



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

1000 Washington Street • Suite 810 • Boston, MA 02118-6200
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<http://www.mass.gov/doi>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

JAY ASH
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

JOHN C. CHAPMAN
UNDERSECRETARY

GARY D. ANDERSON
COMMISSIONER OF INSURANCE

May 25, 2018

Phyllis Palazzola
Palazzola Insurance Agency, LLC
1 Main Street, Unit 9
Gloucester, Massachusetts 01930

RE: Palazzola Insurance Agency, LLC

Dear Ms. Palazzola:

I represent the Massachusetts Division of Insurance (“Division”) with regard to the above-captioned investigation. Pursuant to an investigation conducted by the Division’s Special Investigations Unit (“SIU”), the Division has cause to believe that you and Palazzola Insurance Agency, LLC (“PIA”) have violated the Massachusetts insurance laws set forth below by the conduct detailed in this settlement letter.

This case was opened on March 5, 2018, after the Fraud Coordinator for A.I.M. Mutual Company (“AIM”) notified the Division that two workers compensation certificates issued to your client, Brian Johnson, appeared to be fraudulent. Subsequently, pursuant to an investigation conducted by SIU, it was discovered that Johnson, on behalf of his companies “Coast and Country Painting” and “Brian Johnson d/b/a Coast and Country Construction”, had paid PIA through you approximately \$20,000 in premiums since 2015 for workers compensation insurance, of which only \$4,000 was applied to a genuine policy issued by AIM. Specifically, PIA issued a certificate for Policy #AWC-400-7010045-17 dated February 7, 2017, however, according to AIM this policy had terminated on September 27, 2007 and belonged to Louis and Karen Kuchnir of Southboro, Massachusetts. In addition, a second certificate issued by PIA for Policy #AWC-400-7033089 dated October 24, 2017 and issued to Johnson’s d/b/a Coast and Country Construction had been terminated on September 3, 2016, with the effective date of coverage incorrectly listed as September 30, 2017 to September 30, 2018. Furthermore, it was also discovered that a workers compensation policy for Johnson’s company was issued without his knowledge or consent on February 23, 2018 following his inquiries with PIA and AIM into his workers compensation policies. This policy was cancelled by Johnson after he confirmed the non-remittal of premium to AIM for the previous policies.

The Division alleges that your conduct demonstrates your failure to maintain the standards of trustworthiness, competence and suitability required of all Massachusetts insurance producers, as set forth in M.G.L. c. 175, § 162H, *et seq.*, and seeks the revocation of your Massachusetts insurance licenses.

Violation of Massachusetts Insurance Laws

The conduct described above is evidence of the following violations:

By failing to remit \$16,000 in premium to purchase workers compensation policies you improperly withheld, misappropriated and converted monies received in the course of doing business which constitutes a violation of M.G.L. c. 175, § 162R(a)(4). Such conduct may result in your insurance license being placed on probation, suspended or revoked pursuant to M.G.L. c. 175 § 162R(a), as well as the imposition of a fine up to \$1,000 for each and every violation as provided under M.G.L. c. 176D, § 7.

By creating two false workers compensation certificates you used fraudulent and dishonest practices in the conduct of business which constitute a violation of M.G.L. c. 175 § 162R(a)(8). Such conduct may result in your insurance license being placed on probation, suspended or revoked pursuant to M.G.L. c. 175 § 162R(a), as well as the imposition of a fine up to \$1,000 for each and every violation as provided under M.G.L. c. 176D, § 7.

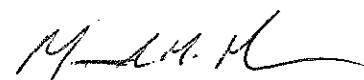
The Division is authorized to issue an order requiring you to show cause why you should not be made to cease and desist from the above alleged conduct. If, after a public hearing, the Commissioner of Insurance finds that you did commit the alleged violations, he may impose a fine up to the amounts listed above, as well as a revocation of your Massachusetts insurance producer license pursuant to M.G.L. c. 175 § 162R(a) and c. 176D § 7.

The Division proposes to resolve this matter through a settlement if you agree to waive the right to a public hearing, agree to cease and desist from the above-alleged conduct and agree to a revocation of your individual producer license and PIA's business entity producer license. If this resolution is satisfactory, please sign all copies of the enclosed Settlement Agreement and return them with any Massachusetts insurance licenses you have in your possession to my attention by **June 11, 2018**. By signing the enclosed Settlement Agreement you waive your right to a hearing and agree to cease and desist from the unlawful conduct alleged in this settlement letter and to refrain from engaging in the business of insurance in Massachusetts.

Although this correspondence does not constitute the required statutory notice of a public hearing, if this matter is not resolved by **June 11, 2018**, the Division intends to file its Order to Show Cause against you and PIA, including requests for both revocation of your insurance producer license, PIA's business entity producer license and fines permitted by law.

Thank you for your prompt attention to this matter. Should you have any questions or wish to discuss this matter further, I may be reached at (617) 521 - 7321 or via email at Matthew.Burke@mass.gov.

Sincerely,



Matthew M. Burke
Counsel to the Commissioner



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SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is made by and between the Commonwealth of Massachusetts Division of Insurance (“Division”), with offices at 1000 Washington Street, Boston, Massachusetts 02118 and Palazzola Insurance Agency, LLC (“PIA”) a formally resident licensed insurance business entity producer and Phyllis Palazzola (“Palazzola”) a resident licensed individual producer under the laws of the Commonwealth of Massachusetts (“Commonwealth”), with a mailing and business address of 1 Main Street, Gloucester, Massachusetts 01930.

WHEREAS, PIA was licensed by the Division as a resident business entity producer pursuant to M.G.L. c. 175 § 162H *et seq.*, until April 25, 2017 when its license was terminated for failure to renew; and

WHEREAS, the Commissioner of Insurance maintains jurisdiction over PIA pursuant to M.G.L. c. 175 § 162R(e); and

WHEREAS, Palazzola is licensed by the Division as a resident individual producer pursuant to M.G.L. c. 175 § 162H *et seq.*; and

WHEREAS, an insurance producer and business entity licensed in the Commonwealth must uphold the standards in M.G.L. c. 175 § 162H *et seq.* and must comply with the Commonwealth’s insurance laws, including without limitation, those set forth in M.G.L. c. 175 and M.G.L. c. 176D; the Code of Massachusetts Regulations; and any other regulatory requirements; each of which give the Commissioner or Insurance review, approval, and enforcement authority over licenses; and

WHEREAS, the Division has conducted an investigation and contends that the alleged acts and conduct of Palazzola as owner and operator of PIA, as set forth in part in the Division’s correspondence dated **May 25, 2018**, a copy of which is attached and incorporated by reference and made a part of this Agreement, constitute grounds for revocation of Palazzola’s insurance producer license and PIA business entity producer license; and

WHEREAS, if after a public hearing the Commissioner of Insurance (“Commissioner”), were to find sufficient evidence to determine that Palazzola and PIA did commit the alleged violations, the Commissioner could order fines, as well as the revocation of Palazzola’s insurance producer license and PIA’s business entity producer license pursuant to M.G.L. c. 175, §162R(a) and c. 176D; and

WHEREAS, Palazzola and PIA are aware of their rights to notice and to a public administrative hearing with respect to the alleged violations of Massachusetts insurance laws in these matters, and hereby waives those rights.

NOW THEREFORE, in consideration of the foregoing and the covenants, warranties, representations, and agreements contained herein, it is mutually agreed as follows:

1. Palazzola's insurance producer license is hereby immediately revoked by the Division. If Palazzola is in possession of any Massachusetts insurance licenses, she shall attach them to this agreement. In addition, PIA's business entity producer license is permanently revoked and cannot be renewed, nor refiled with the Division.
2. Palazzola agrees to immediately cease and desist from conducting the business of insurance, including selling, soliciting or negotiating insurance, holding herself out as a licensed insurance producer, or otherwise acting as an insurance producer.
3. PIA agrees to immediately cease and desist from conducting the business of insurance, including selling, soliciting or negotiating insurance, holding itself out as a licensed business entity, or otherwise acting as a business entity producer.
4. Palazzola and PIA are prohibited from soliciting, aiding in the placement, continuation, or negotiation of insurance policies or taking any action which may lead any person or entity to believe that Palazzola and PIA are authorized in the Commonwealth to engage in the business of insurance in any capacity, including without limitation, acting as a licensed insurance producer, business entity producer, special insurance broker, public adjuster, insurance advisor, viatical loan provider, viatical broker, viatical settlement broker, viatical settlement provider, reinsurance intermediary broker, reinsurance intermediary manager, or any other licensed insurance professional.
5. In accordance with M.G.L. c. 175, §166B and the terms of this Agreement, Palazzola shall dispose of any and all interest (direct and indirect) she may have, including without limitation, as proprietor, partner, stockholder, officer, employee of any licensed insurance producer in the Commonwealth by **June 11, 2018**.
6. Palazzola is prohibited from owning, managing, directing or being an employee, consultant or independent contractor, partner, director or officer, paid or unpaid, of any insurance related business in the Commonwealth. Palazzola shall return to the Division any insurance producer license in her possession, custody or control.
7. Except as expressly set forth in this Agreement, the failure of the Division at any time to require strict performance by Palazzola and PIA of any terms, provisions, or conditions hereof shall in no way affect the right thereafter to enforce the same, nor shall the waiver by the Division of any breach of any of the terms, provisions, and conditions hereof be construed or deemed a waiver of any succeeding breach of any term, provision, or condition thereof.
7. In the event that the Division finds that there has been a breach of any provision of this Agreement, the Division may, in its discretion, pursue any and all legal remedies permitted by the Massachusetts insurance laws as well as any other appropriate law of the Commonwealth.

8. The provisions of this Agreement may be amended, modified, or expanded solely in writing by joint consent of the Division and Palazzola.
9. This Agreement shall be interpreted to carry into effect the regulatory and disciplinary requirements and objectives of the Division.
10. This Agreement may be signed as multiple originals, each of which shall have the full force and effect of an original without having to account for all originals.
11. This Agreement shall be construed in accordance with the laws of the Commonwealth, without giving effect to conflicts of law principles.
12. Palazzola and PIA state that they fully understand the legal consequences of this agreement. The Division has provided Palazzola and PIA with the opportunity to present this Agreement for review by an attorney of their choosing at their own expense and they agree that they have had ample time to have an attorney review this Agreement. They have carefully read this Agreement, understood the contents herein, freely and voluntarily assent to all of the terms and conditions hereof, and signs of their own free act.

SIGNED:

Phyllis Palazzola
Phyllis Palazzola

Dated: 6/6/18

Matthew M. Burke

Commonwealth of Massachusetts
Division of Insurance
By: Matthew M. Burke
Counsel to the Commissioner

Dated: 5/25/18

Phyllis Palazzola
Authorized Representative of
Palazzola Insurance Agency, LLC

Dated: 6/6/18