



1 (License number 24036).

2 4. On or about October 15, 1993, Respondent  
3 submitted applications for Life and Disability and Property and  
4 Casualty insurance agency licenses.

5 5. In the Applications, James Chippendale  
6 ("Chippendale") is President of Applicant corporation and  
7 Douglas E. Smith ("Smith") is Secretary/Treasurer. Both  
8 Chippendale and Smith signed the applications,

9 6. In Respondent's Application, question number 15  
10 states:

11 "Has applicant and/or officer, director, partner  
12 or licensed individual designated in the license  
13 ever been a defendant or respondent in any civil,  
14 criminal or administrative case involving  
allegations of fraud, misappropriation,  
conversion, misrepresentation, dishonesty or  
breach of fiduciary duty?"

15 The question was answered "No" on both Applications.

16 7. Contrary to the responses stated above, on May 31,  
17 1993, Smith was served with a Summons, Complaint and Certificate  
18 of Compulsory Arbitration in Susan Gallinger, Director of  
19 Insurance of the State of Arizona, et al. v. AzStar Holding,  
20 Inc., et al., Maricopa County Superior Court, cause number  
21 CV93-06109.

22 8. On or about October 29, 1993, an Amended Complaint  
23 was filed in the above-referenced case.

24 9. Susan Gallinger as Director of Insurance, was the  
25 court-appointed receiver of AzStar Casualty Co., by the Order  
26 Appointing Receiver and Injunction, dated November 19, 1992 in

1 State of Arizona, ex rel. Susan Gallinger v. AzStar Casualty  
2 Company, Maricopa County Superior Court, cause number CV92-20204.

3 10. AzStar Casualty is a wholly-owned subsidiary of  
4 AzStar Holdings, Inc. Smith was a director of AZStar Casualty  
5 and AzStar Holdings.

6 11. The Amended Complaint alleges that defendants  
7 AzStar Holdings, Smith and the other named defendants violated  
8 their fiduciary duties to AzStar Casualty.

9 12. On March 3, 1994, the Department advised Respondent  
10 that its application was denied pursuant to A.R.S. § 20-290(B)(1).

11 13. On March 22, 1994, Respondent timely demanded a  
12 hearing to contest the denial.

13 14. On April 28, 1994, the Department issued a Notice  
14 of Hearing setting the matter for hearing.

15 15. On May 25, 1994, the Superior Court of Maricopa  
16 County, Arizona issued a minute entry which ordered the  
17 Department to issue the subject licenses to Respondent due solely  
18 to the Department's failure to issued the Notice of Hearing  
19 within thirty (30) days after Respondent's demand in accordance  
20 with A.R.S. § 20-161(B).

21 16. On June 23, 1994, the Department issued the subject  
22 licenses to to Respondent in compliance with the Superior Court  
23 minute entry.

24 CONCLUSIONS OF LAW

25 1. Respondent's conduct constitutes the existence of a  
26 cause for which the original issuance or any renewal of

1 Respondent's licenses could have been refused, within the meaning  
2 of A.R.S. § 20-316(A)(1), together with A.R.S. § 20-290(B)(1).

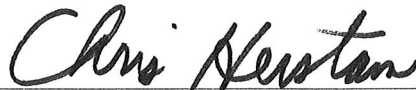
3 2. The conduct described above constitutes the  
4 existence of misrepresentation or fraud in obtaining or  
5 attempting to obtain an insurance license, within the meaning of  
6 A.R.S. § 20-316(A)(3).

7 ORDER

8 IT IS HEREBY ORDERED that:

9 1. Respondent's insurance licenses are revoked  
10 immediately.

11 EFFECTIVE this 25th day of August, 1994.

12  
13 

14 CHRIS HERSTAM, Director  
15 Arizona Department of Insurance

16 COPY of the foregoing delivered/mailed  
17 this 25th day of August, 1994, to:

18 Gay Ann Williams, Deputy Director  
19 Charles R. Cohen, Executive Assistant Director  
20 Jay Rubin, Assistant Director  
21 Maureen Catalioto, Supervisor  
22 Department of Insurance  
23 2910 North 44th Street, Suite 210  
24 Phoenix, Arizona 85018

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2 255 E. Osborn, #206  
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*Chris Crawford*  
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