

DEC 15 1992

STATE OF ARIZONA

DEPARTMENT OF INSURANCE DEPARTMENT OF INSURANCE
By *cc*

In the Matter of:) DOCKET NO. 7948
)
)
PLATINUM ASSOCIATES, INC.;) ORDER OF CEASE AND DESIST
5 PAI; ROBERT L. DARNALL CO.;)
6 RLD CO. INC.; THAYER C.)
LINDAUER; JAMES A. O'LEARY)
)
7 Respondents)
8)

The Arizona Department of Insurance (ADOI) has received evidence that the Respondents and each of them have transacted insurance as provided by A.R.S. §20-106 in the State of Arizona without a Certificate of Authority issued by the Director. Accordingly, the Director of Insurance of the State of Arizona (the Director) makes the following findings of fact and conclusions of law and enters the following order pursuant to A.R.S. §20-401.02.

FINDINGS OF FACT

1. The Director is charged with the enforcement of Title 20, Arizona Revised Statutes, relating to insurance.

2. All Respondents except James A. O'Leary (O'Leary), are, upon information and belief, persons and entities organized, existing and/or are residents under the laws of the State of California with their principle place of business located at 5236 Colodny Drive, Suite 201; Agoura Hills, California 91301 and/or 5155 Clareton Drive, Agoura Hills, California 91301.

3. Respondent O'Leary currently holds a life and disability license issued by the ADOI. O'Leary has stated

1 in his most recent license renewal application that his most
2 recent address is 16821 Last Trail Drive, Fountain Hills, AZ
3 85268.

4 4. None of the above referenced Respondents except
5 O'Leary holds or has ever at any material time held a
6 Certificate of Authority or other license to transact the
7 business of insurance in the State of Arizona.

8 5. Documents and other evidence obtained by ADOI
9 state that Respondents have represented and advertised an
10 insurance program, the elements of which include but are not
11 limited to the following:

12 A. For an initial fee of \$55 plus a one time
13 association fee of \$24.95, a subscriber will
14 receive a lifetime membership in an "association";
15 a life insurance policy of an estimated value of
16 \$67,000; and a Visa credit card with a \$500 limit.

17 B. The subscriber will incur a monthly insurance
18 premium expense of \$55 toward the purchase of the
19 above referenced life insurance policy along with
20 monthly obligations depending upon the use and
21 terms of the credit card.

22 C. Respondents represent that when the subscriber
23 executes all documents and "remits the \$84", that
24 this, along with other valuable consideration,
25 provides Respondents with what is called an
26 "insurable interest in the subscriber".
27 Respondents require the subscriber to execute a
28 special limited power of attorney authorizing

1 Respondents to purchase up to four additional life
2 insurance policies on the life of the subscriber.
3 Respondents will own and control these additional
4 life insurance policies.

5 D. Respondents contemplate an income stream from
6 the ownership of the four life insurance policies
7 and estimate that the income stream will command
8 50¢-70¢ on the dollar in the primary and secondary
9 markets.

10 E. From the proceeds of the sale and the
11 life insurance policy income stream, Respondents
12 represent that they will purchase annuities that
13 will reimburse the subscriber for all monthly fees
14 associated with membership.

15 F. Respondents encourage subscribers to become
16 "close distributors" by selling the product to
17 their friends and family. Respondents promise an
18 estimated commission of approximately \$1104 for
19 direct sales and an estimated \$208 for upline
20 distributors' commissions.

21 G. Respondents have represented that a person who
22 pays the one time association fee of \$24.95, by
23 soliciting another person who acquires and/or
24 agrees to have acquired on his/her behalf life
25 insurance policies may receive approximately \$1100
26 from Respondents and that the person solicited
27 will receive \$84 back from Respondents by paying
28 the initial \$55 toward the purchase of the life

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insurance policy and acquiring the credit card referenced in paragraph #5A above.

6. Respondents have widely distributed and circulated a marketing document relating to the above referenced insurance program and have made numerous presentations regarding the plan in Arizona.

7. Respondents have collected substantial sums of money from "subscribers" as "association fees".

8. The "national launch date" for the above referenced program is scheduled on or about January 1, 1993.

CONCLUSIONS OF LAW

1. The Director has jurisdiction over this matter.

2. The conduct of Respondents, and each of them, as described in the findings of fact above constitutes the transaction of insurance under A.R.S. §20-106.

3. The conduct of Respondents, and each of them, described above constitutes the transaction of insurance within the meaning of A.R.S. §20-106 and is in violation of A.R.S. §§20-107, 20-401.01, 20-444, 20-449 and 20-452.

4. The conduct described above with respect to Respondent O'Leary constitutes the transaction of insurance under A.R.S. §20-106 and is a violation of A.R.S. §§20-401.01, 20-107, 20-443, 20-444, 20-449, 20-452 and 20-316.

ORDER

IT IS HEREBY ORDERED:

1. Respondents, and each of them shall immediately cease and desist from the above referenced conduct in the State of Arizona.

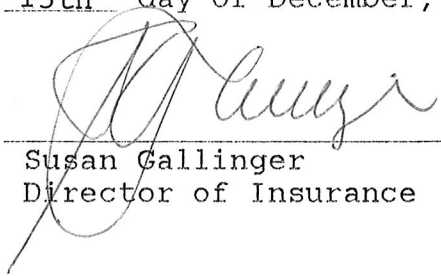
1 2. That Respondents, and each of them, shall
2 immediately cease and desist from soliciting any insurance
3 application, making or proposing to make any insurance
4 contract, taking or receiving any application for insurance,
5 taking or collecting any premium, commission or any other
6 consideration for any insurance contract, issuing or
7 delivering contracts of insurance to residents of this State,
8 or otherwise transacting insurance business from offices or by
9 personnel or facilities located in the State of Arizona.

10 3. This order shall become effective immediately and
11 shall remain in full force and effect until otherwise stayed,
12 modified, vacated or set aside.

13 4. Notice of opportunity for hearing pursuant to titles
14 20 and 41 of the Arizona Revised Statutes, Respondents, and
15 each of them, are hereby notified that each of them may
16 request a hearing pursuant to A.R.S. §20-161 to contest the
17 order to cease and desist. Such a request must be in writing
18 and received at the following address within thirty (30) days
19 of the date hereof: Arizona Department of Insurance, Hearing
20 Division, 3030 N. 3rd Street, Suite 1100, Phoenix, Arizona
21 85012.

22 Upon receipt of a timely written request for hearing,
23 the Director will issue a notice setting the time and place of
24 the hearing.

25 DATED and effective this 15th day of December, 1992.

26
27 By  _____
28 Susan Gallinger
 Director of Insurance

1 COPY of the foregoing mailed/delivered
2 this 15th day of December, 1992, to:

3 James A. O'Leary
4 16821 Last Trail Drive
5 Fountain Hills, Arizona 85268

6 James A. O'Leary
7 3024 East Dolphin Avenue
8 Mesa, Arizona 85204

9 Platinum Associates, Inc.
10 5155 Clareton Drive
11 Agoura Hills, CA 91301

12 PAI
13 5155 Clareton Drive
14 Agoura Hills, CA 91301

15 Robert L. Darnall Companies, Inc.
16 5155 Clareton Drive
17 Agoura Hills, CA 91301

18 RLD Companies, Inc.
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Agoura Hills, California 91301

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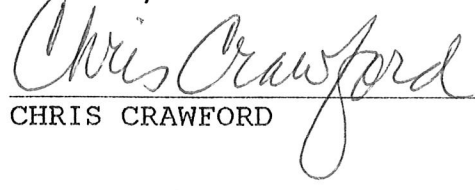
Thayer C. Lindauer
5236 Colodny Drive, Suite 201
Agoura Hills, California 91301

Thayer C. Lindauer
5155 Clareton Drive
Agoura Hills, CA 91301

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Joseph M. Hennelly, Deputy Director
Sara Begley, Chief Hearing Officer
Arizona Department of Insurance
3030 N. 3rd Street, Suite 1100
Phoenix, Arizona 85012


CHRIS CRAWFORD