

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

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Proceedings by the Commissioner of Banking )  
and Insurance, State of New Jersey, to fine )  
Christopher M. Carlino and Arrow PEO )  
Brokerage, Inc. d/b/a Arrow Brokers. )  
\_\_\_\_\_ )

**ORDER TO SHOW CAUSE**

TO: Christopher M. Carlino  
2489 Waterhaven Drive  
Chattanooga, Tennessee 37406

Arrow PEO Brokerage, Inc.  
d/b/a Arrow Brokers  
439 S. Charles G. Seivers Blvd.  
Clinton, Tennessee 37716

THIS MATTER, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), State of New Jersey, upon information that Christopher M. Carlino (“Carlino”) and Arrow PEO Brokerage, Inc. d/b/a Arrow Brokers (“Arrow”) (collectively, “Respondents”), may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Respondents are subject to the provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to -48 (“Producer Act”), and the regulations governing Insurance Producer Standards of Conduct, N.J.A.C. 11:17A-1.1 to 11:17D-2.8; and

WHEREAS, pursuant to N.J.S.A. 17:22-6.37, no person shall in this State directly or indirectly act as agent for, or otherwise represent or aid on behalf of another, any insurer not then authorized to transact such insurance in this State, in the solicitation, negotiation, procurement or effectuation of insurance or annuity contracts, or renewals thereof, or in the dissemination of

information as to coverage or rates, or forwarding of applications, or delivery of policies or contracts, or inspection of risks, or fixing of rates, or investigation or adjustment of claims or losses, or collection or forwarding of premiums, or in any other manner represent or assist such an insurer in the transaction of insurance with respect to subjects of insurance resident, located or to be performed in this State; and

WHEREAS, pursuant to N.J.S.A. 17:22A-29, a person shall not sell, solicit or negotiate insurance in this State unless the person is licensed for that line of authority; and

WHEREAS, pursuant to N.J.S.A. 17:22A-41(b), a person shall not accept a commission, service fee, brokerage or other valuable consideration for selling, soliciting or negotiating insurance in this State if that person is required to be licensed under this act and is not so licensed; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.3(a), subject to certain exceptions, no person shall act as an insurance producer or maintain or operate any office in this State for the transaction of the business of an insurance producer, or receive any commission, brokerage fee, compensation or other consideration for services rendered as an insurance producer, without first obtaining a license from the Commissioner granting authority for the kind of insurance transacted; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.3(b), subject to certain exceptions, any person who solicits, negotiates or sells contracts of insurance in New Jersey shall be considered to be transacting the business of insurance in New Jersey so as to require licensure as an insurance producer; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.3(c), engaging in a single act or transaction of the business of an insurance producer, or holding oneself out to the public or an insurance producer

as being so engaged, shall be sufficient proof of engaging in the business of an insurance producer as to require licensure pursuant to the Producer Act; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.4(a), no person shall solicit, negotiate or sell an insurance contract in New Jersey unless he or she is a licensed insurance producer; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.4(d), except as provided in N.J.A.C. 11:17A-1.4(d)(1), no professional employer organization or its employees, principals and/or agents shall engage in any activities listed in N.J.A.C. 11:17A-1.4(b) at any time, including while negotiating and/or conducting business with any client company or prospective client company, unless the activity is conducted or performed by a properly licensed insurance producer; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40(a), the Commissioner may place on probation, suspend, revoke or refuse to issue or renew an insurance producer's license, and may levy a civil penalty, for a violation of the Producer Act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-45(c), any person violating the Producer Act is subject to a penalty not exceeding \$5,000.00 for the first offense and not exceeding \$10,000.00 for each subsequent offense; moreover, the Commissioner may order restitution of moneys owed any person and reimbursement of costs of investigation and prosecution, as appropriate; and

### **FACTUAL ALLEGATIONS**

IT APPEARING, that Spectrum Show Services, Inc. ("Spectrum") was a full service exhibitor appointed labor contractor headquartered in Bellmawr, New Jersey; and

IT FURTHER APPEARING, that Spectrum sought workers' compensation coverage by utilizing Resourcing Edge, Inc. ("REI"), a Professional Employer Organization ("PEO"); and

IT FURTHER APPEARING, that a PEO is an entity that provides human resources outsourcing services to client companies through the use of a co-employment relationship, where the PEO acts as the administrative employer and the client acts as the worksite employer; and

IT FURTHER APPEARING, that Carlino, while National Program Director of Arrow, completed the placement of the workers' compensation insurance policy for Spectrum; and

IT FURTHER APPEARING, that at all relevant times, Carlino was not licensed as an insurance producer in the State of New Jersey; and

IT FURTHER APPEARING, that at all relevant times, Arrow was not licensed as an insurance producer in the State of New Jersey; and

IT FURTHER APPEARING, that on or about June 18, 2014, Carlino submitted a Proposal to Spectrum for an "Alternative Workers' Compensation Program," with Texas Mutual Insurance Company ("Texas Mutual") as the workers' compensation insurance carrier; and

IT FURTHER APPEARING, that Carlino provided Spectrum with all of the necessary documents to complete the enrollment process, including the "Client Services Agreement" between REI and Spectrum and a "Fee Schedule"; and

IT FURTHER APPEARING, that according to the Client Services Agreement, REI was to provide Spectrum with workers' compensation insurance; and

IT FURTHER APPEARING, that on or about June 30, 2014, REI submitted a "New Client Form" to Texas Mutual listing Spectrum as a new client; and

IT FURTHER APPEARING, that Texas Mutual provided insurance coverage for states other than Texas, including New Jersey, through an agreement with Argonaut Insurance Company ("Argonaut"); and

IT FURTHER APPEARING, that on or about July 3, 2014, Argonaut issued Policy No.: WC 927928 (“WC Policy 1”) to REI for the “leased employees” of Spectrum with a policy period of July 1, 2014 to October 1, 2014; and

IT FURTHER APPEARING, that on or about September 29, 2014, Argonaut issued Policy No.: WC 927958 (“WC Policy 2”) to REI for the “leased employees” of Spectrum with a policy period of October 1, 2014 to October 1, 2015; and

IT FURTHER APPEARING, that Argonaut issued a total of 134 Certificates of Liability Insurance (“Certificates”) with the insured listed as REI, stating that workers’ compensation coverage was to be provided to employees leased to Spectrum through REI; and

IT FURTHER APPEARING, that the Certificates issued by Argonaut listed Spectrum under the Schedule of Named Insureds; and

**COUNT 1**

IT FURTHER APPEARING, that by conducting insurance producer business without maintaining a New Jersey license, Carlino and Arrow violated N.J.S.A. 17:22-6.37, N.J.S.A. 17:22A-29, N.J.S.A. 17:22A-41b, N.J.A.C. 11:17A-1.3(a), (b), and (c), and N.J.A.C. 11:17A-1.4(a) and (d); and

NOW, THEREFORE, IT IS on this *2<sup>nd</sup>* day of *April*, 2019:

ORDERED, that Respondents shall appear and show cause why the Commissioner should not assess a civil penalty of up to \$5,000.00 for the first violation and \$10,000.00 for each subsequent violation of the Producer Act and order Respondents to pay restitution of moneys owed to any person, pursuant to the provisions of N.J.S.A. 17:22A-45(c); and

IT IS FURTHER ORDERED, that Respondents appear and show cause why they should not be required to reimburse the Department for the cost of investigation and prosecution as authorized by N.J.S.A. 17:22A-45(c); and

IT IS PROVIDED, that Respondents have the right to request an administrative hearing, to be represented by counsel or other qualified representative, at their own expense, to take testimony, to call or cross-examine witnesses, to have subpoenas issued, and to present evidence or argument if a hearing is requested; and

IT IS FURTHER PROVIDED, that unless a request for a hearing is received within twenty (20) days of the service of this Order to Show Cause, the right to a hearing in this matter shall be deemed to have been waived by Respondents and the Commissioner shall dispose of this matter in accordance with law. A hearing may be requested by mailing the request to Virgil Downtin, Chief of Investigations, Department of Banking and Insurance, P.O. Box 329, Trenton, N.J. 08625, or by faxing the request to the Department at (609) 292-5337. A copy of the request for a hearing shall also be mailed to Deputy Attorney General Jeffrey S. Posta at P.O. Box 117, Trenton, N.J. 08625. The request for a hearing shall contain:

- (a) Respondent's full name, address, and daytime telephone number;
- (b) A statement referring to each charge alleged in this Order to Show Cause and identifying any defense intended to be asserted in response to each charge. Where the defense relies on facts not contained in the Order to Show Cause, those specific facts must be stated;
- (c) A specific admission or denial of each fact alleged in this Order to Show Cause. Where Respondent has no specific knowledge regarding a fact alleged in the Order to Show Cause, a statement to that effect must be contained in the hearing request. Allegations of this Order to Show Cause not answered in the manner set forth above shall be deemed to have been admitted; and
- (d) A statement requesting a hearing.

*Marlene Caride*

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**Marlene Caride**  
**Commissioner**