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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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SUSAN GALLINGER
Director of Insurance

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

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4 Assistant Attorney General
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