

**STATE OF NEW HAMPSHIRE
INSURANCE DEPARTMENT**

**In. Re: Stephen J. Drohan and
SJD Insurance Agency, Inc.**

INS No. 10-036-EP

**ORDER TO SHOW CAUSE
AND NOTICE OF HEARING**

The New Hampshire Insurance Department (“NHID”) orders Stephen J. Drohan (“Mr. Drohan”) and SJD Insurance Agency, Inc. to show cause why the New Hampshire Insurance Commissioner should not revoke the insurance producer licenses held by Mr. Drohan and SJD Insurance Agency, Inc. and impose the maximum fine allowed by law. In Support of this Order to Show Cause and pursuant to RSA 541-A: 31, the NHID states as follows:

I. THE RESPONDENTS

Mr. Drohan is an insurance producer licensed by the NHID. Mr. Drohan’s business address is 21 Springwood Circle, Hudson, New Hampshire.

At all relevant times, SJD Insurance Agency Inc. (“SJD”) was a New Hampshire corporation with a principal business address of 21 Springwood Circle, Hudson, New Hampshire. Mr. Drohan was the registered agent and President of SJD.

Mr. Drohan was SJD’s sole licensed insurance producer.

II. THE TRANSACTIONS

A. Dwayne and Karen Hakey

On June 1, 2009, Dwayne and Karen Hakey (the “Hakeys”), New Hampshire residents, paid a premium deposit to Mr. Drohan to purchased an insurance policy to cover three trucks in their trucking business. The Hakeys financed the remaining portion

of the premium through All Island Credit Corp. ("All Island"). The policy was issued by Empire Fire & Marine Insurance Company ("Empire") and brokered through Surplex Underwriters, Inc. ("Surplex"), a surplus lines broker and agent for Empire. Mr. Drohan forwarded the deposit to Surplex. All Island paid the balance of the premium to Surplex and issued monthly invoices to the Hakeys for payment of the premium loan.

On July 28, 2009, Mrs. Hakey contacted Mr. Drohan to request the removal of one of the trucks from coverage under the policy. On that day, Mr. Drohan informed Surplex of the removal of the truck and Surplex issued a credit to Mr. Drohan's account in the amount of \$2236. This credit represented the unearned premium on the Hakeys' insurance policy. Mr. Drohan never transmitted the unearned premium to either All Island or the Hakeys. Since the Hakeys subsequently paid all the payments under the premium finance agreement, the unearned premium was payable to the Hakeys. Despite the Hakeys' repeated requests, Mr. Drohan failed to return the unearned premium.

B. Premium Trust Account

In its investigation of Mr. Drohan and SJD, the NHID obtained copies of the bank statements for the SJD Premium Trust Account from January 1, 2010 through August 1, 2010. The documents included the monthly Statement of Account, deposit receipts, checks, withdrawal receipts, and monthly statement of wire transfers. Upon review of the documents, the NHID found evidence of the following:

- a. Mr. Drohan wrote 14 checks that were returned for insufficient funds during the seven month period.
- b. The premium trust account had a negative balance 18 times during the seven month period.

III. STATEMENT OF ISSUES

The transactions outlined above implicate the following issues:

A. Whether Mr. Drohan demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in New Hampshire or elsewhere.

B. Whether Mr. Drohan failed to properly return premiums received from the insurer or its agent to his clients.

C. Whether SDJ knew or should have known about Mr. Drohan's violation of New Hampshire insurance laws and regulations and the violations were neither reported to the commissioner nor any corrective action taken.

D. Whether Mr. Drohan complied with New Hampshire's insurance regulations governing the maintenance of a proper balance in the premium trust account.

IV. NEW HAMPSHIRE INSURANCE LAWS VIOLATED BY RESPONDENTS

As a result of the conduct outlined above, the NHID maintains that Mr. Drohan or SJD, or both, violated New Hampshire's insurance statutes and rules, including: RSA 402-J:12, I (h); 402-J:12, III; Ins 4301.03 (a, b, c); and Ins 4301.04 (c).

V. REQUEST FOR ADMINISTRATIVE PENALTIES

Pursuant to RSA 402-J:12, I & III and RSA 400-A:15, III, the NHID requests that the Hearing Officer (1) revoke the New Hampshire producer licenses of Mr. Drohan and SJD; (2) order Mr. Drohan to pay restitution; and (3) impose a fine against Mr. Drohan in an amount not less than \$5,000 and SJD in an amount not less than \$2,500.

VI. NOTICE OF HEARING

Pursuant to RSA 541-A:31 and Ins 200, the hearing in this matter shall be held on November 22, 2010 at 9:00am at the offices of the NHID, 21 South Fruit Street, Suite 14, Concord, New Hampshire.

The Insurance Commissioner or his representative shall act as the Hearing Officer at the hearing.

Any party may request a transcript of the proceeding. The party requesting a transcript of the proceedings shall file a written request for a certified court reporter with the Hearing Officer at least 10 days prior to the scheduled hearing date. The costs incurred for the services of a certified court reporter shall be borne by the requesting party.

The Respondents have the right to be represented by counsel at their expense. Should the Respondents elect to obtain counsel, said counsel shall file a notice of appearance with the Commissioner at the earliest possible date.

John M. Talley shall appear as staff advocate, representing the interest of the NHID.

SO ORDERED.

NEW HAMPSHIRE INSURANCE DEPARTMENT

Date: 10/18/10

Alexander K. Feldweber, Deputy Commissioner, for
By: Roger A. Sevigny, Insurance Commissioner