

JUN 9 1993

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE  
By                     

In the Matter of )

Docket No. 7893

GREGORY W. NAYLOR, dba )  
SUN CITY ASSOCIATION FOR )  
RETIRED CITIZENS, )

ORDER

Respondent. )

\_\_\_\_\_ )

On April 28, 1993, the Director issued an Amended Order Summarily Suspending License and Notice of Opportunity ("Amended Order") for hearing in the above-captioned matter. The Amended Order was mailed to Respondent at his address of last record. A copy of the Amended Order is attached hereto and incorporated herein by reference.

The Amended Order required Respondent to provide a written answer to the allegations set forth in the notice within twenty days of the issuance of the order. As of this date, Respondent has failed to file an answer. On June 2, 1993, counsel for the Department filed a Request for Default. As of this date, Respondent has not responded to the Department's request.

Pursuant to A.A.C. R4-14-106(C), a party that fails to file an answer within the time provided shall be deemed to be in default and one or more of the allegations in the Amended Order may be deemed to be admitted.

IT IS HEREBY ORDERED that

1. The allegations in the Amended Order are deemed to be admitted.

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2 2. Any and all of Respondent's insurance licenses are  
3 revoked effective immediately.

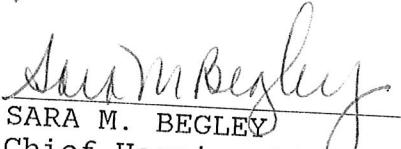
4 3. Respondent shall pay a civil penalty to the  
5 Arizona Department of Insurance in the amount of \$15,000 on or  
6 before August 30, 1993.

7 4. Respondent shall pay restitution to the  
8 individuals in the amounts listed below on or before July 30,  
9 1993, and shall provide to the Department documentation showing  
10 such restitution has been made.

11	Vance and Margaret Plank	\$ 20,000.00
12	Wilma Nixon	21,000.00
13	Barbara Domres	17,000.00
14	Ruth and Fred Nickell	30,000.00
15	Verna and Robert Williams	11,049.60
16	Frieda C. Lennoye	15,000.00
17	Frieda M. Lennoye	15,000.00
18	Rolline Weiler	11,500.00
19	Nathan and Maurine Barkdoll	5,000.00
20	Anne and Stephanie Gesky	10,000.00
21	Betty Villada	15,000.00
22	Ralph and Emma Teilborg	30,000.00
23	Mrs. R. Gaither	5,000.00
24	John and Doris Modesto	50,000.00
25	Andrew Warianka	4,000.00

26 DATED this 9th day of June, 1993.

27   
SUSAN GALLINGER  
Director of Insurance

28   
SARA M. BEGLEY  
Chief Hearing Officer

29 COPY of the foregoing mailed/delivered  
30 this 9th day of June, 1993, to:

31 Kathryn Leonard, Esq.  
32 Assistant Attorney General  
33 1275 W. Washington  
34 Phoenix, Arizona 85007

- 1 Joseph M. Hennelly, Jr., Deputy Director
- 2 Jay Rubin, Assistant Director
- 3 Maureen Catalioto, Supervisor
- 4 Department of Insurance  
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- 5 Joseph T. Tadano
- 6 Doherty, Alex & Tadano  
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Phoenix, Arizona 85022
- 7 Rolline Weiler
- 8 10102 Denham Drive  
Sun City, AZ 85351
- 9 Barbara Domres
- 10 12831 Seville Drive  
Sun City, AZ 85375
- 11 Wilma Nixon
- 12 10157 Palmer Drive  
Sun City, AZ 85351
- 13 Vance & Margaret Plank
- 14 11025 Connecticut Ave.  
Sun City, AZ 85351
- 15 Frieda C. Lennoye
- 16 14202 Purple Sage Ct.  
Sun City, AZ 85351
- 17 Frieda M. Lennoye
- 18 14202 Purple Sage Ct.  
Sun City, AZ 85351
- 19 Mr. and Mrs. Nathan Barkdoll
- 20 11017 Jacaranda Dr.  
Sun City, AZ 85373
- 21 Anne and Stephanie Gesky
- 22 10312 Concho Circle  
Sun City, AZ 85373
- 23 Betty Villada
- 24 12027 N. 114th Ave.  
Youngtown, AZ 85363
- 25 Mr. and Mrs. Ralph Teilborg
- 26 13048 99th Dr.  
Sun City, AZ 85351
- 27 Doris Modesto
- 28 10630 N. 114th Ave.  
Youngtown, AZ 85353-1601

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Andrew J. Warianka  
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Shelly's Tax Service  
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10147 W. Grand, Suite B7  
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Chris Crawford



1  
2 Arizona Department of Insurance  
3 Hearing Division  
4 3030 North Third Street, Suite 1100  
5 Phoenix, Arizona 85012

6 Upon receipt of a timely written request for hearing, the  
7 Director will issue a statement setting the time and place of the  
8 hearing. If no timely written request for hearing is received,  
9 the Director will enter the following allegations as findings of  
10 fact and conclusions of law, and will order the revocation of  
11 Respondent's insurance license together with appropriate civil  
12 penalties and restitution as allowed by the law.

13 The Department alleges:

14 1. Gregory W. Naylor ("Respondent") is currently  
15 licensed as a life and health insurance agent in the State of  
16 Arizona (License No. 519251).

17 COUNT I

18 2. Respondent, at all material times, operated under  
19 the name Sun City Association for Retired Citizens ("Sun City  
20 Association"). Respondent failed to file a Certificate of  
21 Assumed Business Name with the Department for the Sun City  
22 Association as required by A.R.S. § 20-318.

23 Count II

24 3. On November 16, 1989 Respondent received check #237  
25 in the amount of \$20,000 from Vance and Margaret Plank ("Plank")  
26 to purchase a single premium annuity from Travelers Insurance  
Company of Hartford ("Travelers").

4. Respondent gave the Plank's a "policy" with a

1 Travelers cover sheet. Respondent represented that the "policy"  
2 was with the Sun City Association but fully insured by Travelers.

3 5. Respondent never obtained the annuity and instead  
4 endorsed and cashed the Plank's check and misappropriated and/or  
5 converted the funds to his own use.

6 COUNT III

7 6. On November 20, 1989 Respondent received a check in  
8 the amount of \$21,000 from Wilma Nixon ("Nixon") to purchase a  
9 single premium annuity from Travelers.

10 7. Respondent gave Nixon a "policy" with the Travelers  
11 cover sheet. Respondent represented that the "policy" was with  
12 the Sun City Association but fully insured by Travelers.

13 8. Respondent never purchased the annuity on behalf of  
14 Nixon from the Travelers but instead endorsed and cashed her  
15 check and misappropriated and/or converted the funds to his own  
16 use.

17 COUNT IV

18 9. On August 29, 1989 Respondent received from Barbara  
19 Domres ("Domres") a certified check in the amount of \$17,000 to  
20 purchase a single premium annuity from Equitable Life Insurance  
21 Company ("Equitable").

22 10. Under the agreement with Respondent, Domres  
23 received monthly cash payments of interest in the amount of  
24 \$133.00. Bank records indicate that deposits had been made to  
25 Domres account in cash and had not been deposited by Equitable.

26 11. Respondent gave Domres a "single premium

1 certificate" under the name of Sun City Association.

2 12. Respondent failed to purchase the annuity on behalf  
3 of Domres and instead cashed the check and misappropriated and/or  
4 converted the funds to his own use.

5 COUNT V

6 13. On December 18, 1989 Respondent received a check in  
7 the amount of \$30,000 from Ruth and Fred Nickell ("Nickell") to  
8 purchase a single premium annuity from Travelers.

9 14. Respondent failed to purchase the annuity from  
10 Travelers and instead cashed the check and misappropriated and/or  
11 converted the funds to his own use.

12 COUNT VI

13 15. On December 18, 1989 Respondent received a check in  
14 the amount of \$11,049.60 from Verna and Robert Williams  
15 ("Williams") to purchase a single premium annuity from Travelers.

16 16. Respondent failed to purchase the annuity on behalf  
17 of the Williams' and instead cashed the check and misappropriated  
18 and/or converted the funds to his own use.

19 COUNT VII

20 17. On July 31, 1991 Respondent entered into various  
21 contracts with Frieda C. Lennoye and Frieda M. Lennoye. Some of  
22 these contracts purported to be for the purchase of single  
23 premium annuities from Travelers. Some of these contracts were  
24 for the purchase of sports memorabilia through the Sun City  
25 Association. Respondent guaranteed the Lennoye's a return  
26 interest rate of at least 12%. Both of the Lennoye's paid



1 \$15,000 each on three contracts of \$5,000.00 each. Respondent  
2 received a total of \$30,000.00 from the Lennoye's.

3 18. Respondent never purchased any annuities on behalf  
4 of either of the Lennoyes. Respondent misappropriated and/or  
5 converted the funds to his own use.

6 COUNT VIII

7 19. On October 5, 1988 Respondent received a check in  
8 the amount of \$10,000 from Rolline Weiler ("Weiler") to purchase  
9 a single premium annuity from Fidelity Bankers Life  
10 ("Fidelity"). This check was made payable to the Sun City  
11 Association. Respondent failed to give Weiler a copy of the  
12 policy.

13 20. In August of 1992 Weiler received a statement from  
14 the Midland Mutual Life Company ("Midland") for the period of  
15 August 1981 through August 1982 showing the activity on her  
16 annuity account.

17 21. Weiler never filled out an application for,  
18 purchased, or gave anyone authority to purchase, a Midland  
19 annuity in her name. Weiler never signed an application for a  
20 Midland policy.

21 22. Respondent misappropriated or converted to his own  
22 use Weiler's \$10,000 from October 1988 until August 1, 1991.  
23 Weiler received no interest on her funds during that time period.

24 COUNT IX

25 23. On or about July 31, 1992, Respondent received a  
26 check in the amount of \$1,500 from Weiler. Weiler believed the

1 \$1,500 was to obtain a living trust.

2 24. On or about that same date, Weiler decided not to  
3 purchase the living trust. Weiler telephoned Respondent and  
4 requested that he return her \$1,500 check.

5 25. Respondent failed to return Weiler's check as  
6 requested, but instead retained the funds as an annual  
7 consultation fee.

8 26. Weiler has repeatedly attempted to contact  
9 Respondent regarding the return of her check.

10 27. To date, Respondent has refused to return Weiler's  
11 telephone calls, has not returned the \$1,500 check and has not  
12 provided her with a living trust.

13 COUNT X

14 28. On or about September 18, 1989, Respondent received  
15 a check in the amount of \$5,000 and a completed application for a  
16 single premium annuity certificate from Nathan and Maurine  
17 Barkdoll (the "Barkdolls"). The Barkdolls believed the \$5,000  
18 certificate would provide a nine percent interest rate for period  
19 of three years and would be placed through Traveler's Insurance  
20 Company.

21 29. Respondent failed to obtain the certificate as  
22 represented to the Barkdolls, but instead misappropriated and/or  
23 converted the funds to his own use.

24 30. Respondent failed to provide the Barkdolls with any  
25 further information regarding the deposit and to date, has failed  
26 to return the Barkdolls' \$5,000.

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COUNT XI

31. On or about May 16, 1990, Respondent received a check in the amount of \$10,000 and a completed application for a single premium annuity certificate from Anne and Stephanie Gesky (the "Gesky's"). The Gesky's believed the \$10,000 deposit would provide a 12 percent interest rate for period of three years.

32. Respondent failed to obtain the certificate as represented, but instead misappropriated and/or converted the funds to his own use.

33. Respondent failed to provide the Gesky's with any further information regarding the certificate and to date, has failed to return the Gesky's \$10,000.

COUNT XII

34. On or about July 24, 1989, Respondent received a check in the amount of \$15,000 from Betty Villada ("Villada"). Villada believed the \$15,000 was for an annuity placed through Traveler's Insurance Company.

35. Respondent failed to obtain the annuity as represented to Villada, but instead misappropriated and/or converted the funds to his own use.

36. Respondent failed to provide Villada with any further information regarding the annuity and to date, has failed to return Villada's \$15,000.

COUNT XIII

37. On or about July 10 and July 14, 1989, Respondent received checks in the amount of \$20,000 and \$10,000,

1 respectively, from Ralph and Emma Teilborg (the "Teilborgs").  
2 The Teilborgs believed the \$20,000 and \$10,000 would be used to  
3 purchase single premium annuity certificates with a 9.14 percent  
4 interest rate for period of three years.

5 38. Respondent failed to obtain the certificate as  
6 represented, but instead misappropriated and/or converted the  
7 funds to his own use.

8 39. Respondent failed to provide the Teilborgs with any  
9 further information regarding the certificate and to date, has  
10 failed to return the Teilborgs \$20,000 and \$10,000.

11 COUNT XIV

12 40. On or about May 21, 1990, Respondent received a  
13 check in the amount of \$5,000 for a single premium annuity  
14 certificate from Mrs. R. Gaither ("Mrs. Gaither").

15 41. Respondent failed to obtain the certificate as  
16 represented to Mrs. Gaither, but instead misappropriated and/or  
17 converted the funds to his own use.

18 42. Respondent failed to provide Mrs. Gaither with any  
19 further information regarding the certificate and to date, has  
20 failed to return Mrs. Gaither's \$5,000.

21 COUNT XV

22 44. On or about September 8, 1989, Respondent received  
23 a check in the amount of \$50,000 for a single premium annuity  
24 certificate from John and Doris Modesto (the "Modestos").

25 45. Respondent failed to obtain the certificate as  
26 represented to the Modestos, but instead misappropriated and/or

1 converted the funds to his own use.

2 46. Respondent failed to provide the Modestos with any  
3 further information regarding the certificate and to date, has  
4 failed to return the Modestos' \$50,000.

5 COUNT XVI

6 47. On or about January 28, 1992, Respondent received a  
7 check in the amount of \$4,000 for a single premium annuity  
8 certificate from Andrew Warianka ("Warianka").

9 48. Respondent failed to obtain the certificate as  
10 represented to Warianka, but instead misappropriated and/or  
11 converted the funds to his own use.

12 49. Respondent failed to provide Warianka with any  
13 further information regarding the certificate and to date, has  
14 failed to return Warianka's \$4,000.

15 50. Respondent's conduct described above constitutes  
16 the existence of any cause for which original issuance or any  
17 renewal of an insurance license could have been refused such that  
18 Respondent's license may be suspended or revoked under A.R.S.  
19 § 20-316(A)(1), together with 20-290(B)(2).

20 51. Respondent's above-alleged conduct constitutes  
21 misappropriation, conversion or illegal withholding of monies  
22 belonging to policyholders, insurers, beneficiaries or others, in  
23 violation of A.R.S. § 20-316(A)(4).

24 52. Respondent's conduct described above constitutes a  
25 conduct of affairs under his license showing him to be  
26 incompetent or a source of injury and loss to the public or any


1 insurer, in violation of A.R.S. § 20-316(A)(7).

2 53. Respondent's conduct described above constitutes a  
3 misrepresentation of the terms of any policy issued or to be  
4 issued or the benefits or advantages promised or the dividends or  
5 share of the surplus to be received in violation of A.R.S.  
6 § 20-443.

7 54. Respondent's conduct described above constitutes a  
8 use of any name or title of any policy or class of policies  
9 misrepresenting the true nature of such policy in violation of  
10 A.R.S. § 20-443(4).

11 WHEREFORE, if and Naylor does not request a hearing to  
12 contest the above allegations, or if after hearing the Director  
13 makes a finding of one or more of the above-alleged violations,  
14 she may suspend, revoke or refuse to renew Naylor's insurance  
15 license, impose civil penalties and order restitution, pursuant  
16 to A.R.S. §§ 20-290(B), 20-316(A) and 20-316(C). The Director may  
17 further after hearing, order Naylor to cease and desist from any  
18 proscribed acts or practices and impose civil penalties, pursuant  
19 to A.R.S. § 20-456.

20 DATED in Phoenix, Arizona this 28th day of April, 1993.

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25 \_\_\_\_\_  
26 SUSAN GALLINGER  
Director of Insurance

1 COPY of the foregoing mailed this  
2 28th day of April, 1993, to:

3 Kathryn Leonard  
4 Assistant Attorney General  
5 1275 West Washington, Room 259  
6 Phoenix, Arizona 85007

7 Joseph M. Hennelly, Jr., Deputy Director  
8 Maureen Catalioto, Supervisor  
9 Jay Rubin, Assistant Director  
10 Department of Insurance  
11 3030 North Third Street, Suite 1100  
12 Phoenix, Arizona 85012

13 Joseph T. Tadano  
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16 Phoenix, Arizona 85022  
17 Attorney for Respondents

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19 10102 Denham Drive  
20 Sun City, AZ 85351

21 Barbara Domres  
22 12831 Seville Drive  
23 Sun City, AZ 85375

24 Wilma Nixon  
25 10157 Palmer Drive  
26 Sun City, AZ 85351

Vance & Margaret Plank  
11025 Connecticut Ave.  
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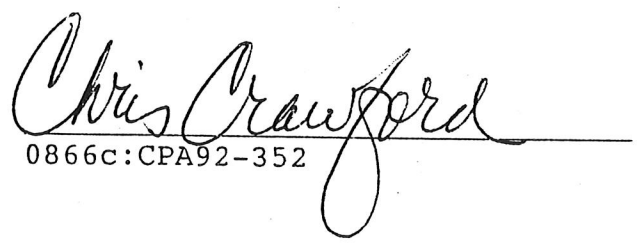
Frieda C. Lennoye  
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12027 N. 114th Avenue
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