

Delta Pacific Services, Inc.
POB 966
Seabeck, WA 98380

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HEARINGS UNIT
OFFICE OF
INSURANCE COMMISSIONER

08/19 /2015

Attention: Hearings Unit
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Please accept this request for a hearing per Order No, 15-0189. Can the hearing be held in the Silverdale, WA area? I'm asking for this consideration due to my poor health and the two hour drive to Olympia.

I would appreciate the opportunity to discuss the issues with the court, concerning funding to Delta Pacific Services by Mr. Steven Lynn, as to the initial intentions to provide a service. The unfortunate results of the agreement has severely effected my personal circumstances.

My poor health, since open heart surgery, has left me with the following conditions: Chronic Obstructed Asthma and Atrial Fibulation attacks. When an attack occurs, I'm dependent on quick access to my Nebulizer breathing equipment at home and / or the Group Health Prompt Care Unit in Silverdale, WA.. My hand held inhaler is not always sufficient to overcome an attack. I am limited to about 30 minutes travel to have access to a Nebulizer as needed; After treatment, it takes up to an hour or longer, before I'm felling better The medication can cause me to have A-Fib heart racing that may last for several hours. I'm prescribed 16 medications, including Warfarin, that requires me to be monitored by blood test weekly as an out patient.

It is extremely important to me to attend this hearing and will await your decision.

Sincerely,



Robert Sorrell
Delta Pacific Services, Inc.

STATE OF WASHINGTON
OFFICE OF THE INSURANCE COMMISSIONER

In The Matter of

ROBERT P. SORRELL,

Licensee.

ORDER NO. 15-0189

WAOIC NO. 114939

NPN 11569683

ORDER REVOKING LICENSE

To: Robert P. Sorrell
Delta Pacific Services Inc
P O Box 966
Seabeck WA 98380

avinsrep@telebyte.com

IT IS ORDERED AND YOU ARE HEREBY NOTIFIED that your Washington State insurance producer's license is **REVOKED**, effective **September 1, 2015**, pursuant to RCW 48.17.530.

BASIS:

1. Robert P. Sorrell ("the Licensee") is a resident insurance producer, first licensed in Washington State in 1995 (WAOIC No. 114939).

2. The Office of the Insurance Commissioner ("OIC") opened an investigation upon the receipt of a complaint from an insurance client of the Licensee. The Complainant ("Client 1"), provided documentation to show that from May 2005 to October 2008, he loaned \$2,496,346.15 to the Licensee, thinking he was funding the insurance premiums for 108 of the Licensee's insurance clients. The Licensee approached Client 1 in 2005 and asked him to enter into what he called an "account factoring" arrangement or buying his accounts receivable. The

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Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

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Licensee explained that some of his clients needed assistance paying the annual premiums, so he was trying to find a funding source for these clients. His clients would repay the loans (annual insurance premium + 18% interest) in 10 equal monthly installment payments, and he would forward the money to Client 1 as repayment. From May 2005 to October 2008, the Licensee requested 338 loans for 108 of his clients and Client 1 provided the funding.

3. Actually, "account factoring" is not structured in this way. To ensure cash flow, a business owner may sell his or her accounts receivable to a lender. The sum the owner gets keeps cash in the business, and the purchaser-lender then collects the accounts receivable from customers. Here, there was no collection to be made by Client 1. He simply lent the Licensee lump sums and allowed the Licensee himself to collect from his customers and forward the collections to Client 1, plus 18% interest. This arrangement was solely between Client 1 and the Licensee, and the Licensee's insurance-paying clients were unaware that Client 1 was purportedly funding premiums they had already paid in full.

4. In October 2008, Client 1 stopped loaning money to the Licensee. The Licensee no longer had the means to repay the outstanding balance on the loans, and Client 1 came to believe that the Licensee was operating a Ponzi-scheme. The Licensee continued to make small monthly payments on the balance of the loans, and as of the writing of this report, documentation shows that the Licensee still owes Client 1 about \$167,272.63. Client 1 also provided documents to support that the Licensee financed an insurance premium for him in 2004.

5. The Licensee confirmed in a written response to the OIC that he did borrow about \$2,546,183.00 from Client 1. He called the loan agreements "account factoring" and felt it was acceptable to borrow money on his accounts receivable. He admitted requesting money to pay the insurance premiums of his clients, but stated his clients did not know about the loan arrangements he had with Client 1. He provided documents to support the loans he requested from Client 1 and his documentation matched those supplied by Client 1. The Licensee provided copies of invoices that show some of his clients did pay their annual insurance premiums in full and were not in need of the loans he requested from Client 1. The Licensee's bank records show that he still owes Client 1 about \$167,272.63, as of December 2014.

6. The OIC contacted twelve of the insurers named in the loan paperwork to see if the loans corresponded to the dollar amounts and timing of the clients' respective insurance

premiums. The insurers provided documentation to show that 286 of the loans requested by the Licensee were not related to premiums or insurance contracts associated with his clients or their companies. None of the insurers was aware that the Licensee was collecting money from a lender to pay insurance premiums. The paperwork provided by some of the insurers also showed that the Licensee was using the names A.I.R. and Aviation Insurance Representatives in his correspondence with them. These names are not licensed with the OIC to conduct the business of insurance in Washington State.

7. The OIC located addresses for sixty-four (64) of the consumers named in the Licensee's loan paperwork and mailed them notification letters. Twenty-three (23) of the consumers contacted the OIC. In all cases but one, the consumer had no idea that the Licensee requested loans using their insurance information.

8. Another client of the Licensee ("Client 2"), the complainant in a 2012 matter, was the one consumer who said he was aware of one loan agreement he made with the Licensee, but that was for one month's premium. He had no idea that the Licensee requested twenty-four (24) loans using his insurance information. Client 2 explained that he has been in the aviation industry for a long time and because of this, he is one of the few insured that is allowed by the insurer to pay his premiums on a monthly basis. He runs a flight school and his yearly premiums average about \$105,000.00. He provided copies of the monthly invoices he received from March 2005 - October 2008. The invoices show the amount due, the amount he paid, the check number for the payment, and the date it was paid. Client 2 provided the information he received from the Licensee regarding the loan agreement for the one loan he did get from the Licensee in December 2005. He made three payments on the loan, and then paid it off with a credit he received on his previous year's insurance coverage. The OIC created a chart of the payments Client 2 made to the Licensee on a monthly basis, showing he paid his premiums in full. The OIC created a second chart showing the loans the Licensee requested from Client 1 on Client 2's behalf. None of the loans were needed and the amortization schedule provided to Client 2 for the one loan he knew of, does not show up on any of the loans Client 1 subsequently funded, purportedly to pay Client 2's premiums.

9. The OIC confirmed that the Licensee took out 106 loans from Client 1 using the information from these twenty-three consumers. The consumers told the OIC there was no need

for loans, because they paid their insurance premiums in full at the beginning of the billing cycle. Five (5) of the consumers, who had eleven (11) loans taken out using their information stated that the Licensee is not their insurance agent and they do not know him.

10. One of the consumers, also a client of the Licensee ("Client 3"), told the OIC that the Licensee borrowed \$24,000.00 from him in September 2010, to expand his insurance business. The Licensee signed a promissory note, but never repaid the loan and Client 3 did not pursue repayment. The Licensee did reduce Client 3's insurance premium by \$1,300.00 in 2011, 2012, and 2013 as partial repayment of the loan.

11. RCW 48.56.030(1) states that no person shall engage in the business of financing insurance premiums in the state without first having obtained a license as a premium finance company from the commissioner. Any person who shall engage in the business of financing insurance premiums in the state without obtaining a license as provided hereunder shall, upon conviction, be guilty of a misdemeanor and shall be subject to the penalties provided in this chapter. By financing insurance premiums without first having obtained a license, the Licensee violated RCW 48.56.030.

12. RCW 48.30.190(2) states no person shall wilfully collect as premium for insurance any sum in excess of the amount actually expended or in due course is to be expended for insurance applicable to the subject on account of which the premium was collected. By collecting premium in excess of the amount actually expended, Licensee violated RCW 48.30.190(2).

13. RCW 48.17.180 states that an insurance producer or title insurance agent doing business under any name other than the insurance producer's or title insurance agent's legal name is required to register the name in accordance with chapter 19.80 RCW and notify the Commissioner before using the assumed name. By doing business under any name other than his legal name, Licensee violated RCW 48.17.180.

14. RCW 48.17.530(1) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an insurance producer's license for any one or more of the following causes:

- (b) for violating any insurance laws, or violating any rule, subpoena, or order of the Insurance Commissioner or of another state's insurance commissioner;

- (d) for improperly withholding, misappropriating, or converting any moneys or properties received in the course of doing insurance business;
- (g) for having admitted or been found to have committed any insurance unfair trade practice or fraud;
- (h) for using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in this state or elsewhere;
- (m) for obtaining a loan from an insurance client that is not a financial institution and who is not related to the insurance producer by birth, marriage, or adoption, except the Insurance Commissioner may, by rule, define and permit reasonable arrangements.

IT IS FURTHER ORDERED that you return your insurance producer's license certificate to the Insurance Commissioner on or before the effective date of the revocation of your license, as required by RCW 48.17.530(4). Return your license to:

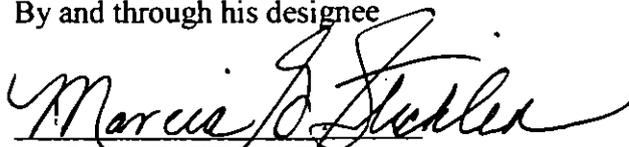
Licensing Manager
Office of the Insurance Commissioner
P. O. Box 40257
Olympia, WA 98504-0257

ENTERED at Tumwater, Washington, this 14th day of August, 2015.



MIKE KREIDLER
Insurance Commissioner

By and through his designee



MARCIA G. STICKLER
Insurance Enforcement Specialist
Legal Affairs Division

NOTICE OF YOUR RIGHT TO A HEARING

If you are aggrieved by this Order Revoking License, you may demand a hearing in accordance with RCW 48.04.010, WAC 284-02-070 and WAC 10-08-110. Generally a hearing demand must be in writing and received within 90 days after the date of this Order Revoking License, which is the day it was mailed to you, or you will waive your right to a hearing.

If the Insurance Commissioner receives your demand for a hearing before the effective date listed on the order revoking your license, the revocation will be automatically stayed (postponed) and your license will remain in effect pending the hearing.

Your demand for a hearing should be sent to the following address and must briefly state how you are harmed by this decision and why you disagree with it:

Hearings Unit
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

You will be notified of the time and place of your hearing. If you have questions about filing a demand for hearing or the hearing process, please telephone the Hearings Unit at (360) 725-7002 or send an email to Hearings@oic.wa.gov.

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 filed and served the foregoing Order Revoking License on the following individual by email and by depositing in the U.S. mail via state Consolidated Mail Service with proper postage affixed:

Robert P. Sorrell
Delta Pacific Services Inc
P O Box 966
Seabeck WA 98380

avinsrep@telebyte.com

Dated this 14th day of August, 2015, in Tumwater, Washington.



JOSH PACE
Secretary Senior
Legal Affairs Division