

**STATE OF WASHINGTON  
OFFICE OF THE INSURANCE COMMISSIONER**

*In the Matter of*

**KELT, LLC,**

**And**

**EDWARD J. CHADWICK,**

Licensees.

Order No. 19-0059

WAOIC No. 73712

NPN 679991

WAOIC No. 860248

FEIN 46-1448155

**ORDER SUSPENDING LICENSES  
PENDING REVOCATION**

**TO:** Kelt, LLC  
Attn: Edward J Chadwick  
P O Box 10297  
Yakima, WA 98909

Edward J Chadwick  
Kelt, LLC  
406 South 70th Ave  
Yakima, WA 98908-1860  
ed@keltinsurance.com  
ed@ectisgroup.net

**IT IS ORDERED AND YOU ARE HEREBY NOTIFIED** that your Washington State insurance producer licenses are **SUSPENDED**, effective **February 6, 2019**, pursuant to RCW 48.17.530 and RCW 48.17.540. This suspension is **PENDING REVOCATION** of your licenses, as laid out in the **ORDER REVOKING LICENSE** served concurrently with this Order.

**BASIS:**

ORDER SUSPENDING LICENSES  
PENDING REVOCATION  
ORDER NO. 19-0059  
LA - 1596770 - 1

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

1. KELT, LLC (“the Agency”) is a resident insurance producer licensed to conduct business in the state of Washington since June 4, 2014. The Agency is authorized to sell property and casualty lines of insurance in the state of Washington.

2. Edward J. Chadwick (“Chadwick”) is a resident insurance producer licensed to conduct business in the state of Washington since June 7, 1990. Chadwick is the Designated Responsible Licensed Person (“DRLP”) for the Agency. As the Agency’s DRLP, Chadwick is responsible for the Agency’s compliance with the insurance laws and rules of this state and his actions as the DRLP impact the licensure of the Agency. Chadwick is authorized to sell property, casualty, and disability lines of insurance in the state of Washington. (The Agency and Chadwick are collectively referred to as “the Licensees”).

3. The Insurance Commissioner’s Investigations Unit (“Investigations”) opened an investigation of the Licensees’ business practices.

4. Investigations collected information indicating that the Agency used fraudulent Lexington insurance policies in order to secure the premium finance loans.

5. Investigations received information from a premium finance company, Tepco Premium Finance, LLC (“Tepco”), reporting that between 2016 and the current date, the Agency obtained twenty four premium finance loans from Tepco.

6. Tepco also reported the Agency received forty six disbursements, which totaled \$2,829,415.84.

7. Tepco contacted AIG, the parent company of Lexington Insurance Company (“Lexington”), and discovered the insurance policy numbers that the Agency provided to Tepco for the premium finance loans at issue, are not valid insurance policy numbers associated with Lexington insurance policies.

8. The Agency provided Tepco with ten coverage binders in relation to the fraudulent insurance policies.

9. Investigations confirmed with Lexington Insurance Company that all of the insurance policies numbers that the Agency provided to Tepco, except one (1) insurance policy number, are not insurance policy numbers of valid Lexington insurance policies.

10. Lexington Insurance Company reported to Investigations that one (1) of the insurance policies provided by the Agency to Tepco, was the insurance policy number of a valid Lexington insurance policy for Cheema Freightlines, LLC. However, the insurance policy expired on May 1, 2016. On December 8, 2016, after the insurance policy expired, the Agency provided the insurance policy number to Tepco as the supporting insurance policy to obtain a premium finance loan for M K Trucking, LLC.

11. Investigations contacted the President and Chief Executive Officer of Cheema Freightlines, LLC, and provided him with a copy of the premium finance application the Agency submitted to Tepco, on behalf of Cheema Freightlines, LLC. After reviewing the application, he informed Investigations that the signature provided for the "signature of the insured" was not his signature.

12. Tepco generated a report on November 1, 2018, which indicates nine (9) of the several premium finance loans obtained by the Agency are currently outstanding. As of November 1, 2018, the total balance of the outstanding loans was approximately \$939,849.18, which does not include late fees or interest.

13. On January 8, 2019, Investigations provided Chadwick with a notice of investigation and requested a written response to the complaint that was filed with the Insurance Commissioner. Investigations requested that the Licensee answer several questions and provide information and documentation. The Licensee was required to respond to Investigations by January 30, 2019. The Licensee responded to Investigations on January 30, 2019, however, he failed to answer any of Investigations' questions or provide the requested information and documentation.

14. The Insurance Commissioner has issued multiple enforcement orders against Chadwick and his prior agency.

15. On August 6, 2012, the Insurance Commissioner issued Consent Order 12-0204, levying a \$1,000 fine against Chadwick, for offering a prize worth more than \$25 as an inducement to insurance, thereby violating RCW 48.30.150(1)(c).

16. On November 6, 2002, the Insurance Commissioner issued Consent Order D 02-205, levying a fine of \$50,000 against Chadwick and his prior agency, Al Chadwick Insurance, Inc. The Consent Order states the following:

“...5. OIC insurance examiner IV, Ken Combs, also a CPA, reviewed the audit findings and discussed the report with Edward J. Chadwick and the Agency’s CPA. During this discussion, and as a result of further calculations of premium account figures, OIC examiner Combs, Edward Chadwick and his accountant agreed that the shortage in the premium account, as of June 30, 2002, was approximately \$640,000. 6. The shortage in the premium account occurred when Edward J. Chadwick transferred more funds from the Agency’s premium account than the Agency had earned. Chadwick then used these funds to pay for various business operations in addition to paying premiums and return premiums...”

17. The Insurance Commissioner suspended \$45,000 of the levied fine upon the condition that Chadwick and his prior agency comply with several conditions outlined in the Consent Order. *See* Consent Order D 02-205.

18. On July 24, 1996, the Insurance Commissioner issued Consent Order D 96-49, levying a \$1,000 fine against Chadwick’s prior agency. The Consent Order states the following:

“AL CHADWICK INSURANCE, INC., hereby stipulates that the Insurance Commissioner may levy a fine against it in the amount of \$1000, it being understood that such fine is in lieu of the suspension or revocation of its insurance agent’s license for (1) its failure to pay refunds of unearned premiums in a timely manner in violation of RCW 48.17.480, (2) its violation of RCW 48.17.600 and WAC 284-12-080 by failing to utilize the separate premium account for premiums and return premiums only, and (3) conducting insurance transactions with an insurer with which there has not been a proper appointment, pursuant to RCW 48.17.010 and 48.17.160...”

19. RCW 48.17.475 provides that every insurance producer, title insurance agent, adjuster, or other person licensed under this chapter shall promptly reply in writing to an inquiry of the commissioner relative to the business of insurance. A timely response is one that is received by the Insurance Commissioner within fifteen business days from receipt of the inquiry. Failure to make a timely response constitutes a violation of this section.

20. RCW 48.17.530(1)(b) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for violating any insurance laws, or violating any rule, subpoena, or order of the Insurance Commissioner or of another state's insurance commissioner.

21. RCW 48.17.530(1)(d) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for improperly withholding, misappropriating, or converting any moneys or properties received in the course of doing insurance business.

22. RCW 48.17.530(1)(g) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for having admitted or been found to have committed any insurance unfair trade practice or fraud.

23. RCW 48.17.530(1)(h) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in this state or elsewhere.

24. RCW 48.17.530(1)(j) allows the Insurance Commissioner to place on probation, suspend, revoke, or refuse to issue or renew an adjuster's license, an insurance producer's license, a title insurance agent's license, or any surplus line broker's license, or to levy a civil penalty in accordance with RCW 48.17.560 for forging another's name to an application for insurance or to any document related to an insurance transaction.

25. RCW 48.17.480 provides 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, and that any person licensed

under this chapter who, not being lawfully entitled thereto, diverts or appropriates funds received in a fiduciary capacity or any portion thereof to his or her own use is guilty of theft.

26. RCW 48.30.190 provides the following:

- (1) No person shall wilfully collect any sum as premium for insurance, which insurance is not then provided or is not in due course to be provided by an insurance policy issued by an insurer as authorized by this code.
- (2) 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.
- (3) No person shall wilfully or knowingly fail to return to the person entitled thereto within a reasonable length of time any sum collected as premium for insurance in excess of the amount actually expended for insurance applicable to the subject on account of which the premium was collected.

27. RCW 48.17.600(1) requires that all funds representing premiums received by an insurance producer in the insurance producer's fiduciary capacity shall be accounted for and maintained in a separate account from all other business and personal funds.

28. RCW 48.17.600(2) provides that an insurance producer or title insurance agent shall not commingle or otherwise combine premiums with any other moneys, except as provided in subsection (3) of this section.

29. WAC 284-12-080(1) provides that it is an unfair practice for any producer, except as allowed by statute, to conduct insurance business without complying with the requirements of RCW 48.17.600.

30. RCW 48.30.090 provides that no person shall make, issue or circulate, or cause to be made, issued or circulated any misrepresentation of the terms of any policy or the benefits or advantages promised thereby, or the dividends or share of surplus to be received thereon, or use any name or title of any policy or class of policies misrepresenting the nature thereof.

31. By using fraudulent Lexington Insurance policies in order to secure several premium finance loans and by failing to answer any of the questions asked by Investigations or provide the requested information or documentation to Insurance Commissioner, the Licensee violated RCW 48.17.530(1)(d), RCW 48.17.530(1)(g), RCW 48.17.530(1)(h), RCW

48.17.530(1)(j), RCW 48.17.480, RCW 48.30.190, RCW 48.17.600, WAC 284-12-080, RCW 48.30.090, and RCW 48.17.475, justifying the revocation of the Licensee's licenses under RCW 48.17.530(1)(b).

32. Licensees' unremedied violations as set forth herein and ongoing further violations currently under investigation pose a continuing threat to the public health and safety, imperatively requiring emergency action by the Insurance Commissioner, pursuant to RCW 48.17.540(3), in the form of the temporary suspension of the Licensee's insurance producer licenses pending revocation of the same licenses by order served on the Licensee and Agency concurrently with this Order.

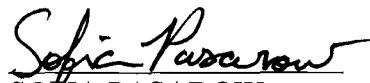
**IT IS FURTHER ORDERED** that, pursuant to RCW 48.17.540(3), this suspension is **PENDING REVOCATION** of your licenses, as laid out in the **ORDER REVOKING LICENSES** served concurrently with this Order. This **ORDER SUSPENDING LICENSES PENDING REVOCATION** is imperatively required by the threat to public health and safety posed by Licensee's and Agency's ongoing business practices which violate the Insurance Code and related regulation. Such suspension shall continue only until proceedings for revocation are concluded.

ENTERED at Tumwater, Washington, this 1<sup>st</sup> day of February, 2019.



MIKE KREIDLER  
Insurance Commissioner

By and through his designee



SOFIA PASAROW  
Insurance Enforcement Specialist  
Legal Affairs Division

## **NOTICE OF YOUR RIGHT TO A HEARING**

If you are aggrieved by this Order Suspending Licenses Pending Revocation, 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 ninety (90) days after the date of this Order Suspending Licenses, 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 suspending your licenses, the suspension will be automatically stayed (postponed) and your licenses will remain in effect pending the hearing.***

You may fill out a demand for hearing form online at the following location:  
<https://www.insurance.wa.gov/how-file-demand-hearing>

Alternatively, if you choose to file by mail, your demand for hearing must briefly state how you are harmed by this decision and why you disagree with it, along with contact information (phone number, mailing address, e-mail address, etc.) for yourself and any representative that appears on your behalf. The demand may be sent to the following address:

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 [HearingsU@oic.wa.gov](mailto:HearingsU@oic.wa.gov).



**CERTIFICATE OF MAILING**

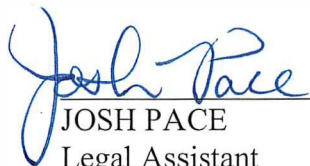
The undersigned certifies under the penalty of perjury under the laws of the state of Washington that I am now and at all times herein mentioned, a citizen of the United States, a resident of the state of Washington, over the age of eighteen years, not a party to or interested in the above-entitled action,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

On the date given below I caused to be served the foregoing Order Suspending Licenses Pending Revocation on the following recipients by email and by depositing in the U.S. mail via state Consolidated Mail Service with proper postage affixed:

Kelt, LLC  
Attn: Edward J Chadwick  
P O Box 10297  
Yakima, WA 98909

Edward J Chadwick  
Kelt, LLC  
406 South 70th Ave  
Yakima, WA 98908-1860  
ed@keltinsurance.com  
ed@ectisgroup.net

Dated this 1<sup>st</sup> day of February, 2019, in Tumwater, Washington.



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JOSH PACE  
Legal Assistant  
Legal Affairs Division