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MAY 31 1990

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

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By llc

In the Matter of	)	Docket No. 7164
	)	
KEVIN KAY ALLEN,	)	<b>SUMMARY SUSPENSION</b>
	)	<b>AND NOTICE OF HEARING</b>
	)	
Respondent.	)	
_____	)	

Upon information obtained by the Department of Insurance during a current market conduct examination of Old Hickory Casualty Insurance Company ["Old Hickory"] and upon a reasonable belief thereon, the Director of Insurance enters the following Findings of Fact and Conclusions of Law and issues the following Order:

FINDINGS OF FACT

1. Respondent is presently, and was at all material times, licensed as an insurance agent and as an insurance adjuster by the Arizona Department of Insurance ("the Department").

2. During the approximate time from March, 1988 until the present time, Old Hickory has contracted with American Pathfinders, Inc. ("Pathfinders") to perform managing general agency services for Old Hickory.

3. During the above-referenced period of time, Respondent was employed by Pathfinders as claims manager.

4. One of the claim files at Pathfinders, No. 89-03-0073 for Old Hickory's policyholder Earl Shipe, indicates that a claim payment to Concours Paint and Body Shop was made by Pathfinders in the amount of \$5,408.68 on or about March 23, 1989.

1           5. On or about February 19, 1989, Earl Shipe incurred  
2 a bill for towing his vehicle in the amount of \$112.42 and filed  
3 a claim for reimbursement under his Old Hickory policy up to the  
4 policy limit of \$75.00.

5           6. The above-referenced claim file was subsequently  
6 altered in handwriting identified as that of Kevin Allen. The  
7 alteration purports to include property damage which occurred on  
8 or about February 19, 1989, as a result of an accident involving  
9 Shipe's motor home and the vehicle of one Louise Manning, and  
10 which purported to result in damage to Manning's 1986 Saab in an  
11 estimated amount of \$5,000.00.

12           7. The file contains an "Automobile Damage  
13 Evaluation" for a 1988 Subaru GL 4x4, owner unidentified, with a  
14 damage estimate of \$5,408.68. The vehicle is not the same as  
15 that described in the Automobile Loss Notice as the vehicle  
16 owned by Louise Manning.

17           8. On or about May 10, 1990, the Department wrote to  
18 Mr. Earl Shipe requesting that he verify that his motor home was  
19 involved on or about February 19, 1989, in an accident resulting  
20 in property damage to a 1986 Saab or 1988 Subaru owned by Louise  
21 Manning for which a claim payment of in excess of \$5,000 was  
22 made.

23           9. On or about May 14, 1990, Joan Shipe, the wife of  
24 Earl Shipe, contacted the Department and stated that the motor  
25 home owned by her and her husband Earl Shipe had not been  
26 involved in any accident and that the above-referenced  
27 "accidents" and "payments" were completely "phony".  
28

1           10. On or about May 14, 1990, Joan Shipe wrote to the  
2 Department stating that the Shipe's motor home had never been  
3 involved in any accident and that she does not know anyone named  
4 Louise Manning.

5           11. Mr. Shipe stated during a taped interview taken by  
6 an employee of the Department on May 22, 1990, that (a) he has  
7 never had an accident with the covered vehicle since he has  
8 owned it; (b) the only claim he has filed with Old Hickory was  
9 for a \$75.00 towing charge; (c) he has never had his vehicle  
10 repaired at Concours Paint & Body; (d) he had never heard of  
11 Concours Paint & Body prior to receiving the Department's letter  
12 of May 10, 1990; (e) he had never heard of Louise Manning; (f)  
13 he is unaware of any claim made against his policy by the owner  
14 of a 1986 Saab or 1988 Subaru; and (g) he has recently received  
15 the renewal notice for his policy, which contained no premium  
16 increase, as might be expected if an accident in excess of  
17 \$5,000.00 had been reported against his policy.

18           12. The claim check transmittal instruction sheet in  
19 claim file no. 89-03-0073 was written by Kevin Allen in his own  
20 handwriting and directs payment for the above-referenced  
21 property damage "claim" out of Account No. 35 to Concours Paint  
22 & Body in the amount of \$5,408.68.

23           13. In a separate incident file, Pathfinders claim  
24 file No. 89-01-0163 shows that Pathfinders issued a claim check  
25 on or about March 31, 1989, to Concours Paint and Body Shop in  
26 the amount of \$7,086.35; that this payment related to a property  
27 damage claim incurred as a result of an accident on or about  
28 December 21, 1988, involving the vehicle of Old Hickory's

1 policyholder, Lisa Ann Clark, and one Daryl Olson, whose 1989  
2 Lincoln Continental was damaged.

3 14. The claim check transmittal instruction sheet in  
4 the above-referenced file states "to me" in Kevin Allen's  
5 handwriting.

6 15. On or about May 10, 1990, the Department wrote to  
7 Mr. Olson requesting from him verification of the  
8 above-referenced "facts".

9 16. Mr. Olson contacted the Department in person on or  
10 about May 11, 1990 and stated that he was completely unaware  
11 that the above-referenced amount had been paid regarding any  
12 damage to his vehicle and that the damage which occurred to his  
13 vehicle as a result of an accident on or about December 21,  
14 1988, was much less extensive than would warrant a \$7,000  
15 payment and that in his estimation the damage could not have  
16 exceeded \$450.

17 17. On or about May 11, 1990, Mr. Olson also wrote to  
18 the Department indicating the above-referenced facts.

19 18. Mr. Olson stated during a taped interview with an  
20 employee of the Department on May 17, 1990, that (a) he was  
21 never instructed to take his vehicle to Concours Paint & Body;  
22 (b) that he has never had any repairs to his vehicle effected at  
23 Concours; (c) he has never filed any additional claims against  
24 Old Hickory; and (d) to the best of his knowledge, because there  
25 was no collision between his vehicle and that of the insured,  
26 the insured's vehicle suffered no damage as a result of this  
27 incident.  
28

1                   19. During a taped telephone interview with an  
2 employee of the Department on May 24, 1990, the insured, Lisa  
3 Clark, stated that (a) she was in the insured vehicle, which was  
4 driven by her husband Clinton, at the time of the accident; (b)  
5 there was no collision between her vehicle and that driven by  
6 Mr. Olson; (c) that her vehicle sustained no damage as a result  
7 of this incident; (d) that she has never filed a claim against  
8 her Old Hickory policy as a result of this or any other  
9 accident; and (e) that she has never had her vehicle repaired at  
10 Concours Paint & Body for any reason.

11                   20. On or about the first week in May, 1990, an  
12 employee of Pathfinders, one Rose Kucharski, informed the  
13 Department examiner that the phrase "to me" on the instruction  
14 sheet was written by Kevin Allen and meant that checks with that  
15 instruction should be delivered directly to Kevin Allen.

16                   21. On or about May 11, 1990, the Department issued a  
17 subpoena for the claims files at Pathfinders.

18                   22. Upon arriving at Pathfinders, the Department's  
19 examiner, David Parks, was told by Conrad Allen, owner of  
20 Pathfinders and Kevin's father, that Kevin Allen was "missing."

21                   23. Upon requesting copies of all checks issued by  
22 Pathfinders, the Department was told that Kevin Allen had the  
23 checks. Despite the Department's subsequent demands for the  
24 cancelled checks, both Kevin Allen and Pathfinders have failed  
25 or refused to produce them.

#### 26                   CONCLUSIONS OF LAW

27                   1. The above-referenced conduct by Respondent  
28 constitutes misappropriation or conversion to Respondent's own

1 use or illegal withholding of monies belonging to policyholders,  
2 insurers, beneficiaries or others received in or during the  
3 conduct of business under the license or through its use within  
4 the meaning of A.R.S. § 20-316(A)(4).

5 2. The above-referenced conduct indicates that  
6 Respondent is incompetent or a source of injury and loss to, or  
7 repeated complaint by, the public or any insurer within the  
8 meaning A.R.S. § 20-316(A)(7).

9 3. The public health, safety and welfare imperatively  
10 requires emergency action to suspend Respondent's licenses  
11 pursuant to A.R.S. § 41-1064(C).

12 IT IS HEREBY ORDERED that:

13 1. Any and all of Respondent's insurance licenses  
14 issued by the Arizona Department of Insurance are suspended  
15 effective this date.

16 2. A hearing will be held on the 21st day of June,  
17 1990, at the Arizona Department of Insurance, 3030 North 3rd  
18 Street, Suite 1100, Phoenix, Arizona, at 9:00 a.m. o'clock at  
19 which time the Department will seek revocation of Respondent's  
20 licenses based upon the above-referenced and other related  
21 conduct.

22 3. Nothing in this Order shall imply or be construed  
23 as prohibiting or in any way limiting the Department from  
24 continuing to investigate, secure evidence, and institute all  
25 appropriate action regarding the conduct of Respondent and  
26 others in these matters.

27 . . . .  
28 . . . .

1                   4. Motions to continue this matter shall be made in  
2 writing not less than five (5) business days prior to the date  
3 set for the hearing.

4                   5. Pursuant to A.R.S. § 20-150, the Director herewith  
5 delegates all of her authority, powers, duties and functions,  
6 whether ministerial or discretionary, with which she is vested  
7 as Director of Insurance of the State of Arizona, whether  
8 implied or expressed to Sara M. Begley for the purpose of acting  
9 as Hearing Officer in this matter. This delegation of authority  
10 shall continue until specifically revoked.

11                   DATED this 31st day of May, 1990.

12  
13   
14 \_\_\_\_\_  
15 SUSAN GALLINGER  
16 Director of Insurance

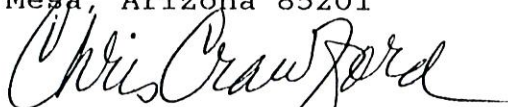
17 COPY of the foregoing mailed/delivered  
18 this 1st day of June, 1990, to:

19 Mark Sendrow  
20 Assistant Chief Counsel  
21 Attorney General's Office  
22 1275 W. Washington  
23 Phoenix, AZ 85007

24 Jay Rubin, Assistant Director  
25 Deloris E. Williamson, Assistant Director  
26 **Maureen Catalioto, Supervisor**  
27 Department of Insurance  
28 3030 N. 3rd Street, Suite 1100  
Phoenix, Arizona 85012

Kevin Kay Allen  
8042 E. Windsor  
Scottsdale, Arizona 85257

American Pathfinders, Inc.  
657 W. University  
P.O. 699  
Mesa, Arizona 85201

27   
28 \_\_\_\_\_  
Chris Crawford

MARY SHOWALTER

5095 000-000-001-115-023 AVL00-LIC00-000188

TYPE 11 Regular Pull (batch)

2667 AVL-000-000-000-610

10/26/1994

Insurance Department

Licensing Section

MARY SHOWALTER

912-8400



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 000-000-001-115-023 AVL00-LIC00-000188  
 TYPE 11 Regular Pull (batch) 10/27/1994  
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 Insurance Department  
 Licensing Section  
 MARY SHOWALTER