



OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of)	Docket No. 12-0130
)	
GHOLAM REZA NIKZAD AND WOOD)	FINDINGS OF FACT,
FINANCIAL SERVICES COMPANY)	CONCLUSIONS OF LAW,
)	AND FINAL ORDER
Licensees.)	
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TO: Gholam Reza Nikzad
14404 SE 15th Street
Bellevue, WA 98007

Wood Financial Services Company
5200 Southcenter Boulevard, Suite 200
Tukwila, WA 98188

COPY TO: Mike Kreidler, Insurance Commissioner
Michael G. Watson, Chief Deputy Insurance Commissioner
John F. Hamje, Deputy Commissioner, Consumer Protection Division
Charles Brown, Staff Attorney, Legal Affairs Division
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Pursuant to RCW 34.05.434, 34.05.461, 48.04.010 and WAC 10-08-210, and after notice to all interested parties and persons the above-entitled matter came on regularly for hearing before the Washington State Insurance Commissioner commencing at 10:00 a.m. on July 10, 2012. All persons to be affected by the above-entitled matter were given the right to be present at such hearing during the giving of testimony, and had reasonable opportunity to inspect all

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documentary evidence. The Insurance Commissioner appeared by and through Charles Brown, Esq., Senior Staff Attorney in his Legal Affairs Division. Gholam Reza Nikzad appeared pro se and represented himself and Licensee Wood Financial Services Company throughout the proceedings.

NATURE OF PROCEEDING

The purpose of the hearing was to take testimony and evidence and hear arguments as to whether disciplinary action should be taken against Washington licensed resident insurance producer Gholam Reza Nikzad and the licensed insurance agency which he solely owns and operates, Wood Financial Services Company ("Licensees"). On May 31, 2012, the Commissioner filed a Notice of Hearing to Request Imposition of a Fine and Placement of Licenses on Probationary Status which commenced this adjudicative proceeding. The Commissioner's action is based primarily on his determination that the Licensees failed to complete and maintain proper recordkeeping of insurance transactions for calendar years 2009 to the present and in so doing violated RCW 48.03.030(1), 48.17.470(1) and (2), 48.17.600(1) and WAC 284-12-080(8) and (9). Briefly, the Commissioner alleges that the Licensees 1) failed to retain records of all transactions consummated under their licenses; 2) failed to account for premiums and return premiums received; and 3) failed to accurately reconstruct their operating account and fiduciary account transactions for 2009 as directed by the Commissioner following his financial examination of the Licensees. The Commissioner proposed a Consent Order to the Licensees which 1) would impose a fine of \$1,000 upon the Licensees; and 2) would place the Licensees on probationary status for three months on the conditions that the Licensees correct the violations of the statutes that are the subject of the OIC's Order, and accurately reconstruct their operating account and fiduciary account transactions for 2009 to the present, by the end of the three month probationary period. On May 17, 2012 the Licensees executed this Consent Order but then by letter to the Commissioner dated May 17, 2012 requested more than the three month probationary period to comply with that Consent Order. For this reason, the Commissioner considered the Consent Order not to be in effect and on May 31, 2012 filed a Notice of Hearing to Request Imposition of a Fine and Placement of Licenses on Probationary Status with the undersigned.

FINDINGS OF FACT

Having considered the evidence and arguments presented at the hearing, and the documents on file herein, the undersigned presiding officer designated to hear and determine this matter finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.
2. Gholam Reza Nikzad is an individual in approximately his mid 60s who resides in

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Bellevue, Washington and was first issued a Washington resident insurance producer's license to engage in all lines of insurance in Washington, WAOIC No. 198336, in 1984. During all times pertinent hereto, Gholam Reza Nikzad has been the owner and operator of Wood Financial Services Company of SeaTac, WA, which has held a Washington resident insurance agency license for all lines of insurance, WAOIC No. 171385, since 2001. [OIC Ex. 5, Examination Report on Wood Financial Services Company and Gholam Reza Nikzad, Case No. 2037169.] Gholam Reza Nikzad (Nikzad) and Wood Financial Services Company (Wood Financial) are hereafter referred to collectively as the "Licensees" unless referenced individually as Nikzad and Wood Financial.

3. Nikzad earned a two year degree in accounting in Iran, and completed his Associate of Arts degree in the United States at Tacoma Community College taking business administration classes. He began in the insurance business in 1979 as a clerk for Home Insurance Company and after five years obtained his insurance producer's license. In approximately 1984 he obtained his Washington resident producer's license and worked as a producer for Miller, Hanson and Torphy Inc., an all lines general agent in Washington, WA OIC 27378. Nikzad performed bookkeeping for this producer for the first six months but then acted solely as a producer while others handled the bookkeeping at that agency. In approximately 1999 Nikzad moved to Oregon to enter apparently a different industry, but returned to Seattle in 2001 to resume his work as a producer. Since that time, he has worked as a producer alone: until approximately 2005 he earned some \$20,000 to \$40,000 per month and hired others to do his bookkeeping for him. Since approximately 2005 he has earned some \$4,000 to \$5,000 per month, has tried to handle the bookkeeping himself, has moved his office several times, and has had five heart attacks. [Testimony of Licensee Gholam Reza Nikzad; Testimony of Amir Siavoosh Pazooki.] Prior to the below referenced 2010 complaint filed by 21st Century Insurance and Financial Services against the Licensees, neither Nikzad nor Wood Financial had any other complaints against them filed with the OIC except one which apparently concerned a competition situation in 1996 where no consumers were harmed. [Testimony of Nikzad.]

4. Mr. Nikzad is an independent producer. He owns and operates his insurance agency, Wood Financial, alone (aside from hiring another individual once or twice each month to perform clerical duties). [Testimony of Nikzad.] Over 90% of the Licensees' insurance customers are from different backgrounds and nationalities with either no, or a limited ability, to speak English. Many are in poor or extreme circumstances, do not understand insurance, cannot speak English and are therefore difficult for a producer to serve. Many of these customers purchase insurance just to obtain the insurance card - to show proof of insurance in the case they are stopped and questioned by the police - and after they receive the insurance card they cancel the policy, so that there are often return premiums due. [Ex. 1, May 17, 2012 letter from Nikzad; OIC Ex. 5b, Insurance Commissioner's (OIC) Agency Examination Report dated December 29, 2010, Case No. 1037169; Testimony of Nikzad.]

5. Nikzad is directly appointed with numerous companies and writes insurance business through BGI Agency Network, Inc. as an affiliated member. He also does business with various

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brokers such as Griffin Underwriting Services; Pacific International Underwriters; Lapre Scali & Co. Ins. Services (in AZ); Anchor Bay Ins. Managers, Inc.; Ron Rothert Ins. Services; J.R. Olsen Bonds and Ins. Brokers; and Contractors Bonding and Insurance Company. [OIC Ex. 5b, OIC Agency Examination Report.]

6. Approximately 95% of the Licensees' current business is direct bill, where the Licensees are responsible for significantly less record keeping because the customers normally pay the insurer directly.

7. Approximately 5% of the Licensees' current business is general agency account business as opposed to direct bill business. The Licensees' problems which are at issue herein were either all or primarily caused as a result of their record keeping relative to their general agent accounts. [Testimony of Nikzad; Testimony of Angelina E. Portacio, Financial Examiner in the OIC's Licensing & Education Section of its Consumer Protection Division.] The Licensees are willing to give these general agency accounts to a person outside of Wood Financial, so that the Licensees would no longer have to handle the record keeping for these general agency accounts. [Testimony of Nikzad.]

8. Beginning on December 16, 2010, as a result of a complaint filed in 2010 against the Licensees by 21st Century Insurance and Financial Services that the Licensees had failed to remit \$1,907.56 in premium due to that company, Examiner Portacio attempted to conduct a financial examination of the Licensees' books and records. Examiner Portacio determined, and the Licensees admit, that the Licensees 1) did not record receipt of premiums; 2) did not identify who made the premium payments or for what policies they were for; 3) did not keep records of premium payments made to companies or brokers; 4) did not retain receipts issued for funds received; and 5) retained only a few bank statements. Examiner Portacio found that in 2009 the Licensees had some \$20,000 in premium credits, i.e., return premiums, endorsements and overpayments. [OIC Ex. 5b, OIC Agency Examination Report; Testimony of Portacio; Testimony of Nikzad.]

9. As a result of her findings during the financial examination of the Licensees, Examiner Portacio instructed the Licensee to establish and maintain records and an appropriate accounting system for all premiums and return premiums, and to obtain and retain all the policy documents and records. Examiner Portacio initially asked the Licensee to obtain copies of bank records and to reconstruct his fiduciary account and operating account transactions for calendar years 2009 and 2010, but at the Licensee's request she reduced this requirement to instead require the Licensee to perform these tasks only for the 2009 calendar year, to be completed by June 20, 2011. Examiner Portacio also provided the Licensee with a copy of the record keeping requirements required of producers under the Insurance Code.

10. In November 2011, Examiner Portacio returned to Nikzad and Wood Financial's offices to conduct a follow up examination. At that time, she found, and the Licensees admit, that the Licensee had failed to reconstruct his fiduciary and operating account transactions for 2009 as

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the OIC had instructed. She also found, and the Licensees admit, that the records that the OIC had instructed the Licensees to obtain by June 20, 2011 were not prepared. Further, the Licensees admitted, and it is here found, that the Licensees had not complied with the OIC's instructions to implement an adequate record keeping system, either manual or electronic. [OIC Ex. 6b, Agency Follow Up Examination of Licensees written December 23, 2011; Testimony of Portacio; Testimony of Nikzad.]

11. Subsequently, on May 17, 2012, the Licensees executed a Consent Order proposed by the OIC, whereby they agreed to pay a fine of \$1,000 within 30 days of the date of entry of the Order; in lieu of revocation of their licenses the Licensees agreed to be placed on probationary status for three months on the condition that they correct the violations of the statutes concerning their lack of proper bookkeeping within the three month probationary period and that they accurately reconstruct their operating and fiduciary account transactions for 2009 to the present by the end of the three month probationary period. If each of those conditions was not fully met by the end of the three month probationary period, then the Licensees agreed that their producer's licenses would be revoked at the sole discretion of the OIC without any right to hearing, appeal or advance notice. Although the Licensees executed this Consent Order on May 17, 2012, on that same date he wrote a letter to the OIC requesting that he be given more time than the three month probationary period to comply with the terms of the Consent Order, citing reasons of ill health, poor economy, the demanding nature of his particular clientele, the fact that he has had to move his offices several times over the past few years to keep the business open and the fact that he has had to operate his agency all on his own. [Ex. 1, May 17, 2012 letter from Nikzad to OIC received and filed May 18, 2012.] Because this was an attempt to change the terms of the Consent Order, the OIC properly treated this letter as a rejection of the proposed Consent Order and a Demand for Hearing to contest the OIC's action.

12. The Licensees' general agency accounts, which amount to approximately 5% of the Licensees' business, are the primary cause of the Licensees' record keeping problems. [Testimony of Portacio.] The Licensees' sell this general agency business through 5 insurance brokers: the Licensees placed the largest numbers of accounts through Griffin. In 2009 there were 10 cancellations of policies by the Licensees' customers, and there were also two financed transactions through Griffin wherein those policies were also cancelled. [Testimony of Portacio.] Return premiums are sent to those brokers, who send them to the Licensees to be returned to the Licensees' customers or other persons entitled thereto. The reason for the OIC's focus on 2009, and main concern, is that apparently some \$20,000 of return premiums were received in 2009 by the Licensees – either all or most from the general agents – due to cancellations, over payments or endorsements, but the Licensees' record keeping is insufficient for the OIC to assure itself that these return premiums were properly returned from the Licensees to their customers or other persons entitled thereto. [Testimony of Portacio.]

13. The OIC's position at hearing was that it would be reasonable to no longer require that the Licensees reconstruct their records for all insurance business the Licensees conducted in 2009. Rather, it would be satisfactory with the OIC if the Licensees reconstructed their agency records

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for 2009 only as to all premium credits received by the Licensees: specifically, the OIC advises that the situation would be acceptable if the Licensees were required to reconstruct only that part of their calendar year 2009 business which involved the receipt and handling of funds related to cancellations, endorsements and overpayments. This requires listing all premium credits received on the Licensees' insurance business in 2009 and documentation of the proper disposition of those funds including copies of checks or other documents showing how those funds were handled. The required reconstruction must be sufficient to enable the OIC to assure itself that all of those premium credits for 2009 received by the Licensee were properly returned to the Licensees' customers or other persons entitled thereto. [Testimony of Portacio.] Additionally, the OIC supports the Licensees' offer to give up their general agency business as it involves substantially more record keeping than the approximately 95% of the Licensees' business which is direct bill, however the Licensees recognize that they will still be required to provide receipts for premiums, documentation of use of operating and fiduciary accounts, documentation of disposition of premium credits and other record keeping in full compliance with the requirements of the Insurance Code.

14. Angelina E. Portacio, Financial Examiner for the Licensing Division of the OIC, appeared as a witness on behalf of the OIC. Ms. Portacio presented her testimony in a detailed and credible manner and presented no apparent biases.

15. Gholam Reza Nikzad, Licensee, appeared as a witness on his own behalf and on behalf of Wood Financial Services Company. Mr. Nikzad presented his testimony in a detailed and credible manner and presented no apparent biases.

16. Amir (Siavoosh) Pazooki appeared as a witness on behalf of Mr. Nikzad. Mr. Pazooki, an insurance producer in Bellevue, has known the Licensee closely since approximately 1977 when he and the Licensee were roommates, and Mr. Pazooki and Mr. Nikzad have over time shared offices as well. Mr. Pazooki testified as to Mr. Nikzad's good character, to the fact that Mr. Nikzad's challenges began in 2000 with a cancer situation in 2001 and numerous heart attacks beginning in 2005. Mr. Pazooki presented his testimony in a detailed and credible manner and presented no apparent biases.

17. Based upon the above Findings of Facts, it is reasonable that Nikzad and Wood Financial should be put on probation for a period of three months commencing with the date of entry of the Order herein, should be fined \$1,000, and should be required to reconstruct their records for calendar year 2009 only as to that part of their insurance business which involves premium credits -- i.e., funds received by the Licensee which are credits due to policy cancellations, endorsements and overpayments -- so that there is sufficient evidence for the OIC to conclude that those premium credits received by the Licensees during 2009 were properly returned to the Licensees' customers or other persons entitled thereto. Because the Licensees have had a significant amount of time already to complete these tasks, this required reconstruction should be completed by the end of the three month probationary period which, as above, commences upon the date of entry of the Order herein. Finally, beginning in 2013, the Licensees should be

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required to keep their agency records relative to all of their insurance transactions in full compliance with the Insurance Code.

CONCLUSIONS OF LAW

Based upon the above Findings of Facts, it is hereby concluded:

1. The adjudicative proceeding herein was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied. This Order is entered pursuant to Title 48 RCW and specifically RCW 48.04; Title 34 RCW including, for good cause shown, RCW 34.05.458(8); and regulations pursuant thereto.

2. The Licensees failed to produce accounts, records, and documents necessary to facilitate the OIC's financial examination, and in so doing violated RCW 48.03.030(1).

3. The Licensees failed to retain records of all transactions consummated under their licenses and failed to keep such records available and open to inspection of the OIC for at least five years, and in so doing violated RCW 48.17.470(1) and (2).

4. The Licensees failed to account for premiums and return premiums received, and in so doing violated RCW 48.17.480(1) and (2).

5. The Licensees failed to account for premiums and return premiums received in their fiduciary capacity, and in so doing violated RCW 48.17.600(1) and WAC 284-12-080(8) and (9).

6. Based upon the above Findings of Facts and Conclusions of Law, the Licensees should 1) be fined in the amount of \$1,000 pursuant to RCW 48.17.560.

7. The OIC argues that the Licensees' insurance producer's licenses should be put on probation for a period of three months. However, the OIC does not provide any legal authority for imposition of probation in either its Notice of Hearing or its argument at hearing. Indeed, a review of the Insurance Code by the undersigned indicates that -- while other sections of the Insurance Code restrict their penalties to fines, suspensions, revocations and/or refusals to issue or renew licenses and do not include probation as a penalty -- the OIC's authority for imposing probation appears to only be found in RCW 48.17.530 (1). RCW 48.17.530(1) provides that the OIC may place an insurance producer's license on probation for any one or more of eight specifically described causes identified as (a) through (m) therein, and the OIC does not allege in either its Notice of Hearing or its argument at hearing that the Licensees' activities meet any of these eight enumerated causes. Therefore the undersigned has no authority to impose probation of the Licensees' insurance producer's licenses.

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8. By the end of the three month period following the date of entry of the Order herein, the Licensees should be required to reconstruct those portions of their agency records for calendar year 2009 which pertain to premium credits -- namely, premium credits received by the Licensees as a result of cancellations, endorsements and overpayments -- so that there is sufficient evidence for the OIC to conclude that those premium credits received by the Licensees were properly received, handled and returned to their customers or other persons entitled thereto. Specifically, the Licensees should produce for the OIC sufficient evidence in the form of copies of checks, bank statements and other necessary documents in an organized, clear form, how many premium credits the Licensees received in 2009 from any source; the proper identification of each premium credit with its source, its policyholder and the specific policy involved; the deposit of these premium credits into the proper account; and the proper return of each premium credit to the Licensees' customer or other person entitled thereto; and any other evidence related to this requirement. The Licensees should have this evidence ready for the OIC Examiner's inspection in an organized, clear and complete form which does not require the OIC Examiner to need to request further documents or interpretation to verify proper handling of these premium credits.

9. By the end of 2012 the Licensees shall have given up all of their general agency accounts to an entity which is not affiliated with the Licensees. The Licensees should retain only their direct bill accounts.

10. The Licensees should be required to comply fully with -- and should be held accountable for -- all provisions of the Insurance Code regarding record keeping commencing on January 1, 2013.

ORDER

On the basis of the foregoing Findings of Facts and Conclusions of Law,

IT IS HEREBY ORDERED that the Licensees are fined \$1000, payable within 30 days of the date of entry of this Order, to Office of Insurance Commissioner, P.O. Box 40255, Olympia, WA 98504-0255 or 5000 Capitol Boulevard, Olympia, WA 98501. Failure to timely pay the fine imposed by this Order will result in revocation of the insurance producer's licenses of Gholam Reza Nikzad and Wood Financial Services Company without further notice, and will result in recovery of the fine through a civil action brought on behalf of the OIC by the Attorney General of the State of Washington.

IT IS FURTHER ORDERED that, by the end of 2012, the Licensees shall transfer all of their general agency accounts to a properly licensed insurance producer who is not affiliated with the Licensees and shall take no new general agency account business. Further, by the end of 2012, the Licensees shall retain only their direct bill accounts, and shall receive and handle only new business which is direct bill. This requirement shall continue until such time as the Licensees

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might request, and the OIC in its sole discretion grants, permission for the Licensees to receive and handle insurance business other than direct bill accounts once again.

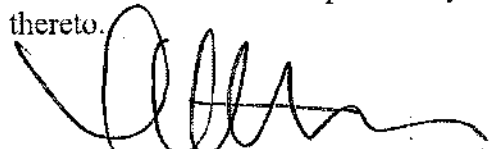
IT IS FURTHER ORDERED that, by the end of the three month period commencing on the date of entry of the Order herein, the Licensees shall have provided the OIC with organized, clear evidence, to the satisfaction of the OIC, that the Licensees received, identified, deposited and handled all premium credits received in calendar year 2009 -- specifically, premium credits received as a result of cancellations, endorsements and overpayments -- and promptly and properly returned these funds to their customers or other persons entitled thereto.

IT IS FURTHER ORDERED that, commencing on January 1, 2013, the Licensees shall maintain its accounts and records relating to all of its insurance business in full compliance with all provisions of the Insurance Code and regulations.

IT IS FURTHER ORDERED that, both currently and in the future, the OIC may enter the offices of, interview and examine the books of, the Licensees at any time during normal business hours without providing advance notice to the Licensees.

IT IS FURTHER ORDERED that if each of the conditions set forth in this Order is not fully met as described and within the time frames stated, the Washington resident insurance producer's licenses of Gholam Reza Nikzad and Wood Financial Services Company shall be, at the sole discretion of the OIC, revoked without advance notice.

ENTERED AT TUMWATER, WASHINGTON, this 5th day of November, 2012, pursuant to Title 48 RCW and specifically RCW 48.04 and Title 34 RCW and regulations applicable thereto.



PATRICIA D. PETERSEN
Chief Presiding Officer

Pursuant to RCW 34.05.461(3), the parties are advised that they may seek reconsideration of this order by filing a request for reconsideration under RCW 34.05.470 with the undersigned within 10 days of the date of service (date of mailing) of this order. Further, the parties are advised that, pursuant to RCW 34.05.514 and 34.05.542, this order may be appealed to Superior Court by, within 30 days after date of service (date of mailing) of this order, 1) filing a petition in the Superior Court, at the petitioner's option, for (a) Thurston County or (b) the county of the petitioner's residence or principal place of business; and 2) delivery of a copy of the petition to the Office of the Insurance Commissioner; and 3) depositing copies of the petition upon all other parties of record and the Office of the Attorney General.

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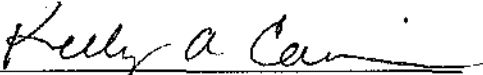
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Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Gholam Reza Nikzad, Wood Financial Services Company, Mike Kreidler, Michael G. Watson, John F. Hamje, Esq., Charles Brown, Esq., and Carol Sureau, Esq.,

DATED this 6th day of November, 2012.


KELLY A. CAIRNS