

In re:) **STATE OF MAINE**
Geoffrey Allen Lidstone) **BUREAU OF INSURANCE**
License # PRR 26469) **Docket No. MCINS 98-15 A**
)
) **CONSENT AGREEMENT**

This document is a Consent Agreement; authorized by 5 MRSA § 9053(2) entered into by and among Geoffrey Lidstone and the Superintendent of the Maine Bureau of Insurance (hereafter also the "*Superintendent*"). Its purpose is to resolve, without resort to an adjudicatory proceeding, violations of Title 24-A M.R.S.A §§ 1417 (1) (D) & (H), 1447, 1448, 1449, 2174, and 2178.

FACTS

1. Geoffrey Lidstone has been a licensed resident, producer # PRR 26469, since November 11, 1989.
2. The **Superintendent of Insurance** is the official charged with administering and enforcing Maine's insurance laws and regulations.
3. This proceeding arises as a result of an investigation by the Superintendent of Insurance into the activities of Geoffrey Lidstone.
4. On 3/24/97, Geoffrey Lidstone took Pawtucket Mutual Insurance Company homeowner, seasonal homeowner and automobile insurance applications from Daniel & Carolyn Barbeau. The Barbeau's issued a Treasurer's Check in the amount of \$1,350 to the Lidstone Agency dated 3/24/97, as payment in full for the annual premiums due for the three policies. Geoffrey Lidstone issued three separate agency checks to Pawtucket Mutual: 1) \$880 for Automobile Policy # PMA005508543; 2) \$293 for Homeowner Policy # H18-91621683; and, 3)\$177 for the Seasonal Homeowner Policy # H18-91621290.
5. On 11/16/97, Daniel Barbeau was involved in an automobile accident in the State of Michigan with his 1996 Dodge pickup. He reported the accident to Geoffrey Lidstone by telephone on that day and was advised by Geoffrey Lidstone to go ahead and rent a vehicle with which to get back to the State of Maine.
6. On 11/17/97, Mr. Barbeau called the Lidstone Agency and spoke with Everett Lidstone about rental insurance coverage. Everett Lidstone advised Mr. Barbeau that he had not elected rental insurance coverage. Mr. Barbeau then contacted Pawtucket Mutual to verify the denial of rental insurance coverage. Pawtucket Mutual advised Mr. Barbeau that he was not covered for rental insurance and that there was no coverage for comprehensive or collision coverage on the 1996 Dodge pickup. Mr. Barbeau next contacted his Attorney Earnest Hilton, who in turn contacted Geoffrey Lidstone. Attorney Earnest Hilton advised Geoffrey Lidstone that because the Loss Payee "Taconnet Federal Credit Union" was listed on the policy for the 1996 Dodge pickup, coverage for comprehensive and collision (as required by the loss payee) is a covered loss under the policy.

7. On 11/18/97, Geoffrey Lidstone completed, signed and forwarded the loss notice to Pawtucket Mutual.

8. On 12/4/97, Pawtucket Mutual amended the Barbeau's policy effective 3/24/97 adding comprehensive and collision coverage on the 1996 Dodge Pickup as requested by the Barbeau's at time of application. Pawtucket Mutual paid the claim for the total amount of \$5,655.

9. On 5/21/98, the Bureau of Insurance issued a letter to Geoffrey Lidstone requesting restitution for payment of Mr. Barbeau's attorney fees. On 6/9/98, Geoffrey Lidstone issued a check to Daniel and Carolyn Barbeau for reimbursement of attorney fees in the amount of \$300.00.

10. The automobile insurance application obtained by Pawtucket Mutual from its Underwriting Department indicates Taconnet Federal Credit Union as Loss Payee on the 1996 Jeep Cherokee and 1996 Dodge pickup. However, the application on file with the company did not request coverage for comprehensive and collision coverage on the 1996 Dodge pickup, despite the listing of a loss payee for the 1996 Dodge Pickup. The company issued the policy for liability coverage only for the 1996 Dodge pickup. The Taconnet Federal Credit Union did not review their copy of the Barbeau's insurance policy from Pawtucket Mutual to verify comprehensive and collision coverage for both the 1996 Jeep Cherokee and 1996 Dodge pickup. A copy of the policy sent to Geoffrey Lidstone from Pawtucket Mutual was not reviewed to determine if the coverage was issued appropriately for both vehicles. In addition, Mr. & Mrs. Barbeau did not review the policy to determine if coverage was issued as requested.

11. The Barbeau's application for automobile insurance obtained by the Bureau of Insurance Staff from Geoffrey Lidstone differs from the copy of the application obtained from Pawtucket Mutual. The copy of the application Bureau of Insurance received from Geoffrey Lidstone indicates coverage for comprehensive and collision coverage for the 1996 Dodge pickup was requested. The premium noted on the application provided by Geoffrey Lidstone supports Pawtucket Mutual's copy of the application on file, as the premium rates were calculated for liability, comprehensive and collision coverage on the 1996 Jeep and for liability coverage only on the 1996 Dodge pickup. Additionally, Stephen E. Gardiner, Assistant Vice President of Pawtucket Mutual, submitted a notarized affidavit attesting that there was no physical damage coverage requested on the application for vehicle number 2, the 1996 Dodge.

12. On 9/19/97, The Barbeau's Homeowner Policy with Pawtucket Mutual, # H18-91621683, was cancelled for \$20.00 non-payment of premium. Prior to cancellation the Barbeau's received a bill and were advised by Geoffrey Lidstone not to pay the \$20.00 as he would straighten this matter out with Pawtucket Mutual. When the Barbeau's received the cancellation notice, Mrs. Barbeau contacted Geoffrey Lidstone. He assured Mrs. Barbeau that he would take care of the problem and to disregard the cancellation notice.

13. On 11/19/97, Geoffrey Lidstone issued a memo to Pawtucket Mutual requesting a renovator's credit and reinstatement of the policy. On 12/1/97, Pawtucket Mutual issued the renovator's credit, which decreased total premiums due, and reinstated the policy without a lapse in coverage. The original application for homeowner insurance did not request the renovator's credit. The application premium calculation, however, included this credit.

14. On 1/22/98, Mr. Barbeau went to see Geoffrey Lidstone and requested cancellation of Pawtucket Mutual Automobile Policy # PMA005508543, Homeowner Policy # H18-91621683 and Seasonal Homeowner Policy # H18-91621290, as coverage had been rewritten with Travelers Indemnity Company effective 1/21/98. Pawtucket Mutual received from Geoffrey Lidstone a cancellation request for the Seasonal Homeowner Policy # H18-91621290 dated 1/27/98. Pawtucket Mutual did not receive cancellation requests from Geoffrey Lidstone for the Automobile Policy # PMA005508543 or Homeowner Policy # H18-91621683.

15. On 3/18/98, The Bureau of Insurance received from Mr. Barbeau copies of the Travelers Indemnity Company homeowner's and personal auto policies both with effective dates of 1/21/98. On 4/2/98, the Bureau of Insurance wrote to Pawtucket Mutual and enclosed copies of the Travelers Indemnity Company homeowners and personal auto policies. On 6/18/98, the Bureau of Insurance received a copy of a letter issued to the Barbeau's from Pawtucket Mutual confirming that the policies were cancelled effective 1/21/98 as originally requested, and that premium refunds had been issued.

16. On 6/1/97, Everett Lidstone sold the Lidstone Insurance Agency to William Varney, owner of Varney Agency, Inc. As a result of the sale, the agency is now referred to as the Lidstone-Varney Agency. Everett Lidstone and his son Geoffrey Lidstone remained on at the agency. Everett Lidstone stepped down as manager, and Geoffrey Lidstone assumed the role of manager for the Lidstone-Varney Agency.

17. On 6/6/97, an automobile insurance application for Brett Rioux was taken by Geoffrey Lidstone at the Lidstone-Varney Agency in Bingham, Maine. At the time of the application, Mr. Rioux wrote a check in the amount of \$205.00 made payable to the Lidstone Insurance. The application indicated that Mr. Rioux currently had automobile insurance coverage with Acadia Insurance Company expiring on 6/12/97. On 7/7/97, the application was electronically remitted to Allstate Insurance Company through the "Alstar System". The application was submitted as "COD" (no money down), with an effective date of 6/12/97.

18. On 7/22/97, Allstate issued a cancellation notice effective 8/16/97, for unacceptable driving record and billed for the \$192.20 premium due for coverage from 6/12/97 to 8/16/97. On or about 8/13/97, Brett Rioux received the cancellation notice from Allstate and telephoned the company to advise that he did not owe \$192.20 as the premium had been paid to Geoffrey Lidstone. Allstate then called the Lidstone-Varney Agency and learned that payment had been made by Brett Rioux. Allstate advised Geoffrey Lidstone to submit payment to the company.

19. On 8/13/97, Allstate received \$192.20 from Geoffrey Lidstone for Brett Rioux's Automobile Policy #2516964. On 8/16/97, the policy was reinstated effective 6/12/97 under a new Allstate Automobile Policy #25162139.

20. On 9/18/97, the Bureau of Insurance wrote a letter to the Lidstone-Varney Agency to question whether a refund was issued to Mr. Rioux. On 9/22/97, Lidstone-Varney Agency issued a refund check to Brett Rioux in the amount of \$12.80, the difference between premiums Mr. Rioux paid and the premium charged by Allstate.

21. On 7/18/97, Everett Goodridge paid Geoffrey Lidstone \$127.20 in cash to renew Allstate Automobile Policy #025068486 expiring 8/7/97. On 9/7/97, Allstate cancelled policy #025068486 for nonpayment of premium. On 12/10/97, Mr. Goodridge reported a claim to the Lidstone-Varney Agency and was advised by Everett Lidstone that he had no coverage. On or about 12/11/98, Mr. Goodridge received a call from the Lidstone-Varney Agency advising him that there was an error and that the problem and claim would be taken care of. On 12/17/97, Geoffrey Lidstone remitted \$127.20 to Allstate Insurance Company. Allstate paid the claim and the policy was reinstated effective 8/7/97 under a new Automobile Policy #025234219.

22. On 10/2/97, Lowell Dunn applied for homeowner's insurance with Allstate and paid the annual premium of \$324.00 to the Lidstone-Varney Agency. On 10/24/97, Geoffrey Lidstone entered the application information into the "Alstar System", but the electronically input application information was not accepted by the system due to outstanding premium Mr. Dunn owed Allstate on a previously cancelled Automobile Policy #619149814. Geoffrey Lidstone never verified acceptance of the electronic application by Allstate. Mr. Dunn did not discover coverage had not been effectuated until a 1/98 claim was submitted to Allstate. In June of 1998, after investigating the circumstances of Mr. Dunn's application for coverage, Allstate retroactively effectuated coverage and paid the claim.

23. The Bureau of Insurance requested copies of the Lidstone-Varney Agency deposit slips for the months of 10/97 and 6/98. Geoffrey Lidstone was not able to provide the Bureau with these records to verify when deposits were made to a shared account with Allstate called the "PFR" premium fund account. Effective 11/18/97, the Lidstone-Varney Agency no longer combines the Allstate premiums with the agency's general business account. All premiums received for Allstate business is deposited into a separate Allstate account.

24. On or about 8/1/98, Geoffrey Lidstone was removed from his position as "Manager" for the Lidstone-Varney Agency in Bingham and transferred to the Varney Agency office in Dexter under the supervision of its branch manager. In turn an employee was transferred from the Varney Agency in Dexter to replace Geoffrey Lidstone as "Manager" for the Lidstone-Varney Agency in Bingham.

CONCLUSION OF LAW

25. Geoffrey Lidstone violated 24-A MRSA §1539 (1) (D), [replaced by §1417 (1) (D)] by failing to remit money belonging to policyholders or insurers. As discussed at paragraph's # 17 through 22, Geoffrey Lidstone did not remit monies belonging to Allstate for policies issued to Mr. Rioux, Mr. Goodridge and Mr. Dunn; and failed to remit a premium refund to Mr. Rioux.

26. Geoffrey Lidstone violated 24-A MRSA §1539 (1) (H) and §1603, (replaced by §1417 (1) (H) and §1448) which require producers to be competent, trustworthy and financially responsible. As discussed at paragraph's # 5 through 11, Geoffrey Lidstone: 1) listed the loss payee on the Barbeau's automobile application for the 1996 Dodge Pickup without requesting comprehensive and collision coverage; 2) calculated the premium for liability only on the 1996 Dodge when comprehensive and collision coverage was required; 3) failed to review the Barbeau's automobile policy to determine if coverage was issued as requested; and, 4) Geoffrey

Lidstone advised Mr. Barbeau that he had rental coverage when that coverage had not been elected. As discussed at paragraph # 12, Geoffrey Lidstone: 1) calculated the Barbeau's homeowner's premium to include a renovator's discount and did not request the discount at the time the application was taken; and, 2) reassured the Barbeau's to disregard the additional premium and cancellation of their homeowners but failed to take action to straighten this matter out until two months after the cancellation took effect. As discussed at paragraph # 14, Geoffrey Lidstone did not act upon the Barbeau's request to cancel all their insurance policies. As discussed at paragraph # 17, Geoffrey Lidstone did not remit premiums until Pawtucket Mutual questioned this matter, and failed to remit a premium refund to Mr. Rioux until the Bureau of Insurance Staff questioned this issue. As discussed at paragraph # 21, Geoffrey Lidstone did not provide insurance coverage for Mr. Goodridge, and failed to remit premiums collected, to Pawtucket Mutual until a claim was reported. As discussed at paragraph # 22, Geoffrey Lidstone did not provide insurance coverage for Mr. Dunn, and failed to remit the premiums collected until a claim was reported.

27. Geoffrey Lidstone violated Title 24-A MRSA §1613, (replaced by §1449) by failing to promptly account for and pay premiums to the insured, insurer or person entitled thereto. As discussed at Paragraph's # 17 through 22, Geoffrey Lidstone failed to remit premiums to Allstate, and failed to account for the premium refund owed to Mr. Rioux.

28. Geoffrey Lidstone violated 24-A MRSA §1548, (replaced by §1447) by failing to provide records required to be kept available for inspection by the Superintendent of Insurance for a period of at least 3 years. As discussed at paragraph # 23, Geoffrey Lidstone failed to provide copies of the Lidstone-Varney Agency deposit slips.

29. Geoffrey Lidstone violated 24-A MRSA §2174, which prohibits producers from collecting premiums for insurance and failing to provide insurance. As discussed at paragraph # 21 and 22, Geoffrey Lidstone collected premiums for insurance and failed to provide insurance for Mr. Goodridge and Mr. Dunn.

30. Geoffrey Lidstone violated 24-A MRSA § 2178, which prohibits producers from making any misrepresentation with reference to any application for insurance. As discussed at paragraph # 11, Geoffrey Lidstone misrepresented to the Bureau the terms of coverage applied for.

COVENANTS

31. Geoffrey Lidstone and the Staff of the Maine Bureau of Insurance agree to the following:

32. A formal hearing in this matter is waived and no appeal will be taken. This Consent Agreement is an enforceable final agency action of the Superintendent of Insurance within the meaning of the Maine Administrative Procedure Act.

33 At the time of executing this Consent Agreement, Geoffrey Lidstone will pay to the Maine Bureau of Insurance a penalty in the amount of \$1500.00 to be paid in six (6) monthly installments of \$250.00, payable to the Treasurer of the State of Maine.

34. Geoffrey Lidstone will not manage an insurance agency for two (2) years from the effective date of this Consent Agreement.

35. Geoffrey Lidstone will enroll in an "Ethics" course provided by a Continuing Education Provider approved by the Superintendent of Insurance. Proof of enrollment must be submitted at the time of Geoffrey Lidstone's execution of this Agreement, and proof of course completion must be provided within 14 days of the course completion date.

36. Future validated complaints against Geoffrey Lidstone will trigger disciplinary action for suspension or revocation of his producer's license pursuant to Title 24-A MRSA §1417.

37. In consideration of Geoffrey Lidstone's execution of and compliance with the terms of this Consent Agreement, the State of Maine agrees to forgo pursuing any disciplinary measures or other civil sanction for the actions described herein.

MISCELLANEOUS

38. Geoffrey Lidstone 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.

39. It is understood by the parties to this Agreement that nothing herein shall affect any rights or interests that any person not a party to this Agreement may possess.

40. This Consent Agreement may only be modified by the written consent of the parties.

41. Geoffrey Lidstone has been advised of his right to consult with counsel before executing this Agreement.

FOR GEOFFREY LIDSTONE

Dated: _____, 1998

Signature

Subscribed and sworn to before me
this _____ day of _____, 1998.

Notary Public

**FOR THE MAINE
BUREAU OF INSURANCE**

Dated: _____, 1998

**Alessandro A. Iuppa
Superintendent of Insurance**

STATE OF MAINE
KENNEBEC SS.

Subscribed and sworn to before me
this _____ day of _____, 1998.

Notary Public/Attorney-at-Law

**FOR THE MAINE
ATTORNEY GENERAL**

Dated: _____, 1998

**JUDITH CHAMBERLAIN
Assistant Attorney General**