

SEP 27 1994

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE  
By                     

In the Matter of	)	Docket No. 8510
	)	
DAVID MADRID, JR. and	)	<b>ORDER</b>
AMERICAN VICTORY INSURANCE	)	
CORP.,	)	
	)	
Respondents.	)	
_____	)	

On August 16, 1994, the Director issued a notice of hearing in the above-captioned matter. The notice of hearing was mailed to Respondents at their address of last record. A copy of the notice of hearing is attached and incorporated by reference.

The notice of hearing required Respondents to provide a written answer to the allegations set forth in the notice within twenty days of the issuance of the notice. As of this date, Respondents have failed to file an answer. On September 6, 1994, counsel for the Department filed a request for default. As of this date, Respondents have not responded to the Department's request.

Pursuant to A.A.C. R4-14-106(C), a party that fails to file an answer within the time provided shall be deemed to be in default and one or more of the allegations in the notice of hearing may be deemed to be admitted.

IT IS HEREBY ORDERED that

1. The allegations in the notice of hearing are deemed to be admitted.

2. All insurance licenses issued to Respondent David Madrid are revoked effective immediately.

1           3. All insurance licenses issued to Respondent  
2 American Victory Insurance Corp. are revoked effective  
3 immediately.

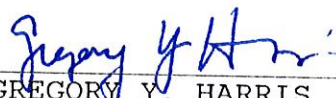
4           4. Respondents David Madrid and American Victory  
5 Insurance Corp. shall pay restitution to John Ruelas in the  
6 amount of \$540 within 30 days of the date of this order.

7           5. Respondents David Madrid and American Victory  
8 Insurance Corp. shall pay a civil penalty to the Arizona  
9 Department of Insurance in the amount of \$1,500 within 30 days  
10 of the date of this order.

11           DATED this 27th day of September, 1994.

12  
13 

14 \_\_\_\_\_  
CHRIS HERSTAM  
Director of Insurance

15  
16 

17 \_\_\_\_\_  
GREGORY Y. HARRIS  
Chief Administrative Law Judge

18 COPY of the foregoing mailed/delivered  
19 this 27th day of September, 1994, to:

20 Gay Ann Williams, Deputy Director  
21 Charles R. Cohen, Executive Assistant Director  
22 Jay Rubin, Manager, Investigators  
23 Arnold Sniegowski, Investigator  
Maureen Catalioto, Supervisor  
Department of Insurance  
2910 N. 44th Street, Suite 210  
Phoenix, Arizona 85018

24 Kathryn L. Leonard  
25 Assistant Attorney General  
1275 W. Washington  
Phoenix, Arizona 85007

26  
27 David Madrid  
4445 N. 50th Dr.  
Phoenix, AZ 85031  
28

- 1 American Victory Insurance Corp.  
4445 N. 50th Dr.  
2 Phoenix, AZ 85031
- 3 Sutter Insurance Company  
P.O. Box 6000  
4 Larkspur, CA 94977-6000
- 5 Frank Gomez  
5150 E. Eugie, #2008  
6 Glendale, AZ 85304
- 7 John Ruelas  
738 E. Roeser  
8 Phoenix, AZ 85040
- 9 Coronet Insurance Company  
3500 W. Peterson Ave.  
10 Chicago, IL 60659
- 11 CenCal Insurance Services  
2420 Camino Ramon #130  
12 San Ramon, CA 94853
- 13 Century-National Insurance Company  
P.O. Box 3999  
14 North Hollywood, CA 91609
- 15 Farmers Home Group  
P.O. Box 9420  
16 Minneapolis, MN 55440
- 17 Insurance Service Underwriters  
8723 E. Via De Commercio  
18 Scottsdale, AZ 85258
- 19 Victoria Fire & Casualty Co.  
5916 Landerbrook Dr., #210  
20 Cleveland, OH 44121
- 21 Phoenix Indemnity Insurance Co.  
222 S. 15th St., Suite 600 North  
22 Omaha, NE 68102
- 23 Southwestern Life Insurance Co.  
P.O. Box 2699  
24 Dallas, TX 75221-2699
- 25 Prudential Property & Casualty Co.  
1111 Durham Ave.  
26 South Plainfield, NJ 07080-2398
- 27 Auto-Owners Insurance Company  
P.O. Box 30660  
28 Lansing, MI 48909

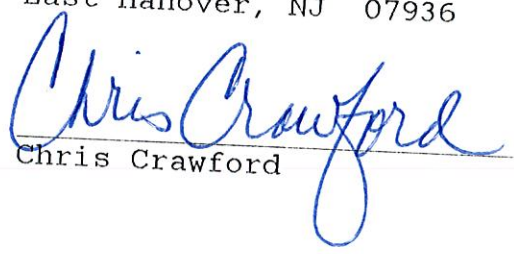


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Sun Life Assurance Co. of Canada  
P.O. Box 4150, Station A  
Toronto, ON M5W-2C9  
Canada

Statewide Insurance Company  
P.O. Box 799  
Waukegan, IL 60079

MetLife Security Insurance Company  
of Louisiana  
72 Eagle Rock Ave.  
East Hanover, NJ 07936

  
Chris Crawford

AUG 16 1994

DEPARTMENT OF INSURANCE  
By                     

0173c  
CPA94-159:kll

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

In the Matter of	)	
	)	Docket No. 8510
DAVID MADRID, JR. and AMERICAN	)	
VICTORY INSURANCE CORP.,	)	NOTICE OF HEARING
	)	
Respondents.	)	
_____	)	

PLEASE TAKE NOTICE that pursuant to the provisions of A.R.S. §§ 20-161 through 20-165 and 41-1061 et seq., the above-captioned matter will be heard before the Director of Insurance of the State of Arizona (the "Director") or his duly designated representative, on the 29th day of November, 1994, at 9:00 o'clock A.M., at 2910 North 44th Street, Suite 210, Phoenix, Arizona.

Motions to continue this matter shall be made in writing not less than five (5) business days prior to the date set for the Hearing. A copy of any motion to continue shall be mailed or hand-delivered to the opposing party on the same date of the filing with the Department of Insurance (the "Department").

A.R.S. § 20-164 entitles any person affected by this hearing to appear in person and by counsel, to be present during the giving of all evidence, to have a reasonable opportunity to inspect all documentary evidence, to examine witnesses, to present evidence in support of the person's

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1 interests, and to have subpoenas issued by the Director to  
2 compel attendance of witnesses and production of evidence in  
3 the person's behalf.

4 Questions concerning issues raised in this Notice of  
5 Hearing should be directed to Assistant Attorney General  
6 Kathryn L. Leonard (602-542-3702), Office of the Attorney  
7 General, 1275 West Washington, Phoenix, Arizona 85007.

8 NOTICE OF APPLICABLE RULES

9 On January 23, 1992, the Department adopted A.A.C.  
10 R4-14-101 through R4-14-115, setting forth the rules of  
11 practice and procedure applicable in contested cases before the  
12 Director. The hearing will be conducted pursuant to these  
13 rules:

14 PURSUANT TO A.A.C. R4-14-106, RESPONDENTS SHALL EACH  
15 FILE A WRITTEN ANSWER WITHIN TWENTY (20) DAYS AFTER THE  
16 ISSUANCE OF THIS NOTICE OF HEARING AND SHALL MAIL OR DELIVER A  
17 COPY OF THE ANSWER TO THE ASSISTANT ATTORNEY GENERAL DESIGNATED  
18 ABOVE. THE ANSWER SHALL STATE RESPONDENTS' POSITION OR DEFENSE  
19 AND SHALL SPECIFICALLY ADMIT OR DENY EACH ASSERTION IN THE  
20 NOTICE OF HEARING. ANY ASSERTION NOT DENIED SHALL BE DEEMED TO  
21 BE ADMITTED. ANY DEFENSE NOT RAISED IN THE ANSWER SHALL BE  
22 DEEMED TO BE WAIVED. IF AN ANSWER IS NOT TIMELY FILED, THE  
23 RESPONDENTS SHALL BE DEEMED TO BE IN DEFAULT, AND THE DIRECTOR  
24 MAY DEEM THE ALLEGATIONS ARE TRUE AND TAKE WHATEVER ACTION IS  
25 APPROPRIATE, INCLUDING SUSPENSION, REVOCATION, DENIAL OF A  
26 LICENSE, OR RENEWAL OF A LICENSE, IMPOSITION OF A CIVIL PENALTY



1 AND/OR ORDER RESTITUTION TO ANY INJURED PARTY.

2 PERSONS WITH DISABILITIES MAY REQUEST REASONABLE  
3 ACCOMMODATIONS SUCH AS INTERPRETERS, ALTERNATIVE FORMATS, OR  
4 ASSISTANCE WITH PHYSICAL ACCESSIBILITY. REQUESTS FOR  
5 ACCOMMODATIONS MUST BE MADE WITH 72 HOURS PRIOR NOTICE. IF YOU  
6 REQUIRE ACCOMMODATIONS, PLEASE CONTACT CHRIS CRAWFORD IN THE  
7 ADMINISTRATIVE LAW DIVISION AT 912-8454 OR CLAUDIA ACOSTA IN  
8 THE DIRECTOR'S OFFICE AT 912-8451.

9 The Director has cause to believe:

10 1. David Madrid, Jr. ("Madrid") was at all material  
11 times licensed as a property and casualty agent and broker and  
12 a life and disability agent. Those licenses expire  
13 February 28, 1996 and February 28, 1995 respectively.

14 2. American Victory Insurance Corporation  
15 ("American") was at all material times licensed as a property  
16 and casualty agent and broker and a life and disability agent.  
17 American's property and casualty licenses expired May 31,  
18 1994. American's life and disability license expired May 31,  
19 1993. Madrid is president, director and owner/operator of  
20 American.

21 3. On or about May 8, 1994, Western Surety Company  
22 submitted a bond cancellation notice for the surety bond on  
23 Madrid's property and casualty broker license with a  
24 cancellation date of June 15, 1994. Madrid failed to replace  
25 the surety bond.  
26

1           4.    On or about December 10, 1993 American's  
2 incorporation was revoked for failure to file an annual report.

3           5.    On or about March 25, 1993 the Director entered  
4 into a Consent Order In the Matter of David Madrid, Jr., and  
5 American Victory Insurance Corp., wherein Respondents admitted  
6 facts from which the Director concluded that Respondents'  
7 conduct constituted incompetence or a source of injury and loss  
8 to the public or any insurer, in violation of A.R.S.

9 § 20-316(A)(7). The Director further found Madrid had engaged  
10 in deceptive practices and made misrepresentations of the terms  
11 of policies to be issued in violation of A.R.S. § 20-442 and  
12 § 20-433.01.

13           6.    As a result of the above Order, Respondents'  
14 licenses were suspended for a period of seven days, a civil  
15 penalty of \$750.00 was imposed and restitution was ordered in  
16 the amount of \$3,348.00.

17           7.    On or about March 13, 1993, Respondents accepted  
18 \$113.00 in cash from John Rueles ("Rueles") representing the  
19 down payment for a policy with Vasa North Atlantic Insurance  
20 Company ("Vasa") through Insurance Service Underwriters ("ISU")  
21 for Rueles 1984 Ford Tempo ("Tempo"). Madrid completed and  
22 signed the application as agent of record. The coverage dates  
23 were to be effective from March 11, 1993 to September 11, 1993.

24           8.    Madrid failed to forward the application and  
25 premium to ISU, Vasa or any insurer and failed to secure  
26 coverage for Rueles.



1           9.    On or about April 7, 1993 Rueles made a payment  
2 of \$49.00 by check #1732 toward the premium on his policy.  
3 Respondents deposited the check into the agency checking  
4 account.

5           10. On or about April 25, 1993, Rueles was involved  
6 in an automobile accident and sustained medical expenses.

7           11. On or about June 22, 1993, without the knowledge  
8 of Rueles or his brother Frank Gomez ("Gomez"), Respondents  
9 endorsed Gomez' policy with Sutter Insurance Company ("Sutter")  
10 to add Rueles Tempo. Sutter was unaware that the Tempo did not  
11 belong to their insured Gomez. Sutter has no record of Rueles  
12 as an insured.

13           12. Although Rueles never had insurance, Respondents  
14 continued to collect premium from Rueles. Madrid collected  
15 premium and issued receipts in at least April, August, and  
16 October of 1993 and January of 1994 for in a total amount of  
17 \$388.00.

18           13. Gomez policy with Sutter was cancelled July 27,  
19 1993 for non-payment of premium.

20           14. Respondents' conduct described above constitutes  
21 a record of dishonesty in business or financial matters under  
22 A.R.S. § 20-290(B)(2).

23           15. Respondents' conduct described above constitutes  
24 the existence of any cause for which original issuance or any  
25 renewal of an insurance license could have been refused such  
26 that Respondents' licenses may be suspended or revoked pursuant

1 to A.R.S. § § 20-316(A)(1), together with 20-290(B)(2).

2 16. Respondents' conduct described above constitutes  
3 a wilful violation of, or wilful noncompliance with, any  
4 provision of this title, or any lawful rule, regulation or  
5 order of the director in violation of A.R.S. § 20-316(A)(2).

6 17. Respondents' conduct described above constitutes  
7 misappropriation or conversion to their own use or illegal  
8 withholding of monies belonging to policyholders, insurers,  
9 beneficiaries or others and received in or during the conduct  
10 of business under the license or through its use in violation  
11 of A.R.S. § 20-316(A)(4).

12 18. Respondents' conduct described above constitutes  
13 conduct of affairs under the license showing the licensee to be  
14 incompetent or a source of injury and loss to, or repeated  
15 complaint by, the public or any insurer in violation of A.R.S.  
16 § 20-316(A)(7).

17 19. Respondent Madrid's conduct in allowing the  
18 surety bond to lapse constitutes a violation of A.R.S.  
19 § 20-299(A).

20 20. American's license may be suspended, revoked or  
21 refused for any causes as relate to any individual designated  
22 in the license to exercise its powers, pursuant to A.R.S.  
23 § 20-316(B).

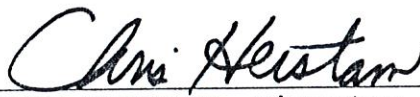
24 21. Grounds exist for the Director to suspend, revoke  
25 or refuse to renew Respondents' insurance licenses and impose a  
26

1 civil penalty upon Respondents pursuant to A.R.S. § 20-316(A),  
2 20-316(B) and 20-316(C).

3 WHEREFORE, if after hearing, the Director makes a  
4 finding of one or more of the above-described violations, he  
5 may suspend, revoke or refuse to renew Respondents' insurance  
6 licenses, impose a civil penalty upon Respondent and/or may  
7 order restitution, pursuant to A.R.S. § 20-316(A), § 20-316(B)  
8 and § 20-316(C).

9 Pursuant to A.R.S. § 20-150, the Director herewith  
10 delegates all of his authority, powers, duties and functions,  
11 whether ministerial or discretionary, with which he is vested  
12 as Director of Insurance of the State of Arizona, whether  
13 implied or expressed, to GREGORY Y. HARRIS for the purpose of  
14 acting as administrative law judge in this matter. This  
15 delegation of authority shall continue until specifically  
16 revoked.

17 DATED at Phoenix, Arizona, this 16th day of August,  
18 1994.

19   
20 \_\_\_\_\_  
21 CHRIS HERSTAM, Director  
22 Arizona Department of  
23 Insurance

24 COPY of the foregoing  
25 mailed this 16th day  
26 of August, 1994 to:

27 Kathryn L. Leonard  
28 Assistant Attorney General  
29 1275 W. Washington  
30 Room 259  
31 Phoenix, AZ 85007



1 Gay Ann Williams, Deputy Director  
Charles R. Cohen, Executive Assistant Director  
2 Jay Rubin, Manager of Investigations  
Arnold Sniegowski, Investigator  
3 Maureen Catalioto, Supervisor  
Department of Insurance  
4 2910 N. 44th St., Suite 210  
Phoenix, AZ 85018

5 David Madrid  
4445 N. 50th Drive  
6 Phoenix, AZ 85031

7 American Victory Insurance Corporation  
4445 N. 50th Dr.  
8 Phoenix, AZ 85031

9 Sutter Insurance Company  
10 900 Larkspur Landing Circle, #250  
P.O. Box 6000  
11 Larkspur, CA 94977-6000

12 Frank Gomez  
5150 East Eugie, #2008  
13 Glendale, AZ 85304

14 John Ruelas  
738 E. Roeser  
15 Phoenix, AZ 85040

16 Cornet Insurance Company  
3500 W. Peterson Ave.  
17 Chicago, IL 60659

18 Cen Cal Insurance Services  
2420 Camino Ramon #130  
19 San Ramon, CA 94853

20 Century-National Insurance Co.  
P.O. Box 3999  
21 North Hollywood, CA 91609

22 Farmers Home Group  
P.O. Box 9420  
23 Minneapolis, MN 55440

24 Insurance Service Underwriters  
8723 E. Vie De Commercio  
25 Scottsdale, AZ 85258

26

- 1 Victoria Fire & Casualty  
5915 Landbrook Drive, #210  
2 Cleveland, OH 44121
- 3 Phoenix Indemnity Insurance Co.  
222 S. 15th Street, Suite 600 North  
4 Omaha, NE 68102
- 5 Southwestern Life Insurance Co.  
P.O. Box 2699  
6 Dallas, TX 75221-2699  
Prudential Property & Casualty  
7 1111 Durham Avenue  
South Plainfield, NJ 07080-2398
- 8 Auto-Owners Insurance Company  
P.O. Box 30660  
9 Lansing, MI 48909
- 10 Sun Life Assurance Company of Canada  
P.O. Box 4150 Station A  
11 Toronto, Canada M5W - 2C9
- 12 Statewide Insurance Company  
P.O. Box 799  
13 Waukegan, IL 60079
- 14 MetLife Security Insurance Company  
of Louisiana  
15 72 Eagle Rock Avenue  
16 East Hanover, NJ 07936

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