

SEP 29 2006

DEPT OF INSURANCE
BY CB

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

In the Matter of:

No. 05A-138-INS

**KENNETH EDWARD ZUBROD,
MATTHEW KENNETH ZUBROD, and
ZUBROD INSURANCE GROUP, INC.,**

**CONSENT ORDER OF
KENNETH EDWARD ZUBROD and
ZUBROD INSURANCE, GROUP, INC.**

Respondents.

The State of Arizona Department of Insurance ("Department") has received evidence that **Kenneth Edward Zubrod** ("Ken Zubrod"), **Matthew Kenneth Zubrod** ("Matt Zubrod"), and **Zubrod Insurance Group, Inc.** ("Zubrod Insurance Group"), (Ken Zubrod, Matt Zubrod, and Zubrod Insurance Group, Inc., collectively, "Respondents"), have violated provisions of Title 20, Arizona Revised Statutes ("A.R.S."). Respondents wish to resolve this matter without the commencement of formal proceedings, and admit the following Findings of Fact are true and consent to entry of the following Conclusions of Law and Order solely for purposes of settling the allegations against them.

FINDINGS OF FACT

1. Ken Zubrod is licensed as a resident life, accident/health, property and casualty producer, Arizona license number 554837. His license expired on August 31, 2006.
2. Matt Zubrod is licensed as a resident property and casualty producer, Arizona License number 7034. His license expired June 30, 2006.
3. Zubrod Insurance Group is licensed as a resident life, accident/health, property and casualty producer, Arizona license number 83545. Its license expires on

1 October 31, 2007. Ken Zubrod is the President and Statutory Agent for Zubrod Insurance
2 Group.

3 4. On February 1, 2000, Ken Zubrod signed an Agency Contract between Auto-
4 Owners Insurance Company and Zubrod Insurance Group.

5 Green Valley Plumbing, Inc. – Auto-Owners policy

6 5. Timothy and Maryjean Trosper (“The Trosper”) are the owners, officers and
7 directors of Green Valley Plumbing, Inc. (“Green Valley”).

8 6. From September 1, 2000 through September 1, 2003, the Trosper purchased
9 general liability insurance from Auto-Owners Insurance Company (“Auto-Owners”) through
10 Zubrod Insurance Group.

11 7. On November 6, 2001, Auto-Owners issued a refund of \$1,336.00 to Zubrod
12 Insurance Group for unearned premiums after it completed a final audit of Green Valley’s
13 general liability policy for the period of September 1, 2000 to September 1, 2001. Zubrod
14 Insurance Group did not issue Green Valley a refund for the unearned premiums until after
15 Timothy Trosper contacted them in December 2004.

16 8. On November 13, 2002, Auto-Owners issued a refund of \$2,052.00 to Zubrod
17 Insurance Group for unearned premiums after it completed a final audit of Green Valley’s
18 general liability policy for the period of September 1, 2001 to September 1, 2002. Zubrod
19 Insurance Group did not issue Green Valley a refund for the unearned premiums until after
20 Timothy Trosper contacted them in December 2004.

21 9. On October 21, 2003, Auto-Owners issued a refund of \$754.00 to Zubrod
22 Insurance Group for unearned premiums after it completed a final audit of Green Valley’s
23 general liability policy for the period of September 1, 2002 to September 1, 2003. Zubrod
24 Insurance Group did not issue Green Valley a refund for the unearned premiums until after
25 Timothy Trosper contacted them in December 2004.

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1 Application for insurance with Risk Placement Services ("RPS"), an agent for National Fire
2 and Marine Insurance Company ("National Fire and Marine"), through Zubrod Insurance
3 Group.

4 18. On or about December 24, 2003, RPS sent a binder to Matt Zubrod for Green
5 Valley's general liability coverage, policy no. 72LP1560254. The total costs and premium
6 due on the policy was \$45,457.46 for coverage from December 24, 2003 to December 24,
7 2004.

8 19. On or about January 5, 2004, Green Valley issued check no. 15708 to Zubrod
9 Insurance Group in the amount of \$12,264.37 as a down payment for the general liability
10 insurance policy through National Fire and Marine.

11 20. On January 9, 2004, RPS received check no. 006414 in the amount of
12 \$7,985.97 from Zubrod Insurance Group for Green Valley's policy through National Fire and
13 Marine.

14 21. On or about January 19, 2004, RPS faxed Matt Zubrod a request for payment
15 of \$33,193.00, the balance due on Green Valley's National Fire and Marine policy.

16 22. On or about January 19, 2004, Zubrod Insurance Group sent Green Valley an
17 Invoice for \$33,194.00 for the National Fire and Marine general liability policy.

18 23. In or about January 2004, Ken Zubrod called the Trosopers and informed them
19 that National Fire and Marine required payment of the premium in full and offered to finance
20 the balance. The Trosopers told Ken Zubrod that they did not want to finance the balance
21 and on January 19, 2004, gave him check no. 15756 in the amount of \$31,194.00 drawn on
22 Green Valley's account and made payable to Zubrod Insurance Group. Zubrod Insurance
23 Group deposited the Trosopers' check with its account at Wells Fargo Bank and it cleared
24 their account on January 20, 2004.

25 24. On or about January 28, 2004, Megan Zubrod Lombardo of Zubrod Insurance
26

1 Group faxed a Premium Finance Agreement bearing the purported signature of Timothy
2 Trospen and the signature of K.E. Zubrod dated January 20, 2004 to Standard Funding
3 Corporation ("Standard Funding") to finance the premium for Green Valley's policy through
4 National Fire and Marine. Between January 30, 2004 and August 6, 2004, Zubrod
5 Insurance Group issued eight checks totaling approximately \$30,653.76 to Standard
6 Funding regarding Green Valley Plumbing.

7 25. On or about January 29, 2004, RPS sent a Notice of Cancellation for non-
8 payment to Zubrod Insurance Group for Green Valley's policy effective February 11, 2004.

9 26. On or about February 9, 2004, Standard Funding issued check no. 44801 to
10 RPS, (formerly Skanco International) in the amount of \$33,193.09 for the Green Valley
11 policy with National Fire and Marine.

12 27. On or about February 13, 2004, RPS sent a memo to Matt Zubrod advising
13 him that it had not received payment from Standard Funding and therefore, it had cancelled
14 Green Valley's policy and that reinstatement would only be considered after it received
15 payment.

16 28. On or about February 17, 2004, RPS received check no. 44801 from Standard
17 Funding in the amount of \$33,193.09 for Green Valley's policy through National Fire and
18 Marine.

19 29. On or about February 20, 2004, National Fire and Marine issued an
20 Endorsement showing a lapse in Green Valley's coverage from February 11, 2004 to
21 February 18, 2004 because it had not received the premium until after it cancelled Green
22 Valley's policy

23 30. On or about August 31, 2004, Maryjean Trospen wrote to National Fire and
24 Marine to request that it substitute Union Life and Casualty Insurance Agency as its
25 insurance agent of record.

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1 Zubrod Insurance Group.

2 40. On June 17, 2003 Auto-Owners completed a final audit of Hayden Electric's
3 general liability policy for the period of April 28, 2002 to April 28, 2003 and issued a refund
4 of \$10,017 to Zubrod Insurance Group for unearned premiums. Zubrod Insurance Group
5 did not issue Hayden Electric a refund for the unearned premium until Genelle Luck
6 contacted them in July 2005.

7 41. On July 11, 2004 Auto-Owners completed a final audit of Hayden Electric's
8 general liability policy for the period of April 28, 2003 to April 28, 2004, and issued a refund
9 of \$12,696 to Zubrod Insurance Group for the unearned premiums. Zubrod Insurance
10 Group did not issue Hayden Electric a refund for the unearned premium until Genelle Luck
11 contacted them in July 2005.

12 42. On April 8, 2004 Hayden Electric issued a check, No. 4251, for \$25,000
13 payable to "Zubrod" as a down payment for its insurance policies issued by Auto-Owners for
14 the policy period of April 28, 2004 to April 28, 2005. The check was endorsed "Zubrod
15 Properties" and deposited into Bank of America account number XXXXXX7064. Zubrod
16 Insurance Group did not forward the \$25,000 down payment to Auto-Owners on Hayden
17 Electric's behalf.

18 43. On July 19, 2005, Genelle Luck confronted Matt Zubrod with the information
19 about Zubrod Insurance Group failing to forward the audit refunds for unearned premiums.
20 On July 21, 2005 Zubrod Insurance Group issued a check to Hayden Electric for
21 \$24,542.53.

22 44. On August 10, 2005 Jerry Hayden and Genelle Luck met with Ken Zubrod to
23 discuss Zubrod Insurance Group's failure to remit Hayden Electric's \$25,000 down payment
24 to Auto-Owners and other problems with Hayden Electric's account. They provided Ken
25 Zubrod an itemization of Hayden Electric's general ledger and an invoice for \$37,619.31,

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1 which was the amount Hayden Electric believed they were owed by Zubrod Insurance
2 Group.

3 45. On August 12, 2005 Zubrod Insurance Group issued a cashier's check in the
4 amount of \$37,619.31 payable to Hayden Electric.

5 Gallagher's Bottled Water

6 46. Greg T. Gallagher is a sole proprietor doing business as Gallagher's Bottled
7 Water ("Gallagher").

8 47. On or about June 1, 2003, Gallagher purchased a general liability policy no.
9 03462545490491 through Zubrod Insurance Group from Auto-Owners. The policy period
10 was from June 1, 2003 to June 1, 2004.

11 48. On or about October 14, 2004, Auto-Owners issued a final audit of Gallagher's
12 policy that showed that it owed Gallagher a return premium in the amount of \$1,703.00.
13 Auto-Owners credited Zubrod Insurance Group \$1,703.00 on their Auto-Owner Agency Bill
14 Statement for October 2004.

15 49. On or about September 15, 2005, Gallagher filed a complaint with the
16 Department claiming that Matt Zubrod and Zubrod Insurance Group failed to refund
17 \$1,703.00 owed to him.

18 50. On or about September 20, 2005, Zubrod Insurance Group issued Gallagher a
19 refund for the unearned premium in the amount of \$1, 703.00.

20 Matt Zubrod License Denial

21 51. On June 14, 2006, Matt Zubrod filed with the Department an application for
22 renewal of his resident property and casualty producer's license, license number 7034,
23 which was to expire on June 30, 2006.

24 52. On June 20, 2006, the Department denied Matt Zubrod's license renewal
25 application.

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1 ORDER

2 **IT IS ORDERED:**

3 1. Respondents are assessed a civil penalty in the amount of \$2,500.00 due and
4 payable upon return of this Consent Order.

5 2. Zubrod Insurance Group shall complete and submit to the Department a
6 Voluntary Surrender of Insurance License form with the execution of this Consent Order.

7 3. Ken Zubrod's Arizona resident life, accident/health, property and casualty
8 producer license, number 554837, is revoked effective as of the date of this Consent Order.

9 4. Matt Zubrod's resident property and casualty producer's license, license
10 number 7034, shall be renewed and immediately suspended for a period of thirty (30) days
11 effective as of the date of this Consent Order.

12
13 DATED AND EFFECTIVE this 28th day of September, 2006.

14 
15 CHRISTINA URIAS, Director
16 Arizona Department of Insurance

17 CONSENT TO ORDER

18 1. Respondents have reviewed the foregoing Findings of Fact, Conclusions of
19 Law and Order.

20 2. Respondents admit the jurisdiction of the Director of Insurance, State of
21 Arizona, and admit the foregoing Findings of Fact and consent to the entry of the foregoing
22 Conclusions of Law and Order.

23 3. Respondents are aware of their right to notice and a hearing at which they
24 may be represented by counsel, present evidence and cross-examine witnesses.

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1 Respondents irrevocably waive their right to a hearing and to any court appeals relating to
2 this Consent Order.

3 4. Respondents state that no promise of any kind or nature, except as expressly
4 contained in this Consent Order, was made to them to induce them to enter into this
5 Consent Order, and that they have entered into this Consent Order voluntarily.

6 5. Respondents acknowledge that the acceptance of this Consent Order by the
7 Director is solely to settle this matter against them and does not preclude any other agency,
8 officer or subdivision of this state from instituting civil or criminal proceedings as may be
9 appropriate now or in the future nor does it preclude the Department from instituting civil or
10 criminal proceedings unrelated to this matter as may be appropriate in the future.

11 6. This Consent Order may be executed in any number of counterparts and by
12 different parties in separate counterparts. Each counterpart when so executed shall be
13 deemed to be an original and all of which together shall constitute one and the same
14 Consent Order.

15 7. Ken Zubrod, as President of Zubrod Insurance Group Inc., represents that he
16 is authorized to sign this Consent Order on its behalf.

17 Date: _____
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N/A *cu*
MATTHEW KENNETH ZUBROD

19 Date: *9/21/06*
20

Kenneth Edward Zubrod
KENNETH EDWARD ZUBROD, individually
and as President of Zubrod Insurance
Group, Inc.

21
22 COPIES of the foregoing mailed/delivered
23 this 29th day of September, 2006, to:

24 Lewis Kowal, Administrative Law Judge
25 Office of Administrative Hearings
26 1400 W. Washington, Suite 101
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17 Respondent

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19 *Kenneth E. Zubrod*
20 Respondent

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22 CPA05-326:978735

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25
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