

**WASHINGTON STATE
OFFICE OF ADMINISTRATIVE HEARINGS**

In the matter of:

Edward J. Chadwick
& KELT, LLC,

Appellants/Licensees.

Docket No. 03-2019-INS-00048

**INITIAL ORDER GRANTING
OFFICE OF THE INSURANCE COMMISSIONER'S
MOTION FOR SUMMARY JUDGMENT**

Agency: Office of the Insurance Commissioner
Program: Insurance Brokers and Producers
Agency Nos. 19-0059 & 19-0060

1. ISSUES:

A. OIC's 'Order Suspending Licenses Pending Revocation No. 19-0059'-

- 1.1. Whether a genuine issue of material fact exists as to whether the Appellants, Edward J. Chadwick and Kelt, LLC, used 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 the Insurance Commission, the Licensees 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 48.30.190, RCW 48.17.600, WAC 284-12-080, RCW 48.30.090 and RCW 48.17.475?
- 1.2. If no genuine issue of material fact exists, whether summary judgment should be granted in favor of the Office of the Insurance Commissioner?
- 1.3. If so, what is the appropriate penalty, up to and including license revocation under RCW 48.17.530(1)(b)?

B. OIC's 'Order Revoking Licenses No. 19-0060'-

- 1.4. Whether a genuine issue of material fact exists as to whether the Appellants, Edward J. Chadwick and Kelt, LLC, used 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 the Insurance Commission, the Licensees 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?
- 1.5. If no genuine issue of material fact exists, whether summary judgment should be granted in favor of the Office of the Insurance Commissioner?

- 1.6. If so, what is the appropriate penalty, up to and including license revocation under RCW 48.17.530(1)(b)?

2. ORDER SUMMARY:

A. OIC's 'Order Suspending Licenses Pending Revocation No. 19-0059'-

- 2.1. No genuine issue of material fact exists as to whether the Appellants, Edward J. Chadwick and Kelt, LLC, used 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 the Insurance Commission, the Licensees 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 48.30.190, RCW 48.17.600, WAC 284-12-080, RCW 48.30.090 and RCW 48.17.475. The OIC's 'Order Suspending License Pending Revocation No. 19-0059' is **AFFIRMED**.
- 2.2. Since no genuine issue of material fact exists, as a matter of law, the Office of the Insurance Commissioner's Motion for Summary Judgment is **GRANTED**.
- 2.3. Therefore, in accordance with RCW 48.17.530(1)(b), Edward J. Chadwick's and Kelt, LLC's insurance producer licenses are **REVOKED**.

B. OIC's 'Order Revoking Licenses No. 19-0060'-

- 2.4. No genuine issue of material fact exists as to whether the Appellants, Edward J. Chadwick and Kelt, LLC, used 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 the Insurance Commission, the Licensees 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. The OIC's 'Order Revoking License No. 19-0060' is **AFFIRMED**.
- 2.5. Since no genuine issue of material fact exists, as a matter of law, the Office of the Insurance Commissioner's Motion for Summary Judgment is **GRANTED**.
- 2.6. Therefore, in accordance with RCW 48.17.530(1)(b), Edward J. Chadwick's and Kelt, LLC's insurance producer licenses are **REVOKED**.
- 2.7. Based on the 'OIC's Motion for Summary Judgment' being **granted**, the evidentiary hearing, scheduled for Monday, August 26, 2019 to Wednesday, August 28, 2019, is **CANCELLED**.

3. OIC'S MOTION FOR SUMMARY JUDGMENT:

- 3.1. Hearing Date: The 'OIC's Motion for Summary Judgment' was decided without oral argument.
- 3.2. Admin. Law Judge: TJ Martin
- 3.3. Appellant: Edward Chadwick & Kelt, LLC (Appellants/Licensees)
 - 3.3.1. Representative: Edward Chadwick
- 3.4. Agency: Office of the Insurance Commissioner (OIC)
 - 3.4.1. Representative: Sofia Pasarow, Insurance Enforcement Specialist
- 3.5. Documents Considered: The undersigned administrative law judge considered the following documents for purposes of the 'OIC's Motion for Summary Judgment':

Doc. No.	Document Name	Doc. Date	No. Pages
1	OIC's Order Suspending Licenses Pending Revocation No. 19-0059	02/01/19	9
2	OIC's Order Revoking Licenses No 19-0060	02/01/19	8
3	Appellants' Demand for Hearing of both OIC orders	03/12/19	2
4	OAH's Prehearing Conference Order and Notice of Hearing	04/04/19	11
5	OIC's Motion for Summary Judgment	05/29/19	21
6	Declaration of Jessica Bullington in Support of the OIC's Motion for Summary Judgment with Exhibits 1-24	05/29/19	908
7	OAH's Order Granting Continuance and <u>Amended</u> Prehearing Conference Order	05/31/19	9

[Continued]

4. FACTS FOR PURPOSE OF SUMMARY JUDGMENT:

The record supports the following facts for the purposes of summary judgment:

Jurisdiction-

- 4.1. On February 1, 2019, the Office of the Insurance Commissioner (OIC) issued to Edward J. Chadwick and Kelt, LLC (Appellants/Licensees), an 'Order Suspending Licenses Pending Revocation No. 19-0059' and 'Order Revoking Licenses No. 19-0060'. *Declaration of Jessica Bullington in Support of OIC's Motion for Summary Judgment (Dec. of Bullington); Exhibits (Exs.) 5 & 6.*

In the two orders (Nos. 19-0059 and 19-0060), the OIC alleged the Appellants used fraudulent Lexington Insurance policies in order to secure several premium finance loans and failed to answer any of the questions asked by the Investigations or provide the requested information or documentation to the Insurance Commissioner. As a result, the OIC asserts the Appellants violated Revised Code of Washington 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, Washington Administrative Code (WAC) 284-12-080, RCW 48.30.090 and RCW 48.17.47. As a result, the OIC requested revocation of the Appellants' licenses under RCW 48.17.530(1)(b).

- 4.2. On March 12, 2019, Edward Chadwick & Kelt, LLC, filed a 'Demand for Hearing' for the 'Order Suspending Licenses Pending Revocation No. 19-0059' and 'Order Revoking Licenses No. 19-0060'. *Dec. of Bullington; Exs. 23 & 24.*

OIC's Motion for Summary Judgment-

- 4.3. On May 29, 2019, the Office of the Insurance Commissioner filed 'OIC's Motion for Summary Judgment' and the 'Declaration of Jessica Bullington in Support of OIC's Motion for Summary Judgment', with Exhibits 1-24.
- 4.4. The Appellants/Licensees, Edward Chadwick & Kelt, LLC, did not file a response to the OIC's Motion for Summary Judgment.

Uncontested Facts of Fraudulent Insurance Practices by Edward J. Chadwick & Kelt, LLC-

Based on the OIC's 'Motion for Summary Judgment' and the Appellants' failure to respond to the OIC's Motion, the following uncontested facts were found:

- 4.5. Edward J. Chadwick (Chadwick) holds a Washington resident insurance producer license (WAOIC #73712), issued on June 7, 1990. The license allowed Chadwick to sell property, casualty, and disability insurance. *Dec. of Bullington; Page (Pg.) 2 and Exs. 1 & 2.*

- 4.6. Chadwick owner, president, and designated responsible licensed person for Kelt, LLC (Kelt), which holds a producer license (WAOIC #860248) to sell property and casualty insurance. The business is located in Yakima, Washington. *Dec. of Bullington; Pg. 2 and Exs. 1 & 3.*
- 4.7. Beginning on January 3, 2019, OIC Regulatory Investigations Unit Senior Investigator Jessica Bullington (Investigator Bullington) conducted an investigation of Chadwick and Kelt, LLC, based on a referral from the OIC's Criminal Investigations Unit. The original complaint came from Tepco Premium Finance, LLC (Tepco). *Dec. of Bullington; Pgs. 1-2 and Exs. 1, 17 & 18.*
- 4.8. Investigator Bullington received information from Lexington Insurance Company (Lexington), regarding the policy status of insurance policies the Appellants referenced in submitted loan documents to Tepco. The Appellants had previously represented to Tepco that 24 premium finance loans were used to finance the premiums of several Lexington insurance policies. However, Lexington reported only one of the Lexington insurance policy numbers provided in the Appellants' loan premium finance loan applications to Tepco was a valid Lexington insurance policy. Cheema Freightlines, LLC, was the lone, actual policyholder, but its policy had expired on May 1, 2016. The policy number listed the insured as MK Trucking, LLC. While the policy was valid for Cheema Freightlines until May 1, 2016, it was never valid for MK Trucking, LLC. *Dec. of Bullington; Pg. 3 and Ex. 14.*
- 4.9. On January 8, 2019, Investigator Bullington provided the Appellants with a 'Notice of Investigation' and requested a written response from the Appellants by January 30, 2019, regarding the complaint allegations. *Dec. of Bullington; Pg. 2.*
- 4.10. The Appellant did not provide a written response to the allegations. Instead, Chadwick requested a meeting with Investigator Bullington. The in-person meeting/interview occurred on March 1, 2019. *Dec. of Bullington; Pg. 2.*
- 4.11. On March 8, 2019, Chadwick signed a declaration, summarizing his statements from an interview with OIC investigators, which provided detailed admissions of his misconduct. *Dec. of Bullington; Pg. 3-4 and Ex. 19-22.*
- 4.12. The OIC's investigation revealed from April 27, 2016 to July 5, 2018, the Appellants fraudulently obtained 24 premium finance loans from Tepco, an insurance premium finance company. To obtain the loans, the Appellants submitted 10 falsified insurance binders to Tepco. The Appellants obtained 23 of the loans by creating six fictitious business entities: (1)MK Trucking, LLC; (2) King Logistics, LLC; (3) King's Asphalt, LLC; (4) King's Auto Hauling; (5) EZ Transportation; and (6) King's Express Service. From the 24 fictitious loans, the Appellants received \$2,829,415.84, through 46 disbursements. The Appellants represented the funds would be used to pay the premiums of the

insurance policies that did not exist. *Dec. of Bullington; Pg. 4 and Exs. 7-13, 15 & 16.*

- 4.13. Chadwick admitted he created fraudulent insurance policies for the six, fictional businesses, using a fictional person, 'Mike King'. *Dec. of Bullington; Ex. 1, Pgs. 9, 12-13 and Exs. 20-22.*
- 4.14. The OIC's investigation also discovered that in April 2016, the Appellants obtained one premium finance loan of \$65,000 for Cheema Freightlines, LLC. Chadwick admitted to forging Cheema Freightlines LLC President and CEO Harman Cheema's signature in order to obtain the loan. The Appellants later paid off the loan. *Dec. of Bullington; Pg. 4 and Exs. 1, 15, 16 & 20-22.*
- 4.15. Of the \$2,829,415.84 obtained from the fraudulent loans, the Appellants have repaid \$1,930,753.44 to Tepco Insurance. However, \$898,662.40 of the loans remain unpaid and unaccounted for. *Dec. of Bullington; Pg. 4 and Ex. 1.*
- 4.16. Finally, Chadwick failed to timely and sufficiently respond to the OIC's requests during the investigation. *Dec. of Bullington; Pg. 4 and Ex. 1.*
- 4.17. The Appellants have previous enforcement actions and sanction including: 1) In 1996, Chadwick and his former agency failed to repay refunds of unearned premiums in a timely manner in violation of RCW 48.17.480. The Insurance Commissioner levied a \$1,000 fine; 2) In 2002, Chadwick and his former insurance agency had a shortage in one of their premium accounts of \$640,000. The Insurance Commissioner levied a \$50,000 fine, suspending \$45,000 if they complied with certain conditions; and 3) In 2012, Chadwick offered a prize as an inducement for a customer to obtain insurance, in violation of RCW 48.30.150(1)(c). The Insurance Commission levied a \$1,000 fine. *Dec. of Bullington; Ex. 4.*

5. CONCLUSIONS OF LAW:

Jurisdiction-

- 5.1. The undersigned administrative law judge has jurisdiction over the persons and subject matter in this matter based RCW 34.05.425(1)(c), RCW 34.05.461(1)(c), RCW 48.04.010 and WAC 284-02-070(2)(d)(i).

OIC's Motion for Summary Judgment-

- 5.2. On a motion for summary judgment, the decision maker only considers those facts for which the parties establish 'no genuine issue as to any material fact'. WAC 10-08-135.

- 5.3. In Superior Court matters, CR 56 governs summary judgment. Where the relevant procedural rules do not conflict with CR 56, it and the cases interpreting it serve as persuasive authority in the management of summary judgment under WAC 10-08-135.
- 5.4. "Summary judgment is appropriate only where the undisputed facts entitle the moving party to judgment as a matter of law." *Verizon NW, Inc. v. Employment Sec. Dep't*, 164 Wn.2d 909, 916 (2008), *citing Alpine Lakes Prot. Soc'y v. Dep't of Natural Res.*, 102 Wn. App. 1, 14 (1999).
- 5.5. Only evidence in the record and inferences from that evidence establish facts. If evidence in the record points to more than one possible finding of fact, then summary judgment may not rest on the moving party's version of that fact. *Verizon NW*, 164 Wn.2d 916.
- 5.6. Admissions, stipulations, procedural history, and uncontested declarations and affidavits establish facts for summary judgment.
- 5.7. Civil Rule 56(e) provides: "If the adverse party does not so respond, summary judgment, if appropriate, shall be entered against the adverse party."
- 5.8. In the present case, on May 29, 2019, the OIC filed 'OIC's Motion for Summary Judgment' and the 'Declaration of Jessica Bullington in Support of OIC's Motion for Summary Judgment', along with Exhibits 1-24.
- 5.9. Based on OAH's 'Order Granting Continuance and Amended Prehearing Conference Order', the Appellants deadline to file a 'Response' to the OIC's Summary Judgment Motion was June 12, 2019.
- 5.10. The Appellants did not file any 'response' to the OIC's Summary Judgment Motion or request additional time in order to file a response to the motion.
- 5.11. As of the date of this order, the Appellant has provided no 'response', challenging the facts asserted in the OIC's 'Motion for Summary Judgment'.

A. OIC's 'Order Suspending Licenses Pending Revocation No. 19-0059'-

- 5.12. The Office of the Insurance Commissioner is responsible for implementing and enforcing the provisions of Title 48 and Title 314 WAC which governs the insurance industry in the State of Washington.

Fraudulent Insurance Practice Violations by Edward J. Chadwick & Kelt, LLC-

- 5.13. RCW 48.17.530(1) establishes: The commissioner may 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 may levy a civil penalty in accordance with RCW 48.17.560 or any combination of actions, for any of the following causes, in relevant part:

- (d) Improperly withholding, misappropriating, or converting any moneys or properties received in the course of doing insurance business;*
- (g) Having admitted or been found to have committed any insurance unfair trade practice or fraud;*
- (h) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in this state or elsewhere;*
- (j) Forging another's name to an application for insurance or to any document related to an insurance transaction;*

5.14. RCW 48.17.480 requires insurance producers to maintain records, promptly accounting for all funds received for premiums and prohibits producers, using their fiduciary capacity to divert such funds for personal use.

5.15. RCW 48.30.190 'Illegal dealing in premiums' establishes:

- (1) No person shall willfully 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 willfully 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 willfully 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.*

5.16. RCW 48.17.600(1) & (2) requires:

- (1) All funds representing premiums or return premiums received by an insurance producer or title insurance agent in the insurance producer's or title insurance agent's fiduciary capacity shall be accounted for and maintained in a separate account from all other business and personal funds.*
- (2) 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.*

5.17. WAC 284-12-080 requires all insurance producers to conduct insurance business in accordance with RCW 48.17.600.

[Continued]

5.18. RCW 48.30.090 'Misrepresentation of policies' mandates:

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.

5.19. RCW 48.17.475 'Licensee to reply promptly to inquiry by commissioner' mandates:

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 received by the commissioner within fifteen business days from receipt of the inquiry. Failure to make a timely response constitutes a violation of this section.

5.20. In the present case, the Office of the Insurance Commissioner has established and the Appellant, Edward Chadwick, acting on his own behalf and the behalf of Kelt, LLC, engaged in numerous fraudulent and unfair practices. These practices include: (1) Fraudulent Creation of Fictional Businesses to Obtain Finance Loans; (2) Forgery of Policyholder's Signature; and (3) Failure to Timely Respond in Writing to the OIC's Investigation.

(1) Fraudulent Creation of Fictional Businesses to Obtain Finance Loans-

The OIC asserts that between May 2016 and May 2018, the Appellant, Edward Chadwick, acting on his own behalf and the behalf of Kelt, LLC, obtained loans from Tepco for six fictitious businesses: (1)MK Trucking, LLC; (2) King Logistics, LLC; (3) King's Asphalt, LLC; (4) King's Auto Hauling; (5) EZ Transportation; and (6) King's Express Service. Chadwick obtained the loans by creating a fictitious person, 'Mike King', who allegedly owned the businesses. In all, the Appellants obtained \$2,829,415.84 in fraudulent loans. While the Appellants have repaid \$1,930,753.44, \$898,662.40 remains unpaid and unaccounted for. The Appellants, Chadwick and Kelt, LLC, do not refute the OIC's allegations. In fact, he admitted to creating the six fraudulent businesses and their Owner/President, 'Mike King'. *Ex. 22.*

Therefore, based on the Appellants' actions, Edward Chadwick and Kelt, LLC, engaged in fraudulent and deceptive insurance practices and failed to account for all such funds when investigated by the OIC. Therefore, the Appellants 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, and RCW 48.30.090. The OIC's 'Order Suspending Licenses Pending Revocation No. 19-0059' regarding this issue is **AFFIRMED**.

(2) Forgery of Policyholder's Signature- In its 'Order Suspending Licenses Pending Revocation No. 19-0059', the OIC alleged, in 2016, the Appellants

forged the signature of Cheema Freightlines, LLC's President and CEO, Harman Cheema, in order to obtain a \$65,000 loan from Tepco. Cheema was not aware any loan application on his business' behalf. He also never requested or authorized Chadwick to seek the loan or agree to have Chadwick sign on his behalf. *Ex. 16.* During his interview with OIC investigators on March 1, 2019, Chadwick admitted forging the signature of Harman Cheema in order to obtain the loan. *Ex. 22.*

Based on the actions of Chadwick, on his own behalf and on behalf of Kelt, LLC, the Appellants forged another's name, Harman Cheema, to a loan application for insurance. As a result, the Appellants acted dishonestly in violation of RCW 48.17.530(1). The OIC's 'Order Suspending Licenses Pending Revocation No. 19-0059' regarding this issue is **AFFIRMED**.

- (3) **Failure to Timely Respond in Writing to Investigation-** On January 8, 2019, the OIC contacted the Appellants regarding a complaint filed against Chadwick and Kelt, LLC. The OIC requested a written response from the Appellant by January 30, 2019. However, the Appellants did not respond, in writing to the allegation waged in the complaint. Rather, Chadwick contacted OIC Investigator Bullington on January 30, 2019 to set up an in-person meeting/interview. Chadwick finally met with OIC investigators on March 1, 2019.

RCW 48.17.475 requires licensees to respond, in writing, to any inquiry from the OIC. In the present matter, the Appellants were notified of the complaint and investigation. The OIC requested the Appellants respond, in writing, to the complaint and allegations no later than January 30, 2019. The Appellant did not respond within the timeframe provided. Instead, on January 30, 2019, Chadwick requested an in-person meeting/interview. The in-person interview/meeting occurred on March 1, 2019.

In the present case, the Appellant failed to reply, in writing, to the OIC's complaint and investigation by the January 30, 2019 deadline, in accordance with RCW 48.17.475. Therefore, the Appellants violated RCW 48.17.475. The OIC's 'Order Suspending Licenses Pending Revocation No. 19-0059' regarding this issue is **AFFIRMED**.

- 5.21. No genuine dispute of material fact exists in the present case. Therefore, the Office of the Insurance Commissioner is entitled to summary judgment as a matter of law. As a result, the OIC's Motion for Summary Judgment is **GRANTED**.

Penalty-

- 5.22. RCW 48.17.530(1)(b) mandates the Commission may place on probation, suspend, revoke, or refuse to issue or renew a license for violating any

insurance laws, or violating any rule, subpoena, or order of the commissioner or of another state's insurance commissioner.

- 5.23. In the present case, the OIC seeks revocation of the Appellants' insurance licenses, in accordance with RCW 48.17.530(1)(b). Based on the above-findings, the Appellants' 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. Therefore, in accordance with RCW 48.17.530(1)(b), Edward J. Chadwick's and Kelt, LLC's insurance producer licenses are **REVOKED**.

B. OIC's 'Order Revoking Licenses No. 19-0060'-

Fraudulent Insurance Practice Violations by Edward J. Chadwick & Kelt, LLC-

- 5.24. In the present case, the Office of the Insurance Commissioner has established and the Appellant, Edward Chadwick, acting on his own behalf and the behalf of Kelt, LLC, engaged in numerous fraudulent and unfair practices. These practices include: (1) Fraudulent Creation of Fictional Businesses to Obtain Finance Loans; (2) Forgery of Policyholder's Signature; and (3) Failure to Timely Respond in Writing to Investigation.

- (1) Fraudulent Creation of Fictional Businesses to Obtain Finance Loans-** The OIC asserts that between May 2016 and May 2018, the Appellant, Edward Chadwick, acting on his own behalf and the behalf of Kelt, LLC, obtained loans from Tepco for six fictitious businesses: (1)MK Trucking, LLC; (2) King Logistics, LLC; (3) King's Asphalt, LLC; (4) King's Auto Hauling; (5) EZ Transportation; and (6) King's Express Service. Chadwick obtained the loans by creating a fictitious person, 'Mike King', who allegedly owned these businesses. In all, the Appellants obtained \$2,829,415.84 in fraudulent loans. While the Appellants have repaid \$1,930,753.44, \$898,662.40 remains unpaid and unaccounted for. The Appellant, Chadwick, does not refute the OIC's allegations. In fact, he admitted to creating the six fraudulent businesses and their own, 'Mike King'. *Ex. 22*.

Therefore, based on the Appellants' actions, Edward Chadwick and Kelt, LLC, engaged in fraudulent and deceptive insurance practices and failed to account for all such funds when investigated by the OIC. Therefore, the Appellants 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, and RCW 48.30.090. The OIC's 'Order Revoking Licenses No. 19-0060' regarding this issue is **AFFIRMED**.

- (2) Forgery of Policyholder's Signature-** In its 'Order Suspending Licenses Pending Revocation No. 19-0060', the OIC alleged, in 2016, the Appellants forged the signature of Cheema Freightlines, LLC's President and CEO,

Harman Cheema, in order to obtain a \$65,000 loan from Tepco. Cheema was not aware any loan application on his business' behalf. He also never requested or authorized Chadwick to seek the loan or agree to have Chadwick sign on his behalf. *Ex. 16.* During his interview with OIC investigators on March 1, 2019, Chadwick admitted forging the signature of Harman Cheema in order to obtain the loan. *Ex. 22.*

Based on the actions of Chadwick, on his own behalf and on behalf of Kelt, LLC, the Appellants forged another's name, Harman Cheema, to an loan application for insurance. As a result, the Appellants acted dishonestly in violation of RCW 48.17.530(1). The OIC's 'Order Revoking Licenses No. 19-0060' regarding this issue is **AFFIRMED**.

- (3) **Failure to Timely Respond in Writing to Investigation-** On January 8, 2019, the OIC contacted the Appellants regarding a complaint filed against Chadwick and Kelt, LLC. The OIC requested a written response from the Appellants by January 30, 2019. However, the Appellants did not respond, in writing to the allegation waged in the complaint. Rather, Chadwick contacted OIC Investigator Bullington on January 30, 2019 to set up an in-person meeting/interview. Chadwick finally met with OIC investigators on March 1, 2019.

RCW 48.17.475 requires licensees to respond, in writing, to any inquiry from the OIC. In the present matter, the Appellants were notified of the complaint and investigation. The OIC requested the Appellants respond, in writing, to the complaint and allegations no later than January 30, 2019. The Appellant did not respond within the timeframe provided. Instead, on January 30, 2019, Chadwick requested an in-person meeting/interview. The in-person interview/meeting occurred on March 1, 2019.

In the present case, the Appellant failed to reply, in writing, to the OIC's complaint and investigation by the January 30, 2019 deadline, in accordance with RCW 48.17.475. Therefore, the Appellants violated RCW 48.17.475. The OIC's 'Order Revoking Licenses No. 19-0060' regarding this issue is **AFFIRMED**.

- 5.25. No genuine dispute of material fact exists in the present case. Therefore, the Office of the Insurance Commissioner is entitled to summary judgment as a matter of law. As a result, the OIC's 'Motion for Summary Judgment' is **GRANTED**.

Penalty-

- 5.26. RCW 48.17.530(1)(b) mandates the Commission may place on probation, suspend, revoke, or refuse to issue or renew a license for violating any

insurance laws, or violating any rule, subpoena, or order of the commissioner or of another state's insurance commissioner.

- 5.27. In the present case, the OIC seeks revocation of the Appellants' insurance licenses, in accordance with RCW 48.17.530(1)(b). Based on the above-findings, the Appellants' 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. Therefore, in accordance with RCW 48.17.530(1)(b), Edward J. Chadwick's and Kelt, LLC's insurance producer licenses are **REVOKED**.

Evidentiary Hearing Cancelled

Based on the 'OIC's Motion for Summary Judgment' being **granted**, the evidentiary hearing, scheduled for Monday, August 26, 2019 to Wednesday, August 28, 2019, is **CANCELLED**.

6. INITIAL ORDER:

THIS ADMINISTRATIVE COURT ORDERS:

A. OIC's 'Order Suspending Licenses Pending Revocation No. 19-0059'-

- 6.1. No genuine issue of material fact exists as to whether the Appellants, Edward J. Chadwick and Kelt, LLC, used 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 the Insurance Commission, the Licensees 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 48.30.190, RCW 48.17.600, WAC 284-12-080, RCW 48.30.090 and RCW 48.17.475. The OIC's 'Order Suspending License Pending Revocation No. 19-0059' is **AFFIRMED**.
- 6.2. No genuine dispute of material fact exists in the present case. Therefore, the Office of the Insurance Commissioner is entitled to summary judgment as a matter of law. As a result, the OIC's Motion for Summary Judgment is **GRANTED**.
- 6.3. Therefore, in accordance with RCW 48.17.530(1)(b), Edward J. Chadwick's and Kelt, LLC's insurance producer licenses are **REVOKED**.

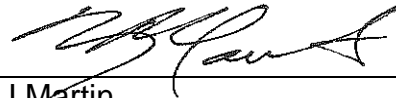
B. OIC's 'Revoking Licenses No. 19-0060'-

- 6.4. No genuine issue of material fact exists as to whether the Appellants, Edward J. Chadwick and Kelt, LLC, used 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 the Insurance Commission, the Licensees 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. The OIC's 'Order Revoking License No. 19-0060' is **AFFIRMED**.

- 6.5. No genuine dispute of material fact exists in the present case. Therefore, the Office of the Insurance Commissioner is entitled to summary judgment as a matter of law. As a result, the OIC's 'Motion for Summary Judgment' is **GRANTED**.
- 6.6. Therefore, in accordance with RCW 48.17.530(1)(b) Edward J. Chadwick's and Kelt, LLC's insurance producer licenses are **REVOKED**.
- 6.7. Based on the 'OIC's Motion for Summary Judgment' being **granted**, the evidentiary hearing, scheduled for Monday, August 26, 2019 to Wednesday, August 28, 2019, is **CANCELLED**.

SIGNED at Tacoma, Washington on the date of mailing.



TJ Martin
Administrative Law Judge
Office of Administrative Hearings

CERTIFICATE OF SERVICE IS ATTACHED

PETITION FOR RECONSIDERATION

Within 10 days of the service of this order, any party may file a petition for reconsideration with the Office of Administrative Hearings at:

Office of Administrative Hearings
949 Market Street, Suite 500
Tacoma, WA 98406

The petition for reconsideration must state the specific grounds upon which relief is requested. RCW 34.05.470(1). WAC 10-08-215.

The petition for reconsideration will not stay the effectiveness of this order. *Id.* at (2).

APPEAL RIGHTS

FINAL ORDER:

An initial order does not become a final order until the Insurance Commissioner reviews it.¹ The Insurance Commissioner's Chief Hearing Officer will automatically review this matter and issue a final order.

PETITION FOR REVIEW:

In addition to the automatic review, any party may file a Petition for Review.² If you file a Petition for Review, the Chief Hearing Officer will consider your specific objections to the Initial Order and your arguments for a different result.

You must file your Petition for Review with the Office of the Insurance Commissioner (OIC) within twenty (20) days of the date OAH mailed the Initial Order.³ "File" means served on all other parties and delivered during business hours.⁴ Mail a copy to the other parties at the addresses in the Certificate of Mailing below.

The Petition for Review must specify all parts of the Initial Order that you dispute and the evidence that supports the Petition.⁵ Other parties may file a reply to the Petition within 10 days after the petitioner serves the Petition.⁶

Deliver the Petition for Review and Reply to the following address:

Office of Insurance Commissioner
Chief Hearing Officer
Hearings Unit, OIC
PO Box 40255
Olympia, WA 98504-0255

¹ WAC 284-02-070(2)(c)(i).

² RCW 34.05.464; WAC 10-08-211.

³ WAC 10-08-211.

⁴ WAC 10-08-110.

⁵ WAC 10-08-211(3).

⁶ WAC 10-08-211(4).

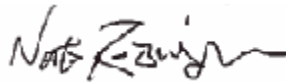
CERTIFICATE OF SERVICE FOR OAH DOCKET NO. 03-2019-INS-00048

I certify that true copies of this document were served from Tacoma, Washington via Consolidated Mail Services upon the following as indicated:

<p>Edward J. Chadwick KELT, LLC 406 S 70th Ave Yakima, WA 98908</p> <p>KELT, LLC ATTN: Edward J. Chadwick PO Box 10297 Yakima, WA 98909</p> <p>Appellants</p>	<p><input checked="" type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail, Return Receipt <input type="checkbox"/> Hand Delivery via Messenger <input type="checkbox"/> Campus Mail <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> E-mail: ed@ectisgroup.net ed@keltinsurance.com</p>
<p>Sofia Pasarow Office of the Insurance Commissioner MS: 40255 Olympia, WA 98504</p> <p>Agency Representative</p>	<p><input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail, Return Receipt <input type="checkbox"/> Hand Delivery via Messenger <input checked="" type="checkbox"/> Campus Mail <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> E-mail: sofiap@oic.wa.gov dawnk@oic.wa.gov</p>
<p>Rebekah Carter Office of the Insurance Commissioner MS: 40255 Olympia, WA 98504</p> <p>Agency Contact</p>	<p><input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail, Return Receipt <input type="checkbox"/> Hand Delivery via Messenger <input checked="" type="checkbox"/> Campus Mail <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> E-mail: rebekahc@oic.wa.gov</p>

Date: Wednesday, July 31, 2019

OFFICE OF ADMINISTRATIVE HEARINGS



Nathan Robinson
Legal Assistant 3