

BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS

IN THE MATTER OF
JOHN EDWARD REYNOLDS
LICENSE NO. 20836

A.I.D. NO. 2009- 075

CONSENT ORDER

On this day Jay Bradford, Arkansas Insurance Commissioner ("Commissioner"), and John Edward Reynolds, ("Respondent"), reached an agreement concerning the resident insurance producer's license issued to Respondent by the Arkansas Insurance Department ("Department"). The Commissioner was represented by Nina Samuel Carter, Associate Counsel. Respondent neither admits nor denies the Findings of Fact and Conclusions of Law as set forth below. Respondent was represented by Guy Wade, of Friday Eldredge and Clark, and voluntarily and intelligently waived his right to a hearing and consented to the entry of this Consent Order. From the facts and law before the Commissioner, he finds:

FINDINGS OF FACT

1. Respondent is currently licensed in Arkansas as a resident casualty, marine, motor club, pre-paid legal, property and surety insurance producer, license number 20836. Respondent's last address of record at the Department is 2906 Rodney Parham, Little Rock, AR 72212.

2. The Legal Division of the Department received a complaint against the Respondent, and the Respondent appeared for an Investigative Conference, held on March 4, 2009, to discuss the allegations of the complaint.

3. The Department had previously received at least two complaints against the Respondent which contain similar allegations.

4. According to a complaint filed by Vivian Norwood d/b/a Norwood Trucking against agent John Reynolds of Owens Property & Casualty Agency ("Owens Agency"), Ms. Norwood paid premiums for insurance coverage she never received. Ms. Norwood spoke to Respondent about getting full coverage on the trucks for her business. Ms. Norwood received proof of insurance for the trucks in the form of cab cards. Later, Ms. Norwood paid premiums to add additional trucks to her policy via an endorsement. Cab cards evidencing coverage for those additional trucks were faxed to Ms. Norwood by Respondent who also promised to send originals in the mail, but they were never received. Ms. Norwood subsequently discovered after a collision that two of the trucks did not have coverage, as Respondent failed to submit the endorsement requests to the insurance company. The cab cards for the two trucks without coverage were issued by Owens Agency, however, the insurance company, National Indemnity, provided information that the Owens Agency did not have authority to issue cab cards. In her complaint, Ms. Norwood questioned how Respondent could sell policies on behalf of Owens Agency when he was not a registered employee for that company. Restitution for Norwood Trucking was resolved by a private lawsuit.

5. According to a complaint filed by Eddie and Helen Martin of Cool Town Trucking against agent John Reynolds, the Martins sent a fax to Owens Agency to accept proposed coverage on their truck with physical damage and

liability coverage. The Martins subsequently requested coverage for an additional truck and believed it would have the same physical damage and liability coverage initially requested. After a loss, it was discovered that the added truck only had liability coverage. When questioning the delay in receiving their policy, the Martins were advised by Respondent that "the company, not his office was responsible for sending the policy." All requests for coverage were faxed to the attention of Respondent at Owens Agency.

6. According to a complaint filed by Cathy Davis of Larry's Git-R-Done Trucking Company, Inc. (Larry's), against agent John Reynolds of Owens Agency, and the documents obtained through the Department's investigation, Larry's policy was cancelled after Respondent failed to provide the application to the insurance company after multiple requests were sent to Respondent. When Larry's questioned Respondent about the cancellation of their policy, Respondent stated that the cancellation was due to a bankruptcy filing by Larry's. The insurance company confirmed that the cancellation was not based on the bankruptcy and provided documented requests to Respondent. Larry's was owed a return premium as a result of the policy cancellation. Respondent told Larry's that he would help them get their refund if they signed a letter to withdraw their complaint with the Department. Respondent provided a typed letter for Larry's to sign and submit to the Department.

7. After conducting an investigation, the Department finds that Respondent operates his insurance agency, Reynolds Agency, in the same office space as his wife Betty Reynolds operates her insurance agency, Owens

Property & Casualty Agency ("Owens Agency"). Respondent is not affiliated with Owens Agency nor is he an employee of Owens Agency. However, Respondent frequently answers the phone for Owens Agency and speaks with consumers who hold Owens Agency policies. This overlap in office space results in consumers holding the belief that Respondent is their agent with Owens Agency while, in fact, does not have authority to discuss Owens Agency policies.

8. For the above actions, the Department alleges that Respondent is in violation of the Insurance Code for: Failing to pay premiums to the insurer, in breach of her fiduciary duty as a licensee to treat these moneys as trust funds, in violation of Ark. Code Ann. § 23-64-223; Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, lack of good personal or business reputation or financial irresponsibility, in violation of Ark. Code Ann. § 23-64-512(a)(8); Engaging in an unfair or deceptive act or practice in the business of insurance, in violation of Ark. Code Ann. § 23-64-205; Using coercion or intimidation in the business of insurance, in violation of Ark. Code Ann. § 23-66-206(1); Making false or fraudulent statements or representations in, or relative to, an insurance policy, in violation of Ark. Code Ann. § 23-66-206(8); Failing to provide reasonable and professional service to each insured or prospective insured, in violation of Ark. Code Ann. § 23-66-307(a)(1); Failing to exercise discretion and good faith in the insurance sales presentation or transaction, in violation of Ark. Code § 23-66-307(a)(2); and Willfully collecting premiums for which insurance is not then provided or is not in due course to be provided, in violation of Ark. Code Ann. § 23-66-310.

CONCLUSIONS OF LAW

1. That the Commissioner has jurisdiction over the parties and over the subject matter herein pursuant to Ark. Code Ann. § 23-61-103.

2. That pursuant to Ark. Code Ann. § 23-64-512(a) and § 23-64-216(d)(1), if the Commissioner finds that one or more grounds exist for the suspension or revocation of any license under § 23-64-216(a)(1), the Commissioner in his or her discretion may impose upon the licensee an administrative penalty in the amount of up to one thousand dollars (\$1,000) per violation or up to five thousand dollars (\$5,000) per violation if willful misconduct on the part of the licensee is found.

3. That Respondent has been made fully aware of his right to a hearing and has voluntarily and intelligently waived said right and consents to the entry of this Consent Order.

THEREFORE, in consideration of these Findings of Fact and Conclusions of Law, it is hereby ordered and agreed that:

A. Respondent's resident Arkansas insurance producer's license(s) is voluntarily surrendered as to the following lines of insurance: casualty, marine, motor club, property and surety insurance.

B. Respondent will be allowed to sell pre-paid legal insurance on a probationary status for two years from the date of this Order.

C. Respondent will maintain a separate office for his agency, Reynolds Insurance Agency, apart from Owens Property and Casualty, owned by his wife Betty Reynolds. Respondent must not hold himself out to be an

agent for and is not to conduct any business for or on behalf of Owens Property and Casualty.

D. Pursuant to Ark. Code Ann. § 23-64-216, Respondent shall also pay an administrative penalty of \$2,000. The administrative penalty shall be paid within 90 days from entry this Order.

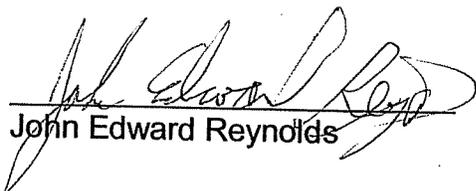
E. Respondent is advised that probationary status means that the imposition of additional insurance license sanctions that the Commissioner may impose by law or by informed consent upon him is suspended contingent upon his compliance and good conduct during this probationary period. See Ark. Code Ann. §§ 23-64-216 and 23-64-512.

F. If Respondent violates the terms of this probation or any provision of the Insurance Code during the probation period, Respondent's license will be suspended and a revocation hearing will immediately be set and will result in statutorily imposed sanctions. See Ark. Code Ann. §§ 23-64-216 and 23-64-512.

IT IS SO ORDERED THIS 18th day of September 2009.



JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS



John Edward Reynolds