

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF
JOHN EDWARD REYNOLDS
REYNOLDS INSURANCE AGENCY**

AID ORDER NO. 2011- 042

CONSENT ORDER

On this day, the matter of John Edward Reynolds and Reynolds Insurance agency comes before Jay Bradford, the Insurance Commissioner for the State of Arkansas ("Commissioner"). The Arkansas Insurance Department is represented by Associate Counsel, Ashley Fisher. From the facts, matters, and other evidence before the Commissioner, the Commissioner does hereby find and conclude as follows:

FINDINGS OF FACT

1. The Commissioner has jurisdiction over Reynolds Insurance Agency and John Reynolds and the subject matter involved herein pursuant to Ark. Code Ann. § § 23-61-103, Ark. Code Ann. § 23-64-101 et seq., Ark. Code Ann. § 23-64-201 et. seq. (Supp. 2005).
2. Respondent was previously licensed 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. The license to produce all but pre-paid legal were revoked pursuant to A.I.D. Consent Order No. 2009-075 for the reasons stated therein. Respondent's license was revoked effective September 18, 2009. Reynolds Insurance Agency operates as a resident agency qualified to engage in the business of accident, health and sickness, property, casualty, surety and life insurance business.
3. Pursuant to A.I.D. Order No. 2009-075, the Respondent's license was revoked as to casualty, marine, motor club and property and surety insurance. He was not to conduct the business of insurance as to any of the types that were revoked in the State of Arkansas. The only type of insurance he was allowed to sell was pre-paid legal.

4. The Legal Division received a complaint from Jo Coleman with Arkansaw Trucking on April 12, 2011 concerning the transaction of insurance business with Respondent. In October 2010, Ms. Coleman entered into her first insurance policy with Reynolds Insurance. This policy was for auto liability and property damage for 3 dump trucks. Between December 2010 and February 2011, she added additional policies. Shortly thereafter, she began receiving cancellation notices on several policies. The premium funds were collected by Respondent, but not remitted to the Company. At all times, Ms. Coleman dealt directly with Respondent. Since that time, numerous other consumers have come forth with similar complaints whereby premiums were submitted to Respondent and not forwarded on to the insurance company. Some involved situations where claims were subsequently denied by the insurance company.

6. An Emergency Suspension Order was entered on April 27, 2011 suspending the agency license and issuing a Cease and Desist with regard to any insurance business being transacted by either Respondent or the Agency.

7. Department personnel, Taryn Lewis, Investigator, Ava Franks, Market Conduct Examiner, and Ashley Fisher, undersigned, served the Order upon Mr. Reynolds on or about April 29, 2011. Upon the entry into the Agency, Respondent appeared to be in the act of speaking with a customer on the telephone about the purchase of insurance.

8. A thorough review of the documents maintained at the premises and interviews conducted subsequently revealed that Respondent was continuing to conduct insurance business for which he was not licensed.

9. Respondent indicated that another agent was working for him at the time and that the agent was currently "out in the field". Said agent was contacted via cellular telephone and indicated that he had a full time job and was at not working for Reynolds at the time and hadn't been there in a couple of weeks. The "Agent of Record" worked a very limited amount for Respondent and sold one policy in the couple of months of his "employment".

10. A thorough review of the files revealed numerous signatures that were not the signature of the agent of record and which appeared to be in Respondent's handwriting. Other files revealed that certain consumer signatures were not authentic, and also appeared to be in Respondent's handwriting.

11. After being served with the Cease and Desist and Emergency Suspension Order, Department personnel effectuated one final visit to the Agency on or about May 27, 2011. Respondent was on the phone with the door locked and refused to open the door.

12. On or about May 31, 2011, Respondent tendered his agency license and Limited Lines Producer License for surrender to the Department.

CONCLUSIONS OF LAW

From the Findings of Fact contained herein, the Commissioner concludes as follows:

8. Ark. Code Ann. § 23-64-201 states that "unless he or she has complied with the Producer Licensing Model Act, § 23-64-501 et seq., a person shall not consult, counsel, or advise others on matters of insurance needs or coverages under any insurance policy or contract of insurance unless licensed...."

9. The Commissioner retains jurisdiction over the Respondent following the revocation of his license pursuant to Ark. Code Ann. § 23-64-512(e) and retains the authority to impose any penalty or remedy available under the Arkansas Insurance Code.

10. Respondent is in violation of the terms of A.I.D. Order No. 2009-075.

11. With regard to the premium paid by Ms. Coleman and others and held by the Respondent without coverage being bound, the Respondent is in violation of Ark. Code Ann. § 23-64-223(a). This section of the Arkansas Insurance Code requires a producer to hold premium funds in trust and pay them forward in the ordinary course of business or return them to the insured or other appropriate party.

12. Falsifying insurance documents is considered a fraudulent insurance act under Ark. Code Ann. § 23-66-501(4).

13. Improperly withholding premium funds is grounds for revocation of the Respondent's producer license pursuant to § 23-64-512(a)(4).

14. Pursuant to Ark. Code Ann. § 23-64-216(c), the license of a firm, limited liability company or corporation may be suspended, revoked or refused also for any of such causes as relate to any individual designated in the license to exercise its powers.

IT IS THEREFORE ORDERED AS FOLLOWS:

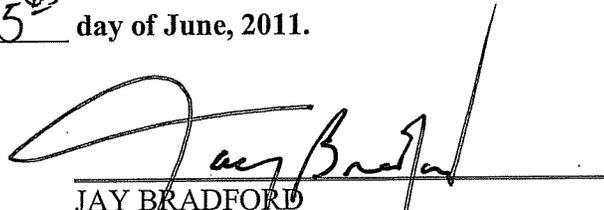
1. The Respondents hereby consents to the revocation of his remaining prepaid legal Resident Producer License No. 20836 and the revocation of the Respondent Agency license pursuant to Ark. Code Ann. § 23-64-216(c)

2. Respondent is ordered to cease and desist the conduct of any insurance or insurance-related business.

3. Respondent is ordered to refund any premiums that were paid by a consumer and which were not timely submitted to an insurance company for the purchase of insurance.

4. Based upon the foregoing, the Commissioner concludes that the Respondent shall pay a fine of \$2,500.00 to be paid by July 1, 2011.

IT IS SO ORDERED THIS 15th day of June, 2011.



JAY BRADFORD
INSURANCE COMMISSIONER
STATE OF ARKANSAS



JOHN EDWARD REYNOLDS
RESPONDENT