First Examination Report, in addition to a violation of RCW 48.17.530(1)(b).

43. Mr. Villareal is responsible for each of these violations, both as the DRLP under RCW 48.17.090(3)(b) and under the law of agency as Ms. Castillo's employer / principal.

44. Under RCW 48.17.530(1)(b), (d), (g), and (h), the Licensees' actions authorize the OIC to revoke, suspend, or place their licenses on probation under the terms of subsection (5) of that statute.

45. The Licensees' ongoing failure to have a DRLP overseeing the activity of the Agency, or to implement statutorily-required recordkeeping procedures, caused or allowed insurance consumers to be harmed, and puts insurance consumers at risk of further financial harm. There is documentary evidence of at least four Insurance Code violations affecting at least one consumer, and Tony Villarreal stated that approximately six consumers have come to the Agency complaining of the same harm. Given the facts, it is not reasonable to conclude that these were the only consumers whose transactions were handled in this manner. Therefore, OIC believes the true number of affected consumers is much higher. The public welfare requires the Commissioner to revoke the Insurance Producers' licenses of Geronimo R. Villarreal and Villarreal Insurance & Taxes.

46. By reason of their conduct and violations of the Insurance Code and implementing regulations, Licensees Geronimo R. Villarreal and Villarreal Insurance & Taxes have shown themselves to be, and are so deemed by the Commissioner, untrustworthy and a source of injury and loss to the public and not qualified to be insurance producers in the State of Washington. Accordingly, the licenses of Geronimo R. Villarreal and Villarreal Insurance & Taxes should be revoked pursuant to RCW 48.17.530 and RCW 48.17.540.

## **B. PENALTIES AND RELIEF REQUESTED**

1. Pursuant to RCW 48.17.530, the OIC seeks the immediate revocation of the Insurance Producer's licenses of Geronimo R. Villarreal and Villarreal Insurance & Taxes.

## **C. NOTICE OF HEARING**

1. Chief Presiding Officer, Patricia Petersen, P.O. Box 40255, Olympia, Washington, 98504-0255, (360)725-7105, has been appointed as Presiding Officer in this matter. A hearing

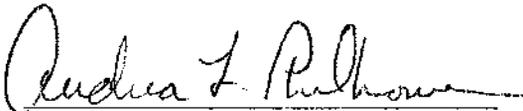
NOTICE OF REQUEST FOR HEARING  
TO SHOW CAUSE

will be scheduled to commence at a date, location, and time to be determined, to consider the allegations above and the sanctions to be imposed upon Geronimo R. Villarreal and Villarreal Insurance & Taxes pursuant to Chapter 48.04 RCW. At the hearing, the OIC will present evidence showing that Mr. Villarreal and Villarreal Insurance & Taxes 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](mailto: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 9<sup>th</sup> day of ~~April~~<sup>May</sup>, 2013.

MIKE KREIDLER  
Insurance Commissioner

By:   
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:

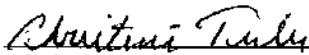
**(XXX) Via Hand Delivery:**

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

**(XXX) Via U.S. Regular Mail:**

Villarreal Insurance & Taxes  
ATTENTION: Geronimo R. Villarreal  
356 E Hemlock Street  
Othello, WA 99344

SIGNED this 9<sup>th</sup> day of May, 2013, at Tumwater, Washington.

  
Christine Tribe

STATE OF WASHINGTON

Phone: (360) 725-7000  
www.insurance.wa.gov

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER



FILED

OFFICE OF  
INSURANCE COMMISSIONER

2013 MAY -9 P 1:32

Heidi H. Hill, DIC  
Patricia D. Peterson  
Chief Executive Officer

In the Matter of

GERONIMO R. VILLARREAL,  
VILLARREAL INSURANCE AND  
TAXES

Respondents,

Order No. 13-0139  
OIC Case Nos. 232334 and 237507

DECLARATION OF  
MARY TUNIS IN SUPPORT OF  
NOTICE TO SHOW CAUSE

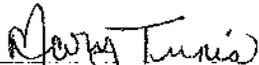
I, Mary Tunis, state and declare as follows:

1. I make this Declaration based on personal knowledge. I am over the age of eighteen (18) years. I am competent and authorized to testify to the matters set forth herein.
2. I am a Financial Examiner with the Washington State Office of the Insurance Commissioner ("OIC"). I have been in this position since September, 2010.
3. As part of my duties as an OIC Financial Examiner, I was assigned to conduct the two Financial Examinations of Villarreal Insurance & Taxes outlined in Paragraphs 10 through 27 of the OIC's Notice to Show Cause No. 13-0139 (the "Show Cause Notice"). These paragraphs accurately summarize my experience in conducting those exams, and the findings in my Reports of Examination.
4. Attached hereto are true and correct copies of my Reports of both the November, 2012 and March, 2013 Financial Examinations of Villarreal Insurance & Taxes. These are the documents referred to in the Show Cause Notice as "First Exam Report" and "Second Exam Report."
5. I have firsthand, personal knowledge of the facts set forth in Paragraphs 10-30, 32, 34, 36, and 37 of the Show Cause Notice, including that Jerry Villarreal and Tony Villarreal made the statements therein.

6. I am aware of documents which support the statements made in Paragraphs 10-32, 34, 36, 38 and 39 of the Notice to Show Cause. I am able and willing to testify regarding those documents and what they show.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

EXECUTED this 3 day of MAY, 2013 at Tumwater, Washington.

  
Mary Tunis

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Phone (360) 725-7000  
www.insurance.wa.gov

OFFICE OF  
INSURANCE COMMISSIONER

December 3, 2012

Villarreal Insurance & Taxes  
Attn: Geronimo R Villarreal, DRLP  
356 E Hemlock St  
Othello, WA 99344

Re: Report of Financial Examination - Case # 1081251

Dear Geronimo R Villarreal, DRLP:

In accordance with RCW 48.03.020, a financial examination was completed at Villarreal Insurance & Taxes.

A copy of the examination report is attached.

If you have any questions, please do not hesitate to contact me at the Washington Office of the Insurance Commissioner in Olympia, Washington at (360) 725-7109.

We appreciate your cooperation and draw your attention to the Summary section of the examination report as notice of re-examination in March, 2013.

Regards,

  
Mary Tunis, CPA, CFE, Financial Examiner  
Consumer Protection Division  
(360) 725-7109  
MaryT@oic.wa.gov

Enclosures

Mailing Address: P. O. Box 40257 • Olympia, WA 98504-0257  
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501



OFFICE OF  
INSURANCE COMMISSIONER

December 3, 2012

Villarreal Insurance & Taxes  
Attn: Geronimo R Villarreal, DRLP  
356 E Hemlock St  
Othello, WA 99344

Case #1081251

FINANCIAL EXAMINATION  
OF  
VILLARREAL INSURANCE AND TAXES

**SCOPE OF THE EXAMINATION**

This examination covers the period of October 1, 2011 through September 30, 2012. On October 29, 2012, I went to Villarreal Insurance and Taxes ("Agency") in Othello, Washington to conduct a financial examination. The onsite work was completed in two days at the Agency's office. This Agency was selected for a fiduciary/financial examination due to concern about the Agency's premium handling practices that came from a consumer complaint investigation.

I met with the Designated Responsible Licensed Person (DRLP) Geronimo R. Villarreal, aka "Jerry R. Villarreal," who provided access to the records available for examination. The Agency is a solo proprietorship owned by the DRLP and operates under UBI # 601 186 399.

The Agency was examined for various aspects of the insurance code, including:

- RCW 48.17.470 Records of insurance producers,
- RCW 48.17.480 Reporting & accounting for premiums,
- RCW 48.17.600 Separation of premium funds,
- RCW 48.17.250 Insurance producer's bond, and
- RCW 48.17.270 Compensation disclosure for insurance producers.

## COMMENTS AND INSTRUCTIONS

### **1. Records of Insurance Producers**

We requested the detail financial records (general ledger) and the bank statements to review the transaction activity in the separate premium account. Mr. Villarreal related that the Agency does not currently use a financial software application to track insurance or financial transactions, such as payments to insurers, and does not generate a monthly Balance Sheet or Income Statement. He further related the computer containing the QuickBooks Pro 2006 financial software experienced a power surge and he was unable to retrieve the profit and loss statement.

The Agency had used manual Receipt books, which were missing, and one of the licensed producers was in the process of reconstructing the daily receipts by printing out the individual customer transactions uploaded to the insurers' websites and comparing them to the transactions on the daily recap sheet. The recap sheet itemizes all Agency transactions by customer and insurer and contains summarized totals for the payment attribute, ("CASH & CHECKS" and "CREDIT CARD PMI"). There is a space on this form designated for the daily bank deposit amount, "TOTAL DEPOSIT". However, the Agency was not entering the amount of the actual deposit on the form, or reconciling the daily receipts to the actual amount of the bank deposit.

**The Agency is instructed to comply with RCWs 48.17.470, RCW 48.17.480, RCW 48.17.600, and WAC 284-12-080 by:**

**Establishing and maintaining an accounting system with an audit trail, so that consumer premium payments and return premiums due insureds are recorded and properly accounted for, from point of receipt, to deposit to bank, and ultimately payment to the party entitled to the funds (insurer, insured, premium finance company, or broker placing the insurance).**

### **2. Separate Premium Account Shortage**

Due to the lack of accounting records, we confined our review to the activity in the separate premium bank account and expanded the period of the review to January 2011 through September 2012. We noted that the Agency did not appear to deposit all funds received into the account, as there were recurring shortages in the separate premium bank account which the Agency had covered by attaching a \$5,000.00 line of credit to the account.

Mr. Villarreal related that he was concerned about the recurring shortages in the account and had added the line of credit as overdraft protection at the advice of his banker. He further related that

he had changed the Agency's business process in August 2012 and posted a sign advising customers that the Agency would no longer accept cash in the office. Customers were advised to secure a money order at the grocery store down the street. There were line of credit advances to the separate premium account during the period of our review as well as payment of a claim to a collision shop, as follows:

Date	Business Loan Advance to Separate Premium Account	Notes
05/19/11	\$500.00	
06/01/11	\$500.00	
06/09/11	\$500.00	
6/13/11	\$100.00	
06/14/11	\$1,500.00	
06/16/11	\$300.00	
10/26/11	\$1,500.00	Agency paid \$2,053.95 claim to a collision shop. ***
10/27/11	\$1,800.00	

\*\*\* Mr. Villarreal related that a son of the primary insured had an accident and the insured decided to pay the claim personally rather than submit it to the insurer. He further related the insured provided the Agency cash, which was deposited into the separate premium account, and then the Agency paid the collision shop. We asked Mr. Villarreal to provide the documents supporting the receipt and deposit of the cash to the account and he was not able to do so. He provided a copy of the deposit slips for several days and related that he assumed the deposit included the cash.

Bank charges for overdrafts aggregated to \$1,485.00 for the first 9 months of 2012, and the account was overdrawn on 9/30/12.

Due to the lack of records, we were not able to readily arrive at an estimate of the shortage in the account in an efficient manner.

The Agency is instructed to comply with RCW 48.17.600(1) and WAC 284-12-080 by:

- Depositing ALL funds constituting premiums and return premiums into the separate premium account in a timely manner and maintaining all funds constituting premiums and return premiums in the account intact until paid to the party entitled to the funds (insurer, insured, premium finance company or broker placing the insurance). Due to the overdrafts in the account, deposits should be made daily.

- Depositing additional funds into the account sufficient to correct the shortage. This includes replenishing the account for all bank charges, as the bank fees assessed on the account may not deplete consumer insurance premium.
- Not transacting improper and/or unsupported transactions through the separate premium account (i.e. the claim payment to the collision shop).

### 3. Reconciliation of Separate Premium Account

The separate premium account was not reconciled. Mr. Villarreal related that he scans the bank statement activity when the statement arrives to verify the deposits got into the bank and look at the withdrawals going out.

The Agency is instructed to comply with RCW 48.17.480(2), RCW 48.17.600(1), RCW 48.17.470, and WAC 284-12-080(8) by:

**Reconciling the separate premium bank account every month within a few days after receipt of the bank statement. The reconciliation documentation and the bank statements should be maintained and available for examination for five years as required by RCW 48-17.470(2).**

A properly prepared reconciliation compares 2 independent sets of data (Agency financial records to bank statement activity), identifies variances between the data (including bank charges and fees), and verifies that timing differences resolve (deposits in transit and outstanding sweeps or checks not clearing the account by the end of the month). The documented reconciliation will assist the Agency to demonstrate that all funds received constituting premium and/or return premium are conserved and maintained in the separate premium account intact, so that they are available to remit to the party entitled to the funds.

The Licensee was educated on these issues of non-compliance during the examination, and subsequently provided an Accounting Review Form to sign acknowledging the same.

### COMPANY PROFILE

#### History

DRLP Producer Geronimo R. Villarreal was licensed for all lines insurance on March 21, 1984. Villarreal Insurance and Taxes was licensed on November 6, 1996. The Agency is licensed as a producer for all lines insurance. This enterprise sells insurance and also provides income tax and payroll tax preparation services. The Agency is located at 356 E Hemlock St in Othello, WA.

## **Business Operations**

This is an independent Agency licensed for all lines insurance and writing primarily property and casualty through several Appointed insurers. Mr. Villarreal estimates personal lines comprises approximately 95% of the annual premium volume and commercial is about 5%.

The firm places minimal business through one surplus line broker. This entity in the insurance placement sales channel is not Affiliated. Examples of the insured's that were placed in the non-admitted market, and the risks being insured for the Agency, include mobile homes and trucks.

## **Premium Handling**

Admitted insurers are direct bill and the surplus line referrals may be direct bill or agency bill.

On cancellation, admitted insurers return both premium and unearned commission directly to insureds with a credit (reduction) on the Agency's next commission payment.

## **Fees**

The Agency did not charge insureds a fee during the period of review 10/1/2011 – 9/30/2012. We discussed with all of the Affiliated Producers the requirements of RCW 48.17.270 and how to access and properly use the compensation disclosure form on the Insurance Commissioner's website on the Agents/Brokers tab at: [http://www.insurance.wa.gov/agents\\_brokers/disclosure-form.shtml](http://www.insurance.wa.gov/agents_brokers/disclosure-form.shtml).

If you decide to charge policy fees in the future, it will be important to ensure that you use a compensation disclosure form that meets the requirements of RCW 48.17.270. OIC Compliance Analyst Cheryl Penn can provide additional guidance on how to develop your own compensation fee disclosure form (if you decide not to use the Commissioner's form) or answer questions about how to properly disclose fees. You can reach Cheryl Penn at (360) 725-7153 or [CherylP@oic.wa.gov](mailto:CherylP@oic.wa.gov)

## **ACCOUNTING RECORDS AND INFORMATION SYSTEMS**

The Agency is not currently using software for tracking financial transactions related to insurance or to record Agency income and expenses.

## SEPARATE PREMIUM ACCOUNT

The Agency maintains a separate premium account and an operating account, and we reviewed the transaction activity in these accounts.

- 1) Separate premium checking account. Our review of the account identified several concerns as noted in the Comments and Instructions section of this report. [Shortages in the account, bank charges depleting insurance premium, claim payment, and not reconciling the account.]
- 2) Operating checking account (non-premium) for deposit of income from multiple business enterprises (including insurance commissions) and payment of business expenses.

## FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS

The Agency had no record of previous examination findings.

## SUMMARY

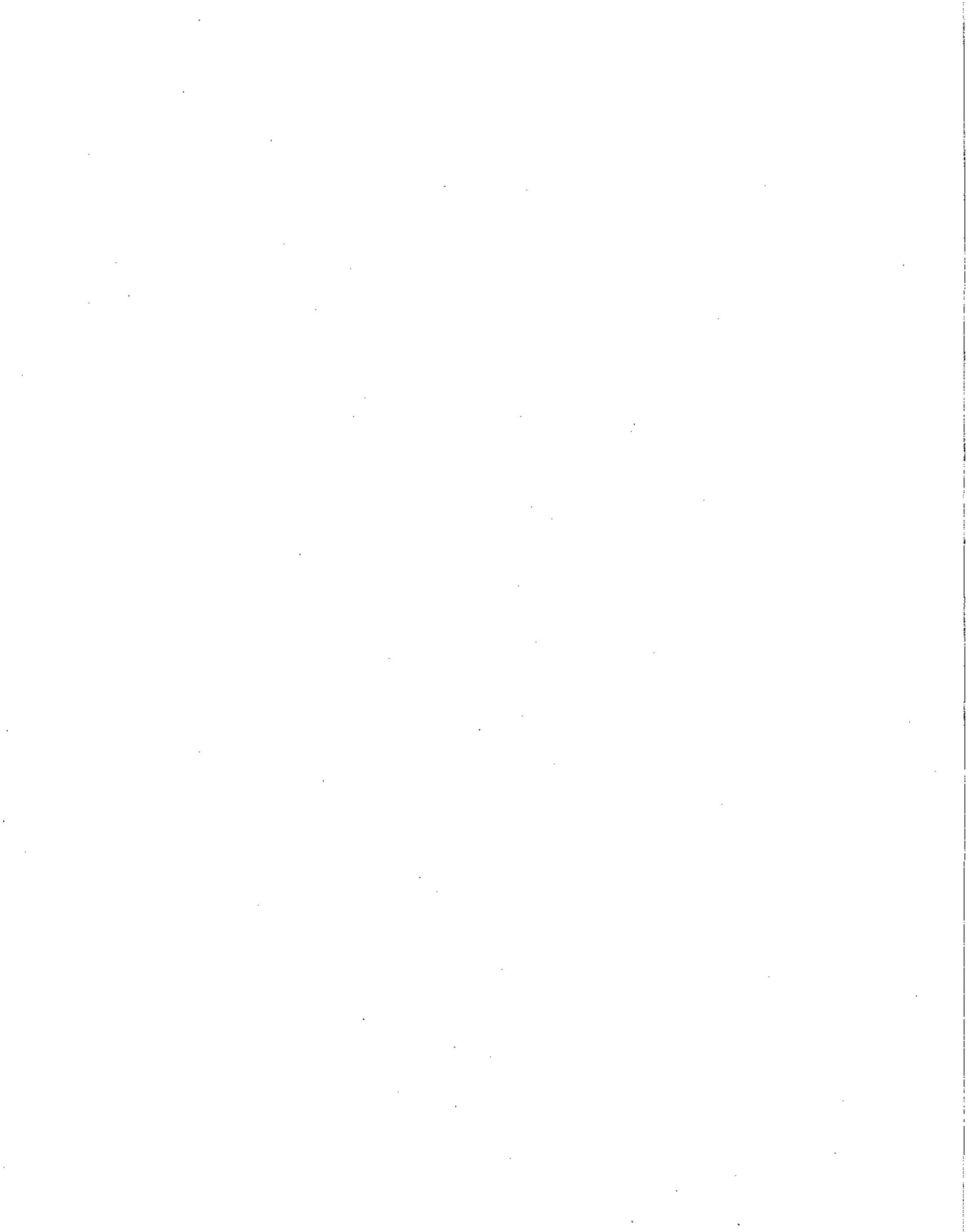
Based on the results of the examination tests performed, the file will be closed as an Unacceptable examination.

We will provide you 90 days to correct the compliance violations addressed in this examination report, and contact you for re-examination beginning on March 12, 2013. At that time, you will be expected to have corrected the three (3) compliance violations discussed in detail in the "Comments and Instructions" section of this report, and summarized below as follows:

1. Establish an accounting system with an audit trail for insurance premium funds. Reconstruct the records from October 1, 2011 forward.
2. Immediately deposit funds in the separate premium account sufficient to correct the shortage.
3. Beginning with December 2012, reconcile the separate premium account properly each month to demonstrate that all funds constituting premiums have been maintained intact in the account until remitted to the party entitled to the funds. Maintain a copy of the monthly reconciliation.

If you have questions or need further clarification, please contact me. We appreciate your time and cooperation during this examination.

Mary E. Tunis, Financial Examiner   
Consumer Protection – Licensing & Education (360) 725-7109





OFFICE OF  
INSURANCE COMMISSIONER

April 8, 2013

Villarreal Insurance & Taxes  
Attn: Geronimo R Villarreal, DRLP  
356 E Hemlock St  
Othello, WA 99344

Case #1111854

FINANCIAL RE- EXAMINATION  
OF  
VILLARREAL INSURANCE AND TAXES

SCOPE OF THE EXAMINATION

This examination covers the period of October 1, 2012 through February 28, 2013. On March 25, 2013, I went to Villarreal Insurance and Taxes ("Agency") in Othello, Washington to conduct a financial examination. The onsite work was completed in two days at the Agency's office. This Agency was scheduled for re-examination to determine if the Agency had implemented the required corrective actions specified in the prior examination report. [Refer to case # 1081251 issued December 3, 2012.] Accordingly, the scope of the work performed was limited to determining if the specified corrections had been implemented.

I met with Hugo (Tony) Antonio Villarreal, who related he was the acting owner/manager of Villarreal Insurance & Taxes, and he provided access to the records available for examination. Tony Villarreal related that the Designated Responsible Licensed Person (DRLP) Geronimo R. Villarreal was currently out of the country serving on a mission in Colombia. The Agency is a sole proprietorship owned by the DRLP and operates under UBI # 601 186 399.

**Background:** This Agency was originally selected for a fiduciary/financial examination due to concern about the Agency's premium handling practices that came from a consumer complaint investigation.



**COMMENTS AND INSTRUCTIONS**

**Prior Case Instruction #1. Records of Insurance Producers**

We requested the detail financial records (general ledger) and the bank statements to review the transaction activity in the separate premium account. Mr. Villarreal related that the Agency does not currently use a financial software application to track insurance or financial transactions, such as payments to insurers, and does not generate a monthly Balance Sheet or Income Statement. He further related the computer containing the QuickBooks Pro 2006 financial software experienced a power surge and he was unable to retrieve the profit and loss statement.

The Agency had used manual Receipt books, which were missing, and one of the licensed producers was in the process of reconstructing the daily receipts by printing out the individual customer transactions uploaded to the insurers' websites and comparing them to the transactions on the daily recap sheet. The recap sheet itemizes all Agency transactions by customer and insurer and contains summarized totals for the payment attribute, ("CASH & CHECKS" and "CREDIT CARD PMT"). There is a space on this form designated for the daily bank deposit amount, "TOTAL DEPOSIT". However, the Agency was not entering the amount of the actual deposit on the form, or reconciling the daily receipts to the actual amount of the bank deposit.

The Agency is instructed to comply with RCWs 48.17.470, RCW 48.17.480, RCW 48.17.600, and WAC 284-12-080 by:

Establishing and maintaining an accounting system with an audit trail, so that consumer premium payments and return premiums due insureds are recorded and properly accounted for, from point of receipt, to deposit to bank, and ultimately payment to the party entitled to the funds (insurer, insured, premium finance company, or broker placing the insurance).

**Update: March 26, 2013:** The Agency has not established an accounting system. The licensed producer is entering the daily payments processed on a manual recap sheet (daily log). The payments to be processed through the separate premium account are being totaled and the TOTAL DEPOSIT amount is entered on the daily log. However, the amount computed for deposit does not match the actual amounts deposited to the bank.

**Prior Case Instruction #2. Separate Premium Account Shortage**

Due to the lack of accounting records, we confined our review to the activity in the separate premium bank account and expanded the period of the review to January 2011 through



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September 2012. We noted that the Agency did not appear to deposit all funds received into the account, as there were recurring shortages in the separate premium bank account which the Agency had covered by attaching a \$5,000.00 line of credit to the account.

Mr. Villarreal related that he was concerned about the recurring shortages in the account and had added the line of credit as overdraft protection at the advice of his banker. He further related that he had changed the Agency's business process in August 2012 and posted a sign advising customers that the Agency would no longer accept cash in the office. Customers were advised to secure a money order at the grocery store down the street. There were line of credit advances to the separate premium account during the period of our review as well as payment of a claim to a collision shop, as follows:

Date	Business Loan Advance to Separate Premium Account	Notes
05/19/11	\$500.00	
06/01/11	\$500.00	
06/09/11	\$500.00	
6/13/11	\$100.00	
06/14/11	\$1,500.00	
06/16/11	\$300.00	
10/26/11	\$1,500.00	Agency paid \$2,053.95 claim to
10/27/11	\$1,800.00	a collision shop. ***

\*\*\* Mr. Villarreal related that a son of the primary insured had an accident and the insured decided to pay the claim personally rather than submit it to the insurer. He further related the insured provided the Agency cash, which was deposited into the separate premium account, and then the Agency paid the collision shop. We asked Mr. Villarreal to provide the documents supporting the receipt and deposit of the cash to the account and he was not able to do so. He provided a copy of the deposit slips for several days and related that he assumed the deposit included the cash.

Bank charges for overdrafts aggregated to \$1,485.00 for the first 9 months of 2012, and the account was overdrawn on 9/30/12.

Due to the lack of records, we were not able to readily arrive at an estimate of the shortage in the account in an efficient manner.

The Agency is instructed to comply with RCW 48.17.600(1) and WAC 284-12-080 by:

- Depositing ALL funds constituting premiums and return premiums into the separate premium account in a timely manner and maintaining all funds constituting premiums and return premiums in the account intact until paid to the



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party entitled to the funds (insurer, insured, premium finance company or broker placing the insurance). Due to the overdrafts in the account, deposits should be made daily.

- Depositing additional funds into the account sufficient to correct the shortage. This includes replenishing the account for all bank charges, as the bank fees assessed on the account may not deplete consumer insurance premium.
- Not transacting improper and/or unsupported transactions through the separate premium account (i.e. the claim payment to the collision shop).

**Update: March 26, 2013:** The Agency has neither deposited funds sufficient to correct the shortage in the separate premium account nor applied effective internal control procedures to gain control over the account. The separate premium account bank statements have all reflected continuing bank overdraft charges and the account is consistently overdrawn at the end of the month. Additionally, bank service charges (transaction fees & overdraft fees) assessed on the account are depleting consumer premium funds, as the Agency is not replenishing the account for the fees.

Month	Overdraft Charges	Bank Fees	Bank Balance – End of Month
October 2012	\$99.00	\$54.80	(\$620.48) overdrawn
November 2012	\$231.00	\$45.64	(\$613.43) overdrawn
December 2012	\$693.00	\$30.44	(\$122.44) overdrawn
January 2013	\$939.00	\$30.33	(\$1,289.67) overdrawn
February 2013	\$599.00	\$27.47	(\$867.97) overdrawn

Due to the lack of accounting records, we estimated the amount that should be in the separate premium account by identifying the premiums deposited into the account according to the February 28, 2013 bank statement and not yet swept out from the account by the insurers. (Premium funds received through February 27<sup>th</sup> were deposited into the account. Outstanding sweeps consisted of Dairyland premiums collected on February 26<sup>th</sup> and 27<sup>th</sup>, Safeco and AMIG premiums collected on February 27<sup>th</sup>, and Unitrin premium collected on February 21<sup>st</sup>.)

Our calculation of the funds that should be in the account identified a shortage of \$2,907.57, or approximately \$3,000 at 2/28/13, as follows.

Outstanding sweeps @ 2/28/13	\$ 2,039.60	
Bank balance @ 2/28/13	<u>(867.97)</u>	
*** Estimated Shortage in the Account	<u>\$ 2,907.57</u>	Amount required to correct overdraft and cover the outstanding sweeps.

\*\*\* Any bank charges and fees incurred after 2/28/13 will increase the amount of the shortage.

A copy of the estimated shortage calculation was provided to Tony Villarreal and discussed with him.

**Prior Case Instruction #3. Reconciliation of Separate Premium Account**

The separate premium account was not reconciled. Mr. Villarreal related that he scans the bank statement activity when the statement arrives to verify the deposits got into the bank and look at the withdrawals going out.

The Agency is instructed to comply with RCW 48.17.480(2), RCW 48.17.600(1), RCW 48.17.470, and WAC 284-12-080(8) by:

**Reconciling the separate premium bank account every month within a few days after receipt of the bank statement. The reconciliation documentation and the bank statements should be maintained and available for examination for five years as required by RCW 48-17.470(2).**

A properly prepared reconciliation compares 2 independent sets of data (Agency financial records to bank statement activity), identifies variances between the data (including bank charges and fees), and verifies that timing differences resolve (deposits in transit and outstanding sweeps or checks not clearing the account by the end of the month). The documented reconciliation will assist the Agency to demonstrate that all funds received constituting premium and/or return premium are conserved and maintained in the separate premium account intact, so that they are available to remit to the party entitled to the funds.

**Update: March 26, 2013:** The Agency was unable to provide any evidence that this account is being reconciled. In light of the continuing shortages in the account, we suggest the Agency consider:

- Verifying that each insurer sweep is supported by a corresponding consumer receipt on the daily log.
- Verifying all receipts on the daily log are totaled correctly and were deposited to the separate premium account.
- Making timely deposits (daily) to ensure funds are in the account prior to the insurer's attempted sweep to retrieve premium. [Daily deposits prevent currency from continuing to build up in the office and also reduce the risk of misappropriation.]

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- Maintaining additional funds in the separate premium account sufficient to pay recurring bank account maintenance fees or immediately depositing additional funds in the account each month sufficient to cover the account maintenance fees incurred.
- Comparing the separate premium account bank balance at the end of the month to the outstanding/unpaid insurer sweeps/checks and broker account current billing statements/outstanding checks to verify the balance is sufficient to demonstrate the premium funds have been properly handled in compliance with separate premium account requirements.

**Instruction #4. Fees charged and compensation disclosure forms.**

The Agency did not charge insureds a fee during the period of our initial review, October 1, 2011 through September 30, 2012. We discussed with Affiliated Producers Sandra Castillo and Laconda Braziel, as well as acting Owner/Manager Tony Villarreal the requirements of RCW 48.17.270 and how to access and properly use the compensation disclosure form on the Insurance Commissioner's website on the Agents/Brokers tab at:

[http://www.insurance.wa.gov/agents\\_brokers/disclosure-form.shtml](http://www.insurance.wa.gov/agents_brokers/disclosure-form.shtml).

We advised the Agency that if it was decided to charge policy fees in the future, it would be important to use a compensation disclosure form that meets the requirements of RCW 48.17.270. We further advised that OIC Compliance Analyst Cheryl Penn could provide additional guidance on how to develop their own compensation fee disclosure form (if it was decided not to use the Commissioner's form) and that Ms. Penn would answer questions about how to properly disclose fees. We provided Cheryl Penn's contact as (360) 725-7153 or [CherylP@oic.wa.gov](mailto:CherylP@oic.wa.gov)

**Update: March 26, 2013:** The Agency recently began charging fees and related they had used the Compensation Disclosure Form on the Commissioner's website. Due to the lack of accounting records there was no listing available of the fees charged. We requested copies of all Compensation Disclosure Forms completed and found the forms were not properly completed, as the Agency was disclosing only the fee charged and not the commission to be received from the insurer. Producer Braziel related that she does not see the Dairyland Commission statements for the Agency, so she did not know how much the Agency earned and would not be able to enter the amount on the form.

The Compensation Disclosure issue is referred to OIC Compliance Analyst Cheryl Penn for her review and instruction to the Agency in this matter.

**Instruction #5. Administrative Oversight Responsibility of the DRLP**

In light of the prior consumer complaint investigation, the continuing issues of non-compliance that have not been corrected, and the absence of the Designated Responsible Licensed Person (DRLP) Geronimo R Villarreal from the proximity of the business operation, the Agency is reminded that the DRLP has a critical role overseeing the administrative side of business operation. RCW 48.17.090(3)(b) states that the business entity's designated licensed producer is "... responsible for the business entity's compliance with the insurance laws and rules of this state."

This includes assuring that the business processes and internal controls are sufficient to ensure funds received constituting premiums and return premiums are properly handled, accounted for, and paid to the party entitled to the funds (insurer, broker, or insured); required records are maintained; accounts are reconciled; and fees charged to insureds are properly disclosed in compliance with RCW 48.17.250.

We asked Tony Villarreal, the acting owner/manager of the Agency, if there were any additional consumer complaints regarding premium payments not applied properly to the accounts of the insureds, and how these complaints were being resolved. He related that there were several additional complaints that came to his attention after the initial exam.

He further related the Agency is requesting the complainants to provide copies of the receipts previously issued to them by Producer Sandra Castillo, contacting Producer Castillo to confirm that the customer could have been one of the ones impacted, then the Agency is performing additional research, and subsequently deciding on a case-by-case basis how to resolve the complaints.

**The Agency, in general, and DRLP Geronimo R Villarreal, specifically, are instructed to comply with RCW 48.17.480(2) and RCW 48.17.480(4) by:**

**Providing the business oversight necessary to ensure the Agency complies with the insurance laws and rules of the state of Washington.**

**COMPANY PROFILE**

**History**

DRLP Producer Geronimo R. Villarreal was licensed for all lines insurance on March 21, 1984. Villarreal Insurance and Taxes was licensed on November 6, 1996. The Agency is licensed as a

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producer for all lines insurance. This enterprise sells insurance and also provides income tax and payroll tax preparation services. The Agency is located at 356 E Hemlock St in Othello, WA.

**Business Operations**

This is an independent Agency licensed for all lines insurance and writing primarily property and casualty through several Appointed insurers. Personal lines is estimated to comprise approximately 95% of the annual premium volume and commercial is about 5%.

The firm places minimal business through one surplus line broker. This entity in the insurance placement sales channel is not Affiliated. Examples of the insured's that were placed in the non-admitted market, and the risks being insured for the Agency, include mobile homes and trucks.

**Premium Handling**

Admitted insurers are direct bill and the surplus line referrals may be direct bill or agency bill.

On cancellation, admitted insurers return both premium and unearned commission directly to insureds with a credit (reduction) on the Agency's next commission payment. We found no brokered agency bill cancellation return premiums due insureds.

**ACCOUNTING RECORDS AND INFORMATION SYSTEMS**

The Agency is not currently using software for tracking financial transactions related to insurance or to contemporaneously record Agency income and expenses.

**SEPARATE PREMIUM ACCOUNT**

The Agency maintains a separate premium account and an operating account, and we reviewed the transaction activity in these accounts.

- 1) Separate premium checking account. Our review of the account identified several concerns as noted in the Comments and Instructions section of this report. [Shortages in the account, bank charges depleting insurance premium, claim payment, and not reconciling the account.]

- 2) Operating checking account (non-premium) for deposit of income from multiple business enterprises (including insurance commissions) and payment of business expenses.

**FOLLOW UP ON PREVIOUS EXAMINATION FINDINGS**

The Agency has not implemented corrective action to resolve previous examination findings.

**SUMMARY**

Based on the results of the examination tests performed, the file will be closed as an Unacceptable examination. The file is being referred for review and possible enforcement action.

If you have questions or need further clarification, please contact me.

*Mary E. Tunis*

Mary E. Tunis, Financial Examiner  
Consumer Protection -- Licensing & Education  
(360) 725-7109

STATE OF WASHINGTON

MIKE KREIDLER  
STATE INSURANCE COMMISSIONER



P.O. BOX 40255  
OLYMPIA, WA 98504-0255  
Phone: (360)725-7000

FILED

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MAY - 9 P 1: 32

In the Matter of

GERONIMO R. VILLARREAL,  
VILLARREAL INSURANCE AND  
TAXES

Respondents,

Order No. 13-0139  
Hearing Unit, DIC  
Patricia D. Petersen  
OIC Case Nos. 232334 and 237507

DECLARATION OF  
BARRY WALDEN IN SUPPORT OF  
NOTICE TO SHOW CAUSE

I, Barry Walden, state and declare as follows:

1. I make this Declaration based on personal knowledge. I am over the age of eighteen (18) years. I am competent and authorized to testify to the matters set forth herein.
2. I am an investigator with the Washington State Office of the Insurance Commissioner ("OIC"). I have been in this position since April 15, 2012
3. As part of my duties as an OIC investigator, I was assigned to investigate the consumer complaint outlined in Paragraphs 1 through 3 of the OIC's Notice to Show Cause No. 13-0139 (the "Show Cause Notice"). These paragraphs accurately summarize the complaint.
4. I have firsthand, personal knowledge of the facts set forth in Paragraphs 3-9, 31 and 33 of the Show Cause Notice, including that Ms. Castillo made the statements and allegations therein.
5. I am aware of documents which support the statements made in Paragraphs 1-9, 33 and 35 of the Notice to Show Cause. I am able and willing to testify regarding those documents and what they show.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

EXECUTED this 30 day of APRIL, 2013 at Tumwater, Washington.

Barry Walden