

**STATE OF MAINE
BUREAU OF INSURANCE**

**In re:
Steven B. Cobb
National Producer # 7668625**

Docket No. INS-06-217

CONSENT AGREEMENT

This document is a Consent Agreement authorized by Title 10 M.R.S.A. § 8003(5), entered into among Steven B. Cobb, a resident of Maine; the Maine Bureau of Insurance; and the Maine Office of the Attorney General. Its purpose is to resolve, in lieu of an adjudicatory proceeding, issues implicating Title 24-A M.R.S.A. §1417(1) and §1420-K(1)(H).

STATEMENT OF FACTS

1. The Superintendent of Insurance is the official charged with administering and enforcing Maine's insurance laws and regulations, and the Bureau of Insurance is the administrative agency with such jurisdiction.
2. Steven B. Cobb has been licensed in Maine as a resident insurance producer with Life and Health authority since April 25, 2003, and with Property and Casualty authority since October 21, 2004. His Maine Producer Number is PRR 94525. His National Producer Number is 7668625.
3. In February, 2006, Mr. Cobb submitted an application for homeowners' insurance as an appointed agent for the insurer, on behalf of consumers J.K. and T.K., residents of Livermore, Maine. This arose out of a consultation between Mr. Cobb and T.K. concerning an automobile insurance quote, in the course of which Mr. Cobb indicated that a multiple line premium discount would be available in response to T.K.'s question on that point.
4. Mr. Cobb inspected the premises in connection with the homeowners' application pursuant to company underwriting guidelines.
5. In connection with J.K.'s licensed daycare business at the premises, Mr. Cobb indicated on the application that eight (8) children were cared for.
6. The binder form issued in connection with this application stated that the company "will provide coverage to the applicant and his or her legal representative on the property described for up to ninety (90) days from the Effective Date, subject to the terms and conditions of the policy and endorsements for which application has been made." Mr. Cobb did not otherwise specifically advise the applicants that under Maine law (24-A M.R.S.A. §3049), by switching their homeowners' coverage from their previous insurer to Mr. Cobb's insurer, J.K. and T.K. would be subject to a 90 day underwriting period during which the new insurer could cancel or decline their coverage without adherence to the statutory grounds that would otherwise apply under the Maine Property Insurance Cancellation Control Act, 24-A M.R.S.A. §§3048 – 3059.
7. Mr. Cobb submitted the application on behalf of J.K. and T.K.
8. In connection with this transaction through which J.K. and T.K. secured coverage through Mr. Cobb's carrier, they ceased to be insured through their previous homeowner's carrier.

9. This company's underwriting guidelines allow for a maximum of six (6) unrelated children to be cared for in a daycare.
10. J.K. and T.K. later received a Cancellation Notice from the insurer with a cancellation date of May 8, 2006, and stating in pertinent part:

“Thank you for the opportunity to consider your application for insurance. After a careful review, we regret that we cannot issue the policy as requested. The coverage provided by this application will terminate on the CANCELLATION DATE stated above.

This insurance coverage is not acceptable to [company] because of increased liability due to the number of unrelated children in your care – we only provide coverage for child care operations with a maximum of six children cared for at any one time....”

The notice also referred to an undisclosed prior lightning loss of \$650.00 as to which Mr. Cobb and the insureds differ regarding the alleged nondisclosure, but which is otherwise not directly relevant to the specific subject of this consent agreement, which concerns the company's daycare underwriting guidelines.

11. J.K. and T.K. complained to the Bureau of Insurance.
12. In response to an inquiry from Bureau consumer complaint staff in connection with the complaint, the company indicated that the declination was processed within the 90-day underwriting period referred to in Paragraph 6 above, and also stated in pertinent part:

“The application for homeowner's coverage indicates a day care operation is being conducted on the residence premises for eight children. The maximum number of unrelated children permitted under [company's] child care endorsement is six. The agent's office is indicating they submitted the application without informing the applicant of any of these limitations.”

13. By letter dated July 27, 2006 a Bureau employee requested specific information regarding this matter from Mr. Cobb.
14. Mr. Cobb's written reply, received August 14, 2006, differed from certain statements of J.K. and T.K. regarding some of the factual matters relating to their application including the actual number of children cared for in J.K.'s case, but acknowledged that company guidelines require no more than six unrelated children in a daycare. Mr. Cobb asserted that J.K. cared for six unrelated children and two of her own, but acknowledged that he simply entered “eight” on the application in response to the item requesting the number of children cared for. Further, as this company's application did not require a personal signature from the applicants, they did not see the completed application before its submission to the company.

CONCLUSIONS OF LAW

15. Under 24-A M.R.S.A. §1417 and §1420-K(1)(H), after notice and opportunity for hearing, the Superintendent may place on probation, suspend, revoke or refuse to issue or renew an insurance producer's license or may levy a civil penalty in accordance with

section 12-A, or take any combination of such actions, for using fraudulent, coercive or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this State or elsewhere.

16. Mr. Cobb submitted an application which indicated more children cared for in J.K.'s daycare than allowed for in the underwriting guidelines of the company which he represented. He also did not advise the applicants of the 90 day underwriting period during which the company could decline coverage under the Maine Property Cancellation Control Act without adhering to the specific statutory grounds that would otherwise apply under that Act. The insureds' homeowners' coverage was in fact subsequently cancelled, and they were forced to seek coverage in the surplus lines market.
17. Mr. Cobb's submission of an application which did not comply with company underwriting guidelines, and his failure to advise the applicants of their risk of declination or cancellation demonstrated incompetence in the conduct of business in Maine, which constitutes grounds for action against his license in accordance with 24-A M.R.S.A. §1420-K(1)(H).

COVENANTS

18. Steven B. Cobb, the Maine Bureau of Insurance, and the Maine Office of the Attorney General agree to the following.
19. This Consent Agreement is entered into in accordance with 10 M.R.S.A. § 8003(5)(B) and is not subject to review or appeal. This Consent Agreement is enforceable by an action in the Superior Court.
20. At the time of executing this Consent Agreement, Mr. Cobb will remit to the Maine Bureau of Insurance a civil penalty in the amount of \$225.00, payable to the Treasurer of the State of Maine.
21. In the conduct of his business as a licensed Maine producer, Mr. Cobb will specifically disclose company underwriting guidelines concerning the maximum number of persons allowed for daycares to any applicants for homeowners' insurance in all situations when he is on notice that the applicant operates a daycare in his or her home. For a period of two years from the date of this consent agreement, and before submitting any such applications to the company, Mr. Cobb must obtain from all such applicants a written and signed statement concerning their compliance with the guidelines regarding the number of persons cared for in a daycare, through use of a document substantially in the form of Exhibit A attached.
22. In all future cases where Mr. Cobb deals with applicants for property insurance coverage who have already been insured for more than 90 days through another company, Mr. Cobb will advise such applicants of the 90 day underwriting period provided for in the Maine Property Cancellation Control Act. For a period of two years from the date of this consent agreement and before submitting any such application to the company, Mr. Cobb must obtain any such applicant's signed acknowledgement that Mr. Cobb has made such disclosure, through use of a document substantially in the form of Exhibit B attached.
23. For a period of two years from the date of this consent agreement, in addition to all other applicable recordkeeping requirements, including those required of producers generally at 24-A M.R.S.A. §1447, Mr. Cobb will be subject to random audits by the Bureau of Insurance of all records pertaining to his producer activity, specifically including the

written acknowledgements required under Paragraphs 21 and 22. He will make such records available to the Superintendent at his place of business at any time during normal business hours, and will promptly comply with any requests to produce such records at the offices of the Bureau of Insurance.

- 24. Mr. Cobb understands and acknowledges that this Agreement will constitute a public record within the meaning of 1 MRSA § 402, and will be available for public inspection and copying as provided for by 1 MRSA § 408, and will be reported to the NAIC "RIRS" database.
- 25. The licensee, the Superintendent of Insurance, Bureau of Insurance, and Office of the Attorney General agree that no further administrative or legal action shall be initiated based on the facts contained in this Consent Agreement, except in the event that the licensee fails to comply with the terms of this Consent Agreement. In the event of a violation of this Agreement the licensee may be subject to any available legal remedy for the violation, including without limitation the further suspension or revocation of all licenses issued under the Maine Insurance Code.
- 26. Nothing in this Agreement shall affect the rights or interests of any person who is not a party to this Agreement, nor does it resolve any issues pertaining to any other facts other than those recited herein.
- 27. Mr. Steven B. Cobb acknowledges by his signature hereto that he has read this Consent Agreement, that he has had an opportunity to consult with an attorney before executing this Consent Agreement, that he executed this Consent Agreement of his own free will and that he agrees to abide by all terms and conditions set forth herein.

Steven B. Cobb

Dated: _____, _____

Steven B. Cobb

State of Maine, _____, ss
Subscribed and Sworn to before me _____
this _____ day of _____, _____. Notary Public

(printed name)

THE MAINE SUPERINTENDENT OF INSURANCE

Dated: 1/24/2007

Eric A. Cioppa, Acting Superintendent

FOR THE OFFICE OF THE ATTORNEY GENERAL

Dated: _____, _____

Assistant Attorney General

(printed name)

Exhibit A

DISCLOSURE FORM

**DAYCARE UNDERWRITING GUIDELINES
CONCERNING NUMBER OF PERSONS CARED FOR**

The undersigned applicant for homeowner's insurance acknowledges that the licensed insurance producer indicated below has disclosed that the company's underwriting standard pertaining to the maximum number of persons cared for in a daycare in the applicant's home is as follows:

The applicant further confirms that the maximum number of persons cared for in the applicant's daycare is _____.

Dated: _____

Applicant's signature

Applicant's printed name

Dated: _____

Producer's signature

Producer's printed name

Exhibit B

DISCLOSURE FORM

90 DAY NEW INSURED UNDERWRITING PERIOD

The undersigned applicant for homeowner’s insurance acknowledges that the licensed insurance producer indicated below has disclosed that under the Maine Insurance Code’s “Maine Property Cancellation Control Act,” found in Maine statutes at 24-A M.R.S.A. §3049, the specific limitations of the grounds upon which an insurer may cancel a policy do not apply to any policy or coverage that has been in effect less than 90 days, and an insured does not have the right to a hearing before the Superintendent of Insurance for the purpose of contesting cancellation of a new policy that has been in force less than 90 days

Dated: _____

Applicant’s signature

Applicant’s printed name

Dated: _____

Producer’s signature

Producer’s printed name