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STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

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SEP 2 2008

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

In the Matter of	)	No. D 07- 0350
	)	
John A. Hanley, D/b/a JURISCO	)	**ORDER REVOKING LICENSE**
	)	
Licensee.	)	

To: John A. Hanley
D/b/a Jurisco
11661 SE 1st Street, Suite 201
PO Box 53265
Bellevue, Washington 98015

IT IS ORDERED AND YOU ARE HEREBY NOTIFIED that your license is **REVOKED**, effective September 4, 2008, pursuant to RCW 48.17.530.

THIS ORDER IS BASED ON THE FOLLOWING:

1. Licensee John A. Hanley holds an Office of the Insurance Commissioner (OIC) resident insurance agent's license, authorizing him to solicit property and casualty insurance. The Licensee does business as "Jurisco" through a Bellevue, Washington office. The Licensee's business involves the issuance of bonds, including fiduciary bonds, guardian/trustee bonds, appeal bonds, probate bonds, garnishment bonds, injunction bonds, and sheriff's indemnity bonds.

2. On November 10, 2005, an OIC examiner informed the Licensee by letter that his business was to be examined, beginning at the Licensee's office on November 28, 2005. The letter asked the Licensee to make all pertinent records available, including both "premium trust" and "operating" account records.

3. On November 28, 2005, the OIC examiner arrived at the Licensee's office and the Licensee informed her that certain records, including premium trust account records, were not available for review because they were maintained in Jurisco's Florida office. However, the Licensee did make available some business/operating account monthly bank statements from 2005. The available records appeared to show payments of premiums made to Jurisco. When the examiner asked to see the Licensee's records showing clients and bond numbers, the Licensee told the examiner that he did not keep a record of the source of monies deposited for this business/operating account. The examiner requested that the Licensee provide her with (a) records identifying all payments made to Jurisco, both by bond number and client name, (b) "commission statements" from the Florida Jurisco office showing premium monies received by them, (c) bank records of deposits (including copies of checks deposited), and (d) copies of all premium trust account records,

including bank statements of Washington business in the last two years and copies of companies' statements/reports from Jurisco's Florida office. The Licensee told the examiner it would not be a problem to get these records, and that this should only take a couple of days to produce. The Licensee failed to promptly comply with these requests.

4. On February 28, 2006, OIC examiners again met with the Licensee to discuss the need for the previously requested records, which still had not been produced to the examiners. The examiners made a further request for copies of a year's worth (2005) of insurance company statements for a record of policies written. The Licensee promised to get these records immediately. The Licensee failed to promptly comply with this request.

5. By September 12, 2006, the OIC examiner had been able to identify a number of cancelled bonds for which it appeared consumers may be owed returns of unearned premiums. Pointing to entries in bond records that the examiner was forced to independently obtain from insurers that appointed the Licensee as its agent, the examiner requested that the Licensee indicate whether returns of premiums had been paid for the indicated bonds. The Licensee responded that, except for three bonds, all of the entries had been made "for accounting purposes" and that no premiums had ever been received on the bonds. The examiner again requested the premium trust account records to show this. The Licensee failed to promptly comply with this request.

6. On October 3, 2006, the OIC examiner again met with the Licensee and reviewed payments the Licensee identified as made to Jurisco's Florida office from the Licensee's business/operating account. Noticing check numbers that appeared out of sequence, the examiner asked for, and the Licensee produced, cancelled checks for inspection. This inspection confirmed that checks were out of sequence because they were written from two different accounts. One was the Licensee's previously disclosed business/operating account. The other was a previously undisclosed Washington "Premium Trust Account."

7. The OIC examiner asked the Licensee to produce bank statements for the Licensee's previously undisclosed Premium Trust Account. Noting discrepancies,[1] the examiner asked the Licensee to produce records detailing the deposits made into this account. The Licensee replied that he did not keep a record of who paid amounts that were deposited into this account and how much.

8. Over time, the OIC and its examiners obtained documents and information showing that the Licensee retained funds belonging to Washington consumers. For example:

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[1] For example, the examiner noted that in 2004 the account appeared to show total deposits of $399,269 while the Licensee paid a total of $20,298 to Jurisco's Florida office. Similarly, the examiner also noted that in 2005 the account appeared to show total deposits of $92,655, the Licensee paying a total of $59,683 to Jurisco's Florida office, and a 2005 "ending balance" of $936.39.

Example one: Bond #10013551:

- In April 2004, the Licensee invoiced an insured trustee / Principal $2,906.50 (which amount included a $50 "document prep fee") for three years' worth of premium monies (covering "04/07/04 thru 04/07/07") on a $250,000 trustee's bond. The Principal paid this amount in April 2004.

- In February 2005, the Principal was again billed an additional $985 for the same bond, this time for the stated term of April 2005 to April 2006 – although this had already been paid for. In February 2005, the Principal paid this additional $985.

- In April 2006, the bond amount was reduced from $250,000 to $25,000. The Principal was not paid any refund. Instead, in May 2006 the Principal was billed an additional $135 for the same bond (except that it was for the reduced amount of $25,000), this time for the stated term of "4/7/06 thru 4/7/07" – although this had already been paid for. In June 2006, the Principal paid this additional $135.

- In December 2006, after OIC's examiners confronted the Licensee with the overpayments, the Licensee paid refund checks of $985 (for the duplicative 2005 payment), $800.75 (for the reduction in bond amount), and $135 (for the duplicative 2006 payment).

Example two: Bond #10017086.

- In May 2004, the Licensee invoiced an insured trustee / Principal $1,384.00 (which amount included a $50 "document prep fee") for three years' worth of premium monies (covering "05/10/04 thru 05/10/07") on a $100,000 trustee's bond. The Principal paid this amount in May 2004.

- In April 2005, the Principal was again billed for an additional $1,334 for the same bond, this time for the stated term of "5/10/05 thru 5/10/06" – although this had already been paid for. In April 2005, the Principal paid this additional $1,334.

- In December 2005, the bond was cancelled/exonerated, generating a premium credit of approximately $611.80. The Licensee failed to refund this premium credit to the Principal.

- After OIC's examiners confronted the Licensee about the $1,334 double payment, the Licensee advised the examiner that he would research it and talk with the Florida office. The Licensee later told the examiner that the $1,334 double payment was an "error in booking" and that, in fact, no double payment had ever been made. In response, the examiner informed the Licensee that the examiner had actually already contacted the Principal and confirmed that the $1,334 double payment had indeed been paid.

- Confronted with the examiner's information, in October 2006 the Licensee agreed to make refunds of some of the monies owed the Principal. That month, the examiner received the Licensee's first refund check in the amount of $611.80 for the premium credit owed to the Principal due to the December 2005 bond cancellation/exoneration. This was forwarded to the Principal and cashed.

- In November 2006, the Licensee issued the Principal a second refund check, this time in the amount of $1,334. However, this second refund check could not be cashed because it was returned by the bank, stamped "RETURN REASON – NOT SUFFICIENT FUNDS." The Licensee later re-paid the $1,334.

Example three: Bond #1009805.

- In November 2003 the Licensee invoiced an insured/Principal $768.00 (which amount included a $50 "document prep fee" and a $20 "courier fee") for one year's worth of premium monies (covering "11/17/03 thru 11/17/04") on a $34,900 appeal bond. In December 2003, the Principal wired the Licensee $34,900 as collateral for the bond. The Principal's attorney was led to believe that it was not a problem for Jurisco to deduct the bond premium from the client's deposit upon the eventual cancellation of the bond.

- In March 2004 the appeal was resolved by settlement. Five months later, in August 2004, the Licensee refunded the Principal $31,410 (90% of the original collateral paid) representing that it was "the return of collateral posted for the above shown bond less our fees and other charges." In January 2008, the Licensee told the OIC that after he made this payment, he had "heard nothing from any party since 2004."

- However, in January 2008 the OIC learned that after the Principal received the Licensee's August 2004 payment, the Principal's attorney wrote to the Licensee to demand a further refund. The Principal's written demand complained that the five month delay in providing any refund, coupled with the lack of basis for the increase from $768 to $3,490 charged to the Principal, was unacceptable. The Principal's attorney insisted that a further refund was owed. However, rather than incur legal fees and costs of pursuing the matter, the Principal opted to "write off" the loss.

Example four: Bond #964007284.

- In April 2005 the Licensee invoiced the attorney representing an insured/Principal $4,375 (which amount did **not** include a "document prep fee," "courier fee," or other fee) for one year's worth of premium monies (covering "04/08/05 thru 04/08/06") on a $500,000 "receiver" bond needed to comply with an order of the King County Superior Court. In April 2005, the Principal paid $4,375 for the bond. The bond was issued in April 2005, and approved and ordered by the court in May of 2005.

- In November 2006, the attorney for the Principal informed the Licensee that the bond had been discharged. The Licensee advised the Principal and/or the attorney for the Principal that he was closing his file subject to receiving the unpaid pro rata premium due in the amount of $940. Accordingly, the Licensee invoiced the attorney $940 (which amount did **not** include a "document prep fee," "courier fee," or other fee) for premium monies (covering "04/08/2006 thru 11/15/2006") on the bond. The Principal paid this amount in November 2006.[2]

- The insurer for the bond later told the OIC that the charges for the bond were $2,500 for the first year and $1,500 for the second pro-rated year. As indicated, however, the Principal actually paid a total of $5,315.

- In February 2008 the attorney representing the insured/Principal advised the OIC that the Principal never received any refund for the bond.

9. The foregoing are not the only violations the OIC examiner discovered, but are several examples involving Washington residents. The examiner found tens of thousands of dollars in refunds believed owed but not paid to consumers in Washington and elsewhere. In addition to the foregoing examples concerning Washington consumers, OIC examiners also learned of the following instance involving a California consumer's funds paid to the Licensee's Washington account and the Licensee retained the funds:

- In late 2004, a California attorney representing California clients in a lawsuit pending before the Los Angeles County Superior Court contacted the Licensee about obtaining a $42,139,590.62 appeal bond needed. After the attorney submitted Jurisco's bond application to the Licensee on behalf of the California clients, the Licensee told the attorney that until the first year's $126,418.77 bond premium was paid, the bond could not be issued. Accordingly, the attorney paid the Licensee the $126,418.77 first year's premium amount. But a short time later, in early 2005, before the bond was issued, the attorney e-mailed the Licensee to advise him that the lawsuit settled and that the bond was no longer needed.

- On January 21, 2005, after the attorney had already advised the Licensee that the bond would no longer be needed, the attorney e-mailed the Licensee again to confirm that the premium paid for the bond would be returned. In response, the Licensee faxed the attorney a January 28, 2005 fax cover sheet with the message "A copy of the letter that accompanied the refund check is enclosed."

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[2] In addition, in January 2007, the Florida Jurisco office again invoiced the attorney representing the insured/Principal, this time $645 (which amount did **not** include a "document prep fee," "courier fee," or other fee), representing premium monies (covering "4/8/05 thru 4/8/06") for the bond, and reflecting a "premium" of $2,500 less payment received of $1,855. The Principal did **not** pay this amount.

The Licensee's unsigned letter dated January 26, 2005 that was sent with that cover sheet stated:

> Enclosed is the premium refund, less expenses and administrative costs. There were reinsurance and reserve costs of approximately one basis point and about four tenths basis points in administrative costs. We look forward to working with you again.

As indicated, the Licensee's January 28, 2005 fax cover sheet states he is just providing a "copy" of the letter. However, the attorney found no evidence of having ever received either that letter enclosing the partial premium refund, or the partial refund itself. There is no indication either the attorney or his clients ever received a signed version of the Licensee's January 26, 2005 letter, or the partial "premium refund" referenced in that letter.

- On February 8, 2005, the attorney again e-mailed the Licensee:

> I have not received a response to my emails asking for an itemization of the fees incurred in connection with the Koral/Dahan matter. The letter accompanying the check is insufficient, and provides no back up or detail regarding the significant deduction taken by Jurisco. Please provide an itemized list of all of the expenses incurred by Jurisco in connection with the Koral/Dahan case broken down by type of service rendered, provider of that service, and the amount of fees billed to L'Koral for the service. Please provide documentation supporting each charge.

To date, despite several requests made by the attorney to the Licensee, the attorney never received an itemization of any fees or costs charged against the $126,418.77 bond premium paid.

- On November 1, 2006, the OIC examiner wrote to the Licensee about a check in the amount of $67,418.77 that the examiner had discovered the Licensee had purchased from his Washington bank. The check had been made payable to the law firm that the California attorney had been a part of at the time. The letter confirmed that the Licensee told the examiner that the check was a refund of premium on a bond that did not go through. The letter confirmed that the examiner had asked for the Licensee's file that contains information regarding the account, and that the Licensee told the examiner that he did not have a "file" on this because no bond was issued. The letter also confirmed that the examiner asked the Licensee how much premium he collected on this bond, but that the Licensee told the examiner he did not remember. The letter also confirmed that in October 2006 the examiner had requested copies of all checks the Licensee deposited in December 2004 from his bank, but as of the date of the letter, the examiner had not yet heard from the Licensee regarding the status of this request. Nor had the

Licensee replied to a couple of messages in the Licensee's voice mail regarding this request. The examiner's letter noted that the examiner had contacted the attorney's law firm and was told that they could not find any record of having ever received this refund. The examiner's letter requested that the Licensee send the examiner a copy of the check "(front & back)" from the Licensee's bank. The Licensee did not respond to this letter.

- On December 1, 2006, the examiner again wrote to the Licensee about the matter. The examiner wrote that since the Licensee did not respond to earlier inquiries, the examiner contacted the Licensee's Washington bank and had been told that the check at issue had been purchased on January 26, 2005 for $67,418.77, that it had been made payable to the attorney's law firm for "refund of premiums" for the attorney's client, and that the check was still outstanding (i.e., has not cleared the bank). The examiner's letter noted that:

  > [...] in view of the fact that you claimed you do not remember how much premiums you collected and did not provide us with the copies of the "deposits" you made in December 2004, which we had you request from the bank, we contacted [the bond insurer],[3] [the attorney's old firm], the lawyer who handled the case, [...], and [the attorney's client] for information regarding this matter. We found that you collected $126,418.77 from [the attorney's client] which you deposited in your account on December 21, 2004. According to [the bond insurer], no premiums was due [sic] or paid to them because the bond was not issued, therefore you owe [the attorney's client] a "full refund" of premiums. Please send us a refund check for $126,418.77 payable to [the attorney's client] as soon as you received this letter.

  The Licensee did not send a refund check.

- After receiving no accounting for the premium money collected in the matter, in July 2008, the OIC issued a subpoena to obtain records about the matter from the Licensee's Washington bank. The bank responded to the subpoena by providing records and a copy of the $67,418.77 refund check, accompanied by a letter stating "the item has not yet been paid and no stop payment order has been received."

- In August 2008, the aforementioned California attorney stated to the OIC that he and his clients had never received any itemization for the $126,418.77 they paid, had never found any record of having received any partial refund of the bond premium, and had never found any record of having received a signed version of

[3] The bond insurer at issue had not appointed the Licensee as its agent.

the Licensee's January 26, 2005 letter. The attorney also stated that his clients would like an accounting for the $126,418.77, and would like the money they paid to be refunded with interest.

10. The foregoing provides an overview of several examples of known Washington Insurance Code violations warranting the revocation of the Licensee's license. As indicated, the foregoing are not an exhaustive list of all Washington Insurance Code violations known to OIC's examiners. In addition, while OIC examiners suspect other premium credits may also not have been refunded by the Licensee, due to the Licensee's lack of proper records the examiners have not been able to confirm or verify the actual amounts. The Licensee's lack of proper records renders unclear the total number of consumers in Washington and elsewhere that may also be entitled to refunds. The examiners also suspects that the Licensee failed to account for and maintain all funds representing premiums or return premiums in a separate account from all other business and personal funds. The lack of proper records renders unclear the extent to which such failure has occurred.

Accordingly, pursuant to RCW 48.17.530,

IT IS ORDERED that your license is revoked. Your conduct violated: (1) RCW 48.17.530(1)(h) by having shown himself to be, and is so deemed by the Commissioner, incompetent, untrustworthy, and a source of injury and loss to the public; (2) RCW 48.17.475 by failing to promptly respond to OIC's repeated inquiries; (3) RCW 48.03.030 by failing to produce and make freely available records to OIC; (4) RCW 48.17.470 by failing to retain and keep available and open to OIC inspection reasonable records, documents, and information; (5) RCW 48.17.480 by failing to properly report and account for premiums; (6) RCW 48.17.060 and RCW 48.17.160 by acting or holding himself out as an agent for an insurer for whom he had not been first duly appointed as an agent for that insurer; (7) RCW 48.17.600 and WAC 284-12-080 by failing to account for and maintain separately premium monies; (8) RCW 48.30.190 by willfully failing to timely and completely return premium monies appropriately; and (9) RCW 48.18.180 by charging fees not included in the premium or exceeding the amount of the premium.

IT IS FURTHER ORDERED (1) that you return your insurance agent's license certificate to the Commissioner on or before the effective date of the revocation of your license, as required by RCW 48.17.530(4), (2) that you not engage in any insurance or insurance transactions governed by RCW 48.01.020 as of the effective date of the revocation of your license, and (3) that you maintain and not destroy any and all records in your possession, custody, or control that relate to your business until further notice.

NOTICE CONCERNING YOUR RIGHT TO A HEARING. Please note that a detailed summary of your right to contest this Order is attached. Briefly, if you are aggrieved by this Order, RCW 48.04.010 permits you to demand a hearing. Pursuant to that statute and others: You must demand a hearing, in writing, within 90 days after

the date of this Order, which is the day it was mailed to you, or you will waive your right to a hearing. Your demand for a hearing must specify briefly the reasons why you think this Order should be changed. If your demand for a hearing is received by the Commissioner before the effective date of the revocation, then the revocation will be stayed (postponed) pending the hearing, pursuant to RCW 48.04.020. Upon receipt of your demand for hearing, you will be contacted by an assistant of the Chief Hearing Officer to schedule a teleconference with you and the Insurance Commissioner's Office to discuss the hearing and the procedures to be followed.

Please send any demand for hearing to Insurance Commissioner, attention John Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257.

ENTERED AT TUMWATER, WASHINGTON, this 15th day of August, 2008.

MIKE KREIDLER
Insurance Commissioner

By

JOHN F. HAMJE
Deputy Insurance Commissioner
Consumer Protection Division

Examiner: Angelina Portacio

DECLARATION OF MAILING

I certify under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to ***John A. Hanley.***

Dated: August 15, 2008
At Tumwater, Washington

Victoria Estrada
Victoria Estrada

NOTICE OF YOUR RIGHT TO A HEARING

You have the right to demand a hearing to contest this Order. During this hearing, you can present your argument that the Order should not have been entered for legal and/or factual reasons and/or to explain the circumstances surrounding the activities which are the subject of this Order. You may be represented by an attorney if you wish, although in some hearings before this agency parties do choose to represent themselves without an attorney.

Your Demand for Hearing should be sent to John F. Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257, and must briefly state how you are harmed by this Order and why you disagree with it. You will then be notified both by telephone and in writing of the time and place of your hearing. If you have questions concerning filing a Demand for Hearing or the hearing process, please telephone the Hearings Unit, Office of the Insurance Commissioner, at 360/725-7002.

Your Demand for Hearing must be made within 90 days after the date of this Order, which is the date of mailing, or your Demand will be invalid and this Order will stand. If your Demand for Hearing is received before the effective date of this Order, the penalties contained in the Order will be stayed (postponed) until after your hearing.

It is important to know that if you demand a hearing, you will have two options for how it will be handled:

Option 1: Unless you specifically request Option 2, your hearing will be presided over by an administrative law judge from the Office of the Insurance Commissioner. Under this option, upon receipt of your Demand for Hearing, the Insurance Commissioner may refer the case to an administrative law judge. The administrative law judge is an individual who has not had any involvement with this case. The administrative law judge will hear and make the final decision in the case without any communication, input or review by the Insurance Commissioner or staff or any other individual who has knowledge of the case. This administrative law judge's final decision may uphold or reverse the Commissioner's action or may instead impose any penalties which are less than those contained in the Order.

Option 2: If you elect, your hearing will be presided over by an administrative law judge from the Office of Administrative Hearings. That administrative law judge will issue an initial or recommended decision which will then be sent to the Insurance Commissioner. The Insurance Commissioner, or his designee, will review the initial decision and make the final decision. The Insurance Commissioner's final decision in the case may uphold, reverse or modify the initial decision, thereby changing the penalty which is recommended in the initial decision. In writing the final decision, the Insurance Commissioner is not bound by the findings of facts or conclusions of law which were made in the initial decision.