

**BEFORE THE INSURANCE COMMISSIONER  
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF  
STEVE COTRONEO**

**A.I.D. NO. 2012- 301**

**EMERGENCY LICENSE SUSPENSION ORDER**

On this day the emergency matter of Steve Cotroneo (“Respondent”), came before Jay Bradford, Arkansas Insurance Commissioner (“Commissioner”). The Arkansas Insurance Department (“Department”) was represented by Ashley Fisher, Associate Counsel.

**FINDINGS OF FACT**

From the facts before the Commissioner, it is found:

1. The Commissioner has jurisdiction over the parties and subject matter pursuant to Ark. Code Ann. § 23-61-103 and the authority to issue emergency license suspensions under Ark. Code Ann. § 23-64-216(e), § 23-64-512(a).
2. Respondent is currently licensed in Arkansas as a resident producer agent. Respondent is licensed as a health and accident, property, casualty, life, marine, and surety agent. Respondent holds Arkansas license number 45419 and has been licensed with the Department since August 29, 1996. Respondent’s address of record at the Department is 242 Plum Drive, Austin, Arkansas.
3. The Department received information from a former client that Respondent had been involved in a business venture with that client that involved the purchase of a rental house in Fayetteville. The Respondent was an insurance agent for a mentally and physically disabled

man and entered into business transactions that benefitted the Respondent and his wife. The Respondent's son lived in the rental house without a rental agreement or making rental payments.

4. The Department has been provided with information that showed the following:

a. In 2003, James Don LeMay, Respondent's client, was forced to retire from Century Tel due to disability. From 2003 to 2009, LeMay was treated for obesity, depression, isolation, fatigue and dementia. Respondent was aware of these physical and mental disabilities.

b. In September of 2003, LeMay had \$54,661.10 of his Pension moved to an Allianz annuity with his wife, Debbie LeMay and children listed as beneficiaries. Respondent was the agent on this policy.

c. On October 31, 2003, LeMay rolled \$177,197.33 of Century Tel into Allianz, for a total of \$231.43 placed into this annuity DAG04217. From December 11, 2003 to March 11, 2008, LeMay received systematic withdrawals of \$1740 per month.

d. On December 1, 2004, LeMay withdrew \$6,000 from the Allianz policy with no surrender charge. (DAG04217)

e. In January of 2005, \$15,378.22 was put into the Allianz policy that was rolled from a T. Rowe account. Later, in March of that year, LeMay signed a withdrawal request from the Allianz policy for \$10,000 with no surrender charge, and \$5,000 in November with no surrender charge. (DAG04217)

f. A partial withdrawal was requested on January 3, 2006 for \$4,000 with a signature that appears copied. There were no surrender charges. May 30, 2006, another request for surrender was submitted for \$2,000, the voided check copy is the same as the November 2005 request and appears to be whited out. Another letter was sent on November 1, 2006 and

November 27, 2006 requesting \$1500. There were no surrender charges on either of these transactions from policy DAG04217.

g. In March of 2007, LeMay began undergoing psychological testing. He withdrew \$2500 from DAG04217 on April 23, 2007 and June 8, 2007 and \$1500 on August 7, 2007. There were no surrender charges on any of these transactions.

h. There is evidence that LeMay withdrew \$27,652.74 from another Allianz policy, 70184279 on September 5, 2007. Later that month, another \$40,330 was withdrawn with no surrender charges.

i. In March of 2008, LeMay submitted an application to American Equity to replace Allianz DAG04217. No comparison form was utilized. The transfer request to move the Allianz DAG 04217 was signed on April 2, 2008. Surrender charges were \$11,773.13.

j. In September 2008, LeMay was declared psychiatrically non-functional.

k. Between October and December 2008, LeMay withdrew \$ 3,464.05 from Allianz policy 70194297 with surrender charges of \$493.60.

l. In March 2009, LeMay was treated in-patient for behavioral issues, decreased memory, depressive disorder, cognitive disorder and psychiatric disorder. In April, he took out \$2222.22 from Allianz policy 70194297 with \$258.21 in penalties. He was in the hospital at the time.

m. On May 19, 2009, LeMay was diagnosed with dementia, psychotic disorder, mood disorder and seizure disorder. He required 24 hour supervision.

n. On June 23, 2009, LeMay requested that \$10,000 be withdrawn from the American Equity policy. This was on Crye-Leike letterhead. Respondent's wife is a realtor with Crye Leike.

o. Between November 6, 2009 and December 4, 2009, LeMay was in and out of treatment in hospitals. On December 7, 2009, he sent a request to withdraw \$10,000 from Allianz policy 70194297. He actually took out \$11,034.36 with \$1264.39 in surrender charges.

p. At some point early in 2010, Respondent began speaking to LeMay about purchasing real estate to help pay for medical expenses. He offered to enter into business with them to start a corporation called "LeCo" which stood for "LeMay" and "Cotroneo" in which they would do house flipping and/or rent the homes for extra income. Respondent was speaking only to LeMay about this prospect and did not involve Respondent's wife. The company registered with the Secretary of State on or about May 13, 2010.

q. On March 9, 2010, a line of credit was established on the LeMay home for \$100,000. A disbursement of \$2,500 was given on this day. On March 15, 2010, a loan advance of \$25,000 was requested. Debbie LeMay wrote a check for \$2,000 to Respondent for "incorporation fees" in which the "to" line was left blank. The check was written the next day with the name "Steve Cotroneo" in the "to" line.

r. Respondent suggested a rental property to the LeMay's and took \$1,000 for a "down payment" on the home. No offer was ever made and these funds were not returned to the LeMay's. The check was cashed by Respondent on March 24, 2010.

s. On March 19, 2010, LeMay, made an offer on a house in Fayetteville. His wife was not a party to the offer until April 12, 2010. On March 23, 2010, LeMay withdrew \$19,004.45 and \$16,765.52 from Allianz policy 70184279 with surrender charges of \$2075.53 and \$770.07, respectively. On the same date, he signed a mortgage application with Arvest. The following day, Respondent had a conference call with the LeMays and their children and attempted to convince the children to invest as well.

t. The LeMays made all payments on the home line of credit. As of May 3, 2010, they had paid \$30,209.10.

u. From May 14, 2010 to May 18, 2010, LeMay was hospitalized for hallucinations. The psychiatric evaluation noted that his “insight, judgment and cognition” were all impaired.

v. On May 15, 2010, Respondent obtained a \$5,000 line of credit in the LECO name along with 2 credit cards. The LeMays were unaware of this transaction. A checking account was set up for LECO on May 17, 2010. Both of these transactions occurred while LeMay was in the hospital.

w. On May 18, 2010, another \$10,000 disbursement was made in the amount of \$10,000 which brought the balance on the home line of credit back up to \$40,000. This \$10,000 was placed into the LECO checking account.

x. May 19, 2010, an Arvest credit card was opened in the LECO name without knowledge of the LeMays.

y. During the following months, numerous purchases were made that were unrelated to the home in Fayetteville. For example, purchases were made in Florida and Alabama, there were numerous charges to Dillards, Kroger, Wal-Mart, Target, Michael’s and to many different restaurants. Respondent made his car payments out of this account. The total spent on what appear to be personal items is several thousand dollars; although the exact amount spent on personal items because the bank statements do not contain check-specific information.

z. On July 12, 2010, the address on file for the LECO checking account was changed from the LeMay’s address to the address of the dance studio owned by the wife of Respondent.

aa. During the following couple of months, approximately \$10,000 was withdrawn from annuities and another disbursement of \$4500 was taken from the home line of credit.

bb. During the month of August 2010, the Respondent's son moved into the Fayetteville "rent house" without a rental agreement, a deposit or paying rent.

cc. LeMay withdrew \$11,619.45 with a \$2207.69 surrender charge from American Equity 676581.

dd. Beginning in August 2010, the LECO credit card was over its limit.

ee. On January 20, 2011, LeMay signed a withdrawal request for \$48,923.74 with a \$19,295.51 surrender charge from American Equity 676581 and another request for \$7262.16 with a surrender charge of \$1379.81. On January 26, 2011, LeMay received \$5,000 from Allianz 70184279 with surrender charges of \$436.19. On February 29, 2011, \$5,000 was deposited into LECO checking account.

ff. From March 2011 to July of 2011, there were several more withdrawals from the annuities, in some of which the signatures do not appear to be LeMay's. On July 20, 2011, the Respondent's son moved out of the rent house.

gg. On August 1, 2011, a new lease was signed with Respondent listed as the landlord, the Respondent's wife's dance studio listed as the landlord address and the Respondent's son listed as the "property manager". He was to be paid \$100 per month for his services. The rent was to be \$1,100.00 per month.

5. There is information in the file provided that shows that the home was purchased above fair market value.

6. In summary, and at least in part due to the conversion of funds to his own personal use by the Respondent, the LeMay's have grossly reduced their assets in favor of the Respondents and, it is alleged, was done under false pretenses.

### CONCLUSIONS OF LAW

From the Findings of Fact contained herein, the Commissioner concludes as follows:

6. The Respondent is in violation of Ark. Code Ann. §23-64-216(a) (1) which provides that a license may be suspended or revoked for violation of any of the causes listed in Ark. Code Ann. § 23-64-512.

7. The Respondent is in violation of Ark. Code Ann. § 23-64-512(a)(2) which provides that a license may be suspended or revoked for violating any insurance laws, or violating any regulation, subpoena or order of the commissioner or of another state's insurance commissioner.

8. The Respondent is in violation of Ark. Code Ann. § 23-64-512(a)(7) which provides that a license may be suspended or revoked for having admitted or been found to have committed any insurance unfair trade practice or fraud.

9. The Respondent is in violation of Ark. Code Ann. § 23-64-512(a) (8), which provides that a license may be suspended or revoked for using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere. By taking money from the LeMay's, representing it as "investments" that would benefit them, using them as personal funds to take trips to Florida buy personal items, go out to dinner and otherwise live off of his client, having checks returned as "non-sufficient funds" and failing to make all payments as agreed, Respondent has shown incompetence, untrustworthiness and financial irresponsibility.

10. The Respondent is in violation of Ark. Code Ann. § 23-66-501(4)(d), which provides that it is a fraudulent insurance practice to embezzle, abstract, purloin, or convert moneys, funds, premiums, credits, or other property of an insurer, reinsurer, or person engaged in the business of insurance.

11. Ark. Code Ann. §23-64-223, which provides that an agent who collects money in his capacity as a licensee will act in a fiduciary capacity and remit the money to the person entitled thereto. There are several instances where Respondent took funds under false pretenses and funded LECO instead of remitting said funds to the LeMay's.

12. At the upcoming hearing, the Department seeks administrative penalties and sanctions, up to and including revocation of the Arkansas insurance licenses of Respondent based on the above allegations.

**IT IS THEREFORE ORDERED AND ADJUDGED, as follows:**

1. Due to the gravity of the allegations and averments, it is found that a public emergency exists for the immediate suspension of Respondent's licenses.

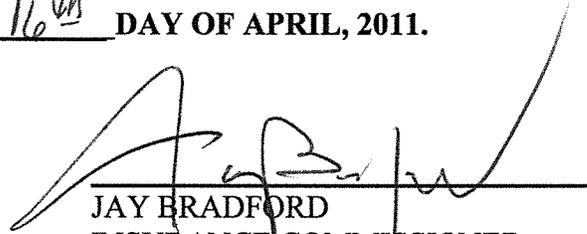
2. Pursuant to Ark. Code Ann. §§ 23-64-216(e), any and all licenses issued by the Department, whether acquired by Respondent, for being a broker, agent, agency, solicitor, or consultant in this State, are hereby suspended, pending a promptly instituted hearing on the above matter. Respondent's failure to appear at the administrative hearing will prompt a recommendation to the Commissioner and the hearing officer to immediately revoke all insurance licenses issued to Respondent.

3. The Department shall notify Respondent's appointing insurance companies of this action pursuant to Ark. Code Ann. § 23-64-217(a)(3).

4. The Department reserves the right to amend and/or supplement the facts contained in this Order to include additional violations of state law, with notice to Respondent.

5. A Notice of Hearing is enclosed. At the Hearing, the Department will seek to revoke all insurance licenses of Respondent based on the above allegations.

**IT IS SO ORDERED THIS 16<sup>th</sup> DAY OF APRIL, 2011.**



JAY BRADFORD  
INSURANCE COMMISSIONER  
STATE OF ARKANSAS