

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF:

Proceedings by the Commissioner of Banking)
and Insurance, State of New Jersey, to fine,)
suspend or revoke the insurance licenses of)
Genevieve Steward, Reference No. 1013878,)
James V. Mascola, Reference No. 1010145,)
Bail Group Management, LLC and East)
Coast Bail Bonds, LLC, Reference No.)
1087320)
_____)

ORDER TO SHOW CAUSE

TO: Genevieve Steward
437 Wistar Place
Glassboro, NJ 08028

James V. Mascola
82 Summit Avenue
Bridgeton, NJ 08302

Bail Group Management, LLC
207 Bogden Blvd.
Suite O
Millville, NJ 08332

East Coast Bail Bonds, LLC
207 Bogden Blvd.
Suite O
Millville, NJ 08332

THIS MATTER, having been opened by the Commissioner of Banking and Insurance (“Commissioner”), upon information that Genevieve Steward (“Steward”), James V. Mascola (“Mascola”), Bail Group Management, LLC (“Bail Group Management”) and East Coast Bail Bonds, LLC (“East Coast”) (collectively, “Respondents”), may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Steward was licensed as a resident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32a until her license expired on June 30, 2014; and

WHEREAS, Mascola is currently licensed as a resident insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32a; and

WHEREAS, Bail Group Management is a limited liability company formed pursuant to New Jersey law, and which was never a licensed insurance producer in the State of New Jersey; and

WHEREAS, East Coast was licensed as a resident business entity insurance producer in the State of New Jersey pursuant to N.J.S.A. 17:22A-32b until its license was cancelled on August 26, 2014 for failing to have a designated responsible licensed producer; 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 et seq. (“Producer Act”), the Producer Licensing regulations, N.J.A.C. 11:17-1.1 et seq. and the regulations governing Insurance Producer Standards of Conduct, N.J.A.C. 11:17A-1.1 et seq. and N.J.A.C. 11:17C-1.1 et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40d, the Commissioner shall retain the authority to enforce the provisions of and impose any penalty or remedy authorized by the Producer Act and Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes against any person who is under investigation for or charged with a violation of the Producer Act or Title 17 of the Revised Statutes or Title 17B of the New Jersey Statutes even if the person’s license or registration has been surrendered or has lapsed by operation of law; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(2), an insurance producer shall not violate any insurance law, regulation, subpoena or order of the Commissioner or of another state’s insurance regulator; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(4), an insurance producer shall not improperly withhold, misappropriate or convert any monies or properties received in the course of doing insurance business; and

WHEREAS, pursuant to N.J.S.A. 17:22A-40a(8), an insurance producer shall not use fraudulent, coercive or dishonest practices, or demonstrate incompetence, untrustworthiness or financial irresponsibility in the conduct of insurance business in this State or elsewhere; 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 in accordance with the Producer Act; and

WHEREAS, pursuant to N.J.S.A. 17:22A-33(f), licensees shall inform the Commissioner by any means acceptable to the Commissioner of a change of address within 30 days of the change; and

WHEREAS, pursuant to N.J.A.C. 11:17-2.9(a), with certain exceptions, licensees shall file with the Department by hard copy or electronic means a branch office registration form within 30 days before business is first conducted there; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.6(c), licensed partners, officers and directors, and all owners with an ownership interest of 10 percent or more in the organization shall be held responsible for all insurance related conduct of the organization licensee, any of its branch offices, its other licensed officers or partners, and its employees; and

WHEREAS, pursuant to N.J.A.C. 11:17A-4.8, an insurance producer shall reply, in writing, to any inquiry of the Department relative to the business of insurance within the time requested in said inquiry, or no later than 15 calendar days from the date the inquiry was made or mailed in cases where no response time is given; and

WHEREAS, pursuant to N.J.A.C. 11:17A-4.10, an insurance producer acts in a fiduciary capacity in the conduct of his or her insurance business; and

WHEREAS, pursuant to N.J.A.C. 11:17C-2.2(a), all premium funds shall be remitted to the insurer or other insurance producer, as applicable, within five business days after receipt of the funds, with certain exceptions; and

WHEREAS, pursuant to N.J.S.A. 17:22A-45c, 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 the investigation and prosecution; and

ALLEGATIONS COMMON TO COUNTS 1 THROUGH 5

EAST COAST - FINANCIAL CASUALTY TRANSACTIONS

IT APPEARING, that in 2005, Steward and Mascola formed Bail Group Management, as a New Jersey limited liability company; and

IT FURTHER APPEARING, that Bail Group Management was never licensed as a business entity insurance producer in New Jersey; and

IT FURTHER APPEARING, that on or about October 10, 2007, Steward, Mascola and Bail Group Management entered into a General Agent Bail Bond Agreement (“Bail Bond Agreement”) with Financial Casualty & Surety, Co. (“Financial Casualty”); and

IT FURTHER APPEARING, that on or about May 7, 2009, the parties to the Bail Bond Agreement entered into Addendum Number 1 to the Bail Bond Agreement which provided that: “General Agent [defined as Respondents Steward, Mascola and Bail Group Management] shall remit to Company [defined as Financial Casualty] within 21 days of execution of each bond

hereunder such cash sums for premiums as will equal .9% (\$9.00 per \$1,000.00) of the total liability for each bond written;” and

IT FURTHER APPEARING, that on or about December 28, 2006, Steward and Mascola formed East Coast, a licensed business entity insurance producer, in which they each held a 50 percent ownership interest; and

IT FURTHER APPEARING, that East Coast acted as a sub-agent for Respondent Bail Group Management; and

IT FURTHER APPEARING, that between May 21, 2009 and October 17, 2010, East Coast solicited and executed 131 Financial Casualty surety bonds in the total amount of \$1,810,728.00; and

IT FURTHER APPEARING, that East Coast collected gross premiums in the amount of \$185,287.10 from executing the 131 bail bonds; and

IT FURTHER APPEARING, that East Coast did not remit the .9% of premiums due to Financial Casualty for the 131 surety bonds for a total of \$16,489.37 in unpaid premiums; and

HOTLINE – MARIA R. TRANSACTION

IT FURTHER APPEARING, that Hotline Bail Bonds (“Hotline”) was a licensed New Jersey business insurance producer entity, which acted as a sub-agent for Bail Group Management; and

IT FURTHER APPEARING, that on or about December 24, 2008, Maria R. paid Hotline \$30,000.00 as bail bond collateral for Carlos R. who was being prosecuted by the New Jersey Division of Criminal Justice; and

IT FURTHER APPEARING, that on January 8, 2009, Bail Group Management deposited the \$30,000.00 bail bond collateral on behalf of Carlos R. into its bank account with TD Bank as a managing agent for Hotline; and

IT FURTHER APPEARING, that when Hotline ceased operations in or around November of 2010, Bail Group Management took over its files; and

IT FURTHER APPEARING, that Steward sent three invoices to Maria R. on behalf of Bail Group Management dated November 23, 2010, December 1, 2012 and July 1, 2013 seeking a “renewal premium” in the amount of \$30,000.00; and

IT FURTHER APPEARING, that Carlos R. was sentenced in the Superior Court of New Jersey on May 7, 2013 but Bail Group Management never returned the \$30,000.00 bail bond collateral to Maria R.; and

HOTLINE – EDINSON H. TRANSACTION

IT FURTHER APPEARING, that Edinson H. provided a cashier check to Hotline dated November 20, 2008 in the amount of \$10,000.00 as bail bond collateral on behalf of Carlos N.; and

IT FURTHER APPEARING, that Hotline provided the check to Bail Group Management; and

IT FURTHER APPEARING, that Steward endorsed the check and deposited it into Bail Group Management’s bank account with TD Bank; and

IT FURTHER APPEARING, that on January 29, 2010, Carlos N. was sentenced; and

IT FURTHER APPEARING, that Steward did not return to Edinson H. the \$10,000.00 bail bond collateral paid on behalf of Carlos N. until May 23, 2013, following an inquiry by the Department; and

BAILS BAILS BAILS – ALFONSO S. TRANSACTION

IT FURTHER APPEARING, that on January 27, 2009, cash collateral for a bail bond in the amount of \$20,000.00 was tendered to Bails Bails Bails by Alfonso S. and others on behalf of Jueriz P. who was arrested in Passaic County; and

IT FURTHER APPEARING, that Bails Bails Bails is a resident business entity insurance producer unaffiliated with Bail Group Management; and

IT FURTHER APPEARING, that Bails Bails Bails transferred the \$20,000.00 collateral to Hotline by check dated March 2, 2009; and

IT FURTHER APPEARING, that Hotline transferred the \$20,000.00 collateral to Bail Group Management by check dated March 6, 2009 payable to “BGM,” which was deposited into a TD Bank account belonging to East Coast; and

IT FURTHER APPEARING, that as a result of the transfers of the \$20,000.00 collateral, Respondents became jointly and severally liable for the return of same; and

IT FURTHER APPEARING, that the \$20,000.00 collateral paid by Alfonso S. on behalf of Jueriz P. was not returned by Steward until September 22, 2014, following an inquiry by the Department; and

COUNT ONE

IT FURTHER APPEARING, that Respondents failed to remit premiums to Financial Casualty pursuant to the Bail Bond Agreement, in violation of N.J.S.A. 17:22A-40a(2) and (8), N.J.A.C. 11:17A-1.6c, N.J.A.C. 11:17A-4.10 and N.J.A.C. 11:17C-2.2(a); and

COUNT TWO

IT FURTHER APPEARING, that Respondents failed to timely return collateral funds to consumers for the bail bonds of Carlos R., Jueriz P. and Carlos N., in violation of N.J.S.A. 17:22A-40a(2), (4) and (8) and N.J.A.C. 11:17A-4.10; and

COUNT THREE

IT FURTHER APPEARING, that Respondents misappropriated the collateral funds for the bail bond of Carlos R., in violation of N.J.S.A. 17:22A-40a(2), (4) and (8) and N.J.A.C. 11:17A-4.10; and

COUNT FOUR

IT FURTHER APPEARING, that Bail Group Management invoiced a consumer, specifically Maria R., for a premium without being licensed to do so, in violation of N.J.S.A. 17:22A-29 and N.J.S.A. 17:22A-40a(2) and (8); and

COUNT FIVE

IT FURTHER APPEARING, that East Coast operated two offices, in Woodstown, New Jersey and Wildwood, New Jersey, where they solicited, negotiated and executed bail bonds and engaged in the business of bail bonds; and

IT FURTHER APPEARING, that East Coast failed to register the Wildwood office as a second branch office, in violation of N.J.S.A. 17:22A-40a(2), and (8) and N.J.A.C. 11:17-2.9(a); and

COUNT SIX

IT FURTHER APPEARING, that on July 1, 2013, the Department sent an inquiry to Respondents; and

IT FURTHER APPEARING, that Respondent failed to respond to the Department's inquiries, and the Department sent follow-up inquiries to Respondents on July 12, 2013, August 27, 2013, September 4, 2013 and September 23, 2013; and

IT FURTHER APPEARING, that on October 3, 2013, Respondents' counsel submitted a response deficient in information requested by the Department; and

IT FURTHER APPEARING, that on October 24, 2013, the Department sent an e-mail to Respondents' counsel concerning the deficiencies; and

IT FURTHER APPEARING, that on October 24, 2013, said Respondents' counsel stated via e-mail that the responses he had provided were sufficient; and

IT FURTHER APPEARING, that on November 26, 2013, the Department sent a letter to the Respondents listing nine items to which the Department did not receive a response; and

IT FURTHER APPEARING, that the Department did not receive a response to its November 26, 2013 inquiry; and

IT FURTHER APPEARING, that all Respondents failed to timely reply to the Department's inquiries, in violation of N.J.S.A. 17:22A-40a(2) and (8) and N.J.A.C. 11:17A-4.8; and

NOW, THEREFORE, IT IS on this 7th day of FEBRUARY, 2018

ORDERED, that Respondents appear and show cause why their New Jersey insurance producer licenses should not be suspended or revoked pursuant to N.J.S.A. 17:22A-40a; and

IT IS FURTHER ORDERED, that Respondents 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-45c;
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 the investigation and prosecution as authorized by N.J.S.A. 17:22A-45c; 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 Dowtin, Chief of Investigations, Department of Banking and Insurance, P.O. Box 329, Trenton, New Jersey 08625, or by faxing the hearing request to the Department at (609) 292-5337. The request shall contain the following:

- (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 the 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 the hearing.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end, positioned above a horizontal line.

Peter L. Hartt
Director of Insurance