

OCT 17 1995

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

DEPARTMENT OF INSURANCE

In the Matter of )  
MICHAEL RAYMOND LEIBOW, )  
Respondent. )

Docket No. 95-048

ORDER

On July 7, 1995; September 18, 1995 and September 20, 1995, a hearing took place in the above-captioned matter.

Assistant Attorney General Hugh E. Hegyi appeared on behalf of the Arizona Department of Insurance ("Department"). Kraig J. Marton appeared on behalf of Respondent Michael Raymond Leibow ("Mr. Leibow").

Based upon the entire record, including all pleadings, motions, testimony, and exhibits, Administrative Law Judge Lewis D. Kowal prepared the following Findings of Fact, Conclusions of Law, and Order for consideration and approval by the Director of the Department (the "Director"). The Director adopts and enters the following Findings of Fact, Conclusions of Law and enters the following Order:

FINDINGS OF FACT

1. At all times material to this matter, Mr. Leibow was and is licensed as a life and disability agent by the State of Arizona (license number 697853) which expires March 31, 1997.

2. At all times material to this matter, Mr. Leibow was employed by Principal Mutual Insurance Company ("Principal") as an insurance agent.

3. On or about April 22, 1992, Mr. Leibow received an application and premium for Stephen Hassenger ("Mr. Hassenger")

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1 after April 27, 1992, Mr. Leibow forwarded the application and  
2 premium to Principal.

3 4. Life and health insurance policies were presented  
4 by Mr. Leibow to Mr. Hassenger as part of the employee benefits  
5 package which Studebakers offered Mr. Hassenger. Half of the  
6 premium on the policies was to be paid by Studebakers and the  
7 other half of the premium was to be paid by Mr. Hassenger.

8 5. At all times material to this matter Studebakers'  
9 payments for life and health insurance policies for Mr.  
10 Hassenger, William G. Emmons ("Mr. Emmons") and Joel N. Hocknell  
11 ("Mr. Hocknell"), employees of Studebakers, were made via Surepay  
12 direct withdrawals from Studebakers' bank account. The premium  
13 amount to be paid by Mr. Hassenger for the insurance policies was  
14 automatically deducted from Mr. Hassenger's paycheck.

15 6. In July, 1994, Mr. Hassenger terminated his  
16 employment with Studebakers and left for New Zealand on July 17,  
17 1994. Mr. Hassenger returned to Arizona in early October, 1994.

18 7. On or about August 5, 1994, without Mr.  
19 Hassenger's knowledge or consent, Mr. Leibow requested from  
20 Principal that a loan draft be issued for the maximum amount from  
21 Mr. Hassenger's life insurance policy with Principal.

22 8. On or about August 5, 1994, Principal issued a  
23 loan draft, payable to Mr. Hassenger, in the amount of \$312.00.  
24 The loan draft was sent directly to Mr. Leibow to be forwarded to  
25 Mr. Hassenger.

26 9. Mr. Leibow failed to forward the \$312.00 Principal  
27 loan draft to Mr. Hassenger. Without Mr. Hassenger's knowledge  
28 or consent, Mr. Leibow endorsed the \$312.00 loan draft and

1 or consent, Mr. Leibow endorsed the \$312.00 loan draft and  
2 deposited it in his own bank account. Mr. Leibow never forwarded  
3 the proceeds of the loan on Mr. Hassenger's life insurance policy  
4 to Mr. Hassenger.

5 10. On or about March 4, 1992, Mr. Leibow received  
6 application and premium from Mr. Emmons for a life insurance  
7 policy to be issued by Principal.

8 11. Life and health insurance policies were presented  
9 by Mr. Leibow to Mr. Emmons as part of the employee benefits  
10 package which Studebakers offered Mr. Emmons. A minimal amount  
11 was to be automatically deducted from Mr. Emmons' paycheck as his  
12 payment for the cost of the insurance policies. The balance of  
13 the cost of the insurance policies was to be paid by Studebakers.

14 12. On January 2, 1994, Mr. Emmons' employment with  
15 Studebakers was terminated.

16 13. On or about August 2, 1994, Mr. Leibow requested  
17 from Principal that a loan draft be issued for the maximum loan  
18 amount from Mr. Emmons' life insurance policy with Principal.

19 14. On or about August 2, 1994, Principal issued a  
20 loan draft, payable to Mr. Emmons, in the amount of \$330.00. The  
21 loan draft was sent directly to Mr. Leibow to be forwarded to Mr.  
22 Emmons.

23 15. Mr. Leibow failed to forward the \$330.00 Principal  
24 loan draft to Mr. Emmons. Without Mr. Emmons' knowledge or  
25 consent, Mr. Leibow endorsed the loan draft and deposited it in  
26 his bank account. Mr. Leibow never forwarded the proceeds of the  
27 loan on Mr. Emmons' life insurance policy to Mr. Emmons.

28 16. On or about January 13, 1993, Mr. Leibow received

1 from Mr. Hocknell an application for a life insurance policy to  
2 be issued by Principal.

3 17. Life and health insurance policies were presented  
4 by Mr. Leibow to Mr. Hocknell as part of the employee benefits  
5 package which Studebakers offered Mr. Hocknell. The entire  
6 premium on the insurance policies were to be paid by Studebakers.

7 18. In August, 1994, Mr. Hocknell terminated his  
8 employment with Studebakers.

9 19. On or about August 2, 1994, without Mr. Hocknell's  
10 knowledge or consent, Mr. Leibow requested from Principal that a  
11 loan draft be issued for the maximum loan amount from Mr.  
12 Hocknell's life insurance policy.

13 20. On or about August 2, 1994, Principal issued a  
14 loan draft, payable to Mr. Hocknell, in the amount of \$111.00.  
15 The loan draft was sent directly to Mr. Leibow to be forwarded to  
16 Mr. Hocknell.

17 21. Mr. Leibow failed to forward the \$111.00 Principal  
18 loan draft to Mr. Hocknell. Mr. Leibow endorsed the loan draft  
19 and deposited it into his own bank account. Mr. Leibow never  
20 forwarded the proceeds of the loan on Mr. Hocknell's life  
21 insurance policy to Mr. Hocknell.

22 22. The loans taken against the Principal life  
23 insurance policies of Messrs. Hassenger, Emmons and Hocknell were  
24 credited back to their respective policies by Principal as if the  
25 loans were never taken.

26 23. Dawn Berry ("Ms. Berry"), Business Products  
27 Specialist of Principal, testified that this matter was referred  
28 to her division because there were double endorsements on the

1 loan drafts<sup>1</sup> Principal issued to Messrs. Hassenger, Emmons  
2 and Hocknell that were sent to Mr. Leibow. In its investigation  
3 of this matter, Principal contacted Mr. Leibow and made inquiry  
4 of the double endorsements on those loan drafts. Mr. Leibow now  
5 admits that he lied in his response to Principal's inquiry into  
6 these matters.

7 24. In response to the Department's inquiry of these  
8 matters, Mr. Leibow used the factually incorrect response that he  
9 sent to Principal. At the hearing, Mr. Leibow admitted he was  
10 not truthful in providing the response to Principal and the  
11 Department. Based upon the evidence presented at the hearing as  
12 well as Mr. Leibow's testimony, it is evident that Mr. Leibow was  
13 not truthful in responding to Principal's and the Department's  
14 inquiry into the loan transactions and endorsements of the loan  
15 drafts by Mr. Leibow with respect to the matters described above.

16 25. Mr. Leibow testified that he initiated the loan  
17 drafts so as to obtain funds for Studebakers from Principal. Mr.  
18 Leibow believed Principal owed money to Studebakers because funds  
19 had continued to be automatically withdrawn from Studebakers'  
20 bank account to pay the premium on life insurance policies of  
21 Messrs. Hassenger, Emmons and Hocknell after their employment  
22 with Studebakers had terminated. Mr. Leibow admitted that he had  
23 no authority from Principal to handle the accounts of Messrs.

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26 <sup>1</sup>The loan drafts had endorsements in the name of the  
27 respective insured and Mr. Leibow. At the hearing, Mr. Leibow  
28 admitted that he endorsed the loan drafts without the consent of  
the insureds and knew it was wrong to do so.

1 Hassenger, Emmons, and Hocknell, in that manner. Mr. Leibow  
2 further testified that he intended to pay the proceeds obtained  
3 from the loan drafts for Messrs. Hassenger, Emmons and Hocknell  
4 to Studebakers. Based upon Mr. Leibow's prior conduct and  
5 dealings with Principal and the Department as described above,  
6 Mr. Leibow's testimony as to his intentions concerning the loan  
7 drafts and proceeds obtained from the loan drafts is not credible.

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9 CONCLUSIONS OF LAW

10 1. Mr. Leibow received notice of this proceeding as  
11 prescribed by A.R.S. §§20-163 and 41-1061.

12 2. The Director has jurisdiction over this matter  
13 pursuant to A.R.S. §§20-161.

14 3. Mr. Leibow's conduct described above constitutes a  
15 record of dishonesty in business or financial matters under  
16 A.R.S. §20-290(B)(2).

17 4. Mr. Leibow's conduct described above constitutes  
18 the existence of any cause for which original issuance or any  
19 renewal of an insurance license could have been refused such that  
20 Respondent's license may be suspended or revoked under A.R.S.  
21 §§20-316(A)(1), together with 20-290(B)(2).

22 5. Mr. Leibow's conduct described above constitutes a  
23 wilful violation of, or wilful noncompliance with, any provision  
24 of Title 20, or any lawful rule, regulation or order of the  
25 Director in violation of A.R.S. §20-316(A)(2).

26 6. Mr. Leibow's conduct described above constitutes  
27 misappropriation or conversion to his own use or illegal  
28 withholding of monies belonging to policyholders, insurers,  
beneficiaries or others and received in or during the conduct of

1 business under the license or through its use in violation of  
2 A.R.S. §20-316(A)(4).

3 7. Mr. Leibow's conduct described above constitutes a  
4 conduct of affairs under his license showing him to be  
5 incompetent or a source of injury and loss to the public or any  
6 insurer in violation of A.R.S. §20-316(A)(7).

7 8. Based upon the violations described above, the  
8 Director may suspend, revoke or refuse to renew Mr. Leibow's  
9 insurance license, impose a civil penalty and may order  
10 restitution pursuant to A.R.S. §20-316(A) and 20-316(C).

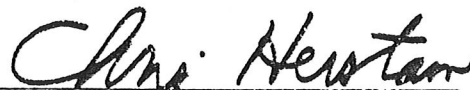
11 ORDER

12 IT IS ORDERED that:

13 1. All insurance licenses issued by the Arizona  
14 Department of Insurance to Michael Raymond Leibow be revoked  
15 effective immediately.

16 2. Within 30 days of this Order, Michael Raymond  
17 Leibow pay a civil penalty in the sum of \$3,000.00 to the Arizona  
18 Department of Insurance.

19 EFFECTIVE this 17th day of October, 1995.

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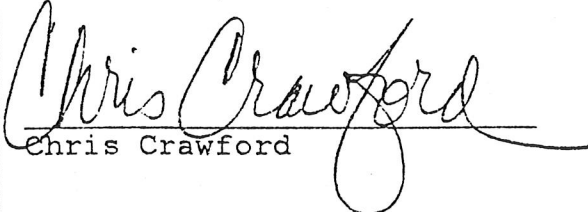
22 CHRIS HERSTAM  
23 Director of Insurance

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25 LEWIS D. KOWAL  
26 Chief Administrative Law Judge





- 1 MidAmerica Mutual Life Insurance Company  
1801 W. Country Road B
- 2 Roseville, MN 55113
- 3 Universe Life Insurance Company  
P.O. Box 538
- 4 Lewiston, ID 83501
- 5 American Medical Security  
P.O. Box 19032
- 6 Green Bay, WI 54307-9032
- 7 Pacific Mutual Life Insurance Company  
700 Newport Center Dr.
- 8 Newport Beach, CA 92658-9030
- 9 United States Life Insurance Company  
P.O. Box 1580
- 10 Neptune, NJ 07754-1580
- 11 Transport Life Insurance Company  
714 Main St.
- 12 Fort Worth, TX 76102
- 13 
- 14 Chris Crawford
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