

RECEIVED
INSURANCE DEPARTMENT
05 OCT 19 AM 9:54
ADMIN HEARINGS OFFICE

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE:	:	VIOLATIONS:
	:	
GARY W. GALEOTTI, and	:	Section 611-A(11), (20) of 147 of
ISLAND FINANCIAL INSURANCE	:	2002 (40 P.S. §§ 310.11)
ASSOCIATES, INC.	:	
3595 S. SEASHORE AVENUE	:	Section 1616 of the Surplus Lines
GREENBANK, WA 98253	:	Act, Act of May 17, 1921, P.L. 682,
	:	<u>added by the Act of December 18,</u>
	:	1992, P.L. 1519 (40 P.S. § 991.1616)
	:	
Respondents.	:	Docket No. CO05-08-034

CONSENT ORDER

AND NOW, this *19th* day of *October*, 2005, this Order is hereby issued by the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania pursuant to the statutes cited above and in disposition of the matter captioned above.

1. Respondents hereby admits and acknowledges that they have received proper notice of their rights to a formal administrative hearing pursuant to the Administrative Agency Law, 2 Pa.C.S.A. §101, et seq., or other applicable law.

2. Respondents hereby waive all rights to a formal administrative hearing in this matter, and agree that this Consent Order, and the Findings of Fact and Conclusions of Law contained herein, shall have the full force and effect of an Order duly entered in accordance with the adjudicatory procedures set forth in the Administrative Agency Law, supra, or other applicable law.

FINDINGS OF FACT

3. The Deputy Insurance Commissioner finds true and correct each of the following Findings of Fact:

- (a) Respondents are Gary W. Galeotti and Island Financial Insurance Associates, Incorporated and maintain a business address at 3595 S. Seashore Avenue, Greenbank, Washington 98253.
- (b) Respondents are, and at all times relevant hereto have been, licensed insurance producers and possessed surplus lines licenses.
- (c) During 2003 through 2005, Respondents engaged in the practice of making surplus lines accommodation filings on insurance for Pennsylvania policyholders although they were not involved in the procurement of the insurance.

- (d) Respondents' filings were done on behalf of producers that were either not licensed in Pennsylvania, possessed resident or non-resident producer licenses, or possessed surplus lines licenses that the producers declined to use to make their respective filings.
- (e) On May 5, 2005, Respondents confirmed that they made 114 accommodation filings on behalf of producers that actually procured the insurance but would cease and desist from making additional filings.
- (f) Respondents stated that in the process of doing the filings, policy declarations were stamped with the required language that advised the policyholders that their insurance was not protected by the Pennsylvania guaranty associations.

CONCLUSIONS OF LAW

4. In accord with the above Findings of Fact and applicable provisions of law, the Deputy Insurance Commissioner concludes and finds the following Conclusions of Law:

- (a) Respondents are subject to the jurisdiction of the Pennsylvania Insurance Department.
- (b) Section 611-A(11) of Act 147 of 2002 prohibits a licensee from

knowingly accepting insurance business which was sold, solicited or negotiated by a person who is not licensed as an insurance producer (40 P.S. § 310.11).

- (c) Respondents' activities described above in paragraphs 3(c) through 3(f) violate Section 611-A(11) of Act 147 of 2002.
- (d) Section 611-A(20) of Act 147 of 2002 prohibits a license from demonstrating a lack of general fitness, competence or reliability sufficient to satisfy the department that the licensee is worthy of licensure.
- (e) Respondents' activities described above in paragraphs 3(c) through 3(f) demonstrate lack of fitness, competence or reliability, in violation Section 611-A(20) of Act 147 of 2002.
- (f) Respondents' violations of Section 611-A(11) and (20) of Act 147 are punishable by the following, under Section 691-A of Act 147 of 2003 (40 P.S. § 310.91):
 - (i) suspension, revocation or refusal to issue the certificate of qualification or license;
 - (ii) imposition of a civil penalty not to exceed five thousand dollars (\$5,000.00) for every violation of the Act;

- (iii) an order to cease and desist; and
 - (iv) any other conditions as the Commissioner deems appropriate.
- (g) Section 1616 of the Surplus Lines Act stipulates that a surplus lines licensee may accept insurance from any broker duly licensed as to the kind or kinds of insurance involved.
- (h) Respondents' activities described above in paragraphs 3(c) through 3(f) constitute accepting business from unlicensed brokers.
- (i) Respondents' violations of Section 1616 of the Surplus Lines Act are punishable by the following, under Section 1625(b) of the Insurance Company Law:
- (i) imposition of a penalty not exceeding \$1,000 for the first offense and \$2,000 for each succeeding offense.

ORDER

5. In accord with the above Findings of Fact and Conclusions of Law, the Deputy Insurance Commissioner orders and Respondents consents to the following:

- (a) Respondents shall cease and desist from engaging in the activities described herein in the Findings of Fact and Conclusions of Law.

- (b) Respondents shall pay a civil penalty of Twenty-Five Thousand Dollars (\$25,000.00) to the Commonwealth of Pennsylvania. This penalty shall be made payable to the Commonwealth of Pennsylvania, and directed to Sharon L. Harbert, Administrative Assistant, Bureau of Enforcement, 1227 Strawberry Square, Harrisburg, Pennsylvania 17120. Payment may be enclosed with the Consent Order, but must be paid in any event no later than thirty (30) days after the date of the Consent Order.

- (c) Respondents' certificates and licenses may be immediately suspended by the Department following its investigation and determination that (i) penalty or restitution payment has not been made, (ii) any terms of this Order have not been complied with, or (iii) any complaint against Respondents is accurate and a statute or regulation has been violated. The Department's right to act under this section is limited to a period of three (5) years from the date of this Order.

- (d) Respondents specifically waives their rights to prior notice of said suspension, but will be entitled to a hearing upon written request received by the Department no later than thirty (30) days after the date the Department mailed to Respondents by certified mail, return receipt requested, notification of said suspension, which hearing shall be scheduled for a date within sixty (60) days

of the Department's receipt of Respondents' written request.

(e) At the hearing referred to in paragraph 5(d) of this Order, Respondents shall have the burden of demonstrating that they are worthy of a license.

(f) In the event Respondents' certificates and licenses are suspended pursuant to paragraph 5(c) above, and Respondents either fails to request a hearing within thirty (30) days or at the hearing fails to demonstrate that it is worthy of a license, Respondents' suspended certificates and licenses shall be revoked.

6. In the event the Deputy Insurance Commissioner finds that there has been a breach of any of the provisions of this Order, based upon the Findings of Fact and Conclusions of Law contained herein, the Department may pursue any and all legal remedies available, including but not limited to the following: The Department may enforce the provisions of this Order in an administrative action pursuant to the Administrative Agency Law, supra, or other relevant provision of law; or, if applicable, the Department may enforce the provisions of this Order in any other court of law or equity having jurisdiction.

7. Alternatively, in the event the Deputy Commissioner finds that there has been a breach of any of the provisions of this Order, the Deputy Commissioner may declare this Order to be null and void and, thereupon, reopen the entire matter for appropriate

action pursuant to the Administrative Agency Law, supra, or other relevant provision of law.

8. In any such enforcement proceeding, Respondents may contest whether a breach of the provisions of this Order has occurred but may not contest the Findings of Fact and Conclusions of Law contained herein.

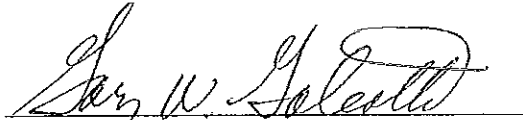
9. Respondents hereby expressly waive any relevant statute of limitations and application of the doctrine of laches for purposes of any enforcement of this Order.

10. This Order constitutes the entire agreement of the parties with respect to the matters referred to herein, and it may not be amended or modified except by an amended order signed by all the parties hereto.


11. This Order shall be final upon execution by the Deputy Insurance Commissioner. Only the Insurance Commissioner or the duly authorized Deputy Insurance Commissioner is authorized to bind the Insurance Department with respect to the settlement of the alleged violation of law contained herein, Consent Order

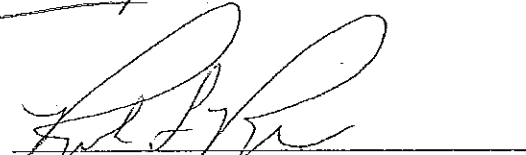
is not effective until executed by the Insurance Commissioner or the duly authorized
Deputy Insurance Commissioner.

BY:


GARY W. GALEOTTI, Respondent

ISLAND FINANCIAL INSURANCE
ASSOCIATES, INC., Respondent


President, Vice President

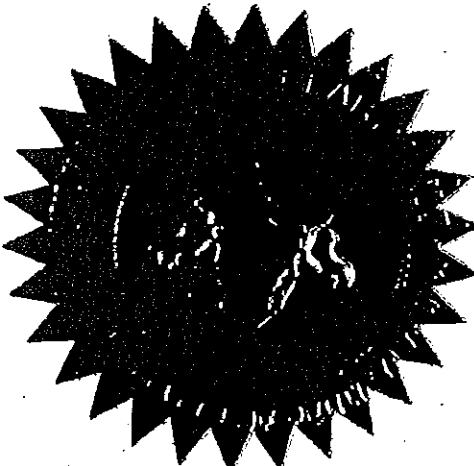

RANDOLPH L. ROHRBAUGH
Deputy Insurance Commissioner
Commonwealth of Pennsylvania

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

IN RE: The Act of April 9, 1929, P.L. 177, No. 175, known as The
Administrative Code of 1929

AND NOW, this 29 day of April, 2002, Randolph L.

Rohrbaugh, Deputy Insurance Commissioner, is hereby designated as the
Commissioner's duly authorized representative for purposes of entering in and executing
Consent Orders. This delegation of authority shall continue in effect until otherwise
terminated by a later Order of the Insurance Commissioner.


M. Diane Koken
M. Diane Koken
Insurance Commissioner