

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, suspend and/or revoke the insurance producer licenses of Russell W. Emrick, Jr. d/b/a Kebalo Insurance Agency, The Insurance Advisory Service Agency, and My Insurance Man Agency, Ref. No. 8026975; Insurance Management Group Inc., Ref. No. 9844698; Joseph J. Gallagher Insurance Agency Inc. d/b/a Gallagher Insurance Agency and J J Gallagher Insurance Agency, Ref. No. 8012406; and Renee R. Cherowitz, Ref. No. 8214974	) <b>FINAL ORDER</b> ) <b>AS TO RUSSELL W. EMRICK, JR.;</b> ) <b>INSURANCE MANAGEMENT GROUP INC.; AND JOSEPH J. GALLAGHER INSURANCE AGENCY INC. ONLY</b> ) )
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To: Russell W. Emrick, Jr. 508 Paige Drive Vincentown, NJ 08088	Insurance Management Group Inc. 28 High St. Mt. Holly, NJ 08060
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Joseph J. Gallagher Insurance Agency, Inc.  
28 High St.  
Mt. Holly, NJ 08060

THIS MATTER, having been opened by the Commissioner of Banking and Insurance ("Commissioner"), State of New Jersey, upon issuance of Order to Show Cause E17-90 (the "Order to Show Cause") alleging that Respondents Russell W. Emrick, Jr. d/b/a Kebalo Insurance Agency, The Insurance Advisory Service Agency, and My Insurance Man Agency ("Emrick"), Insurance Management Group Inc. ("IMG"), Joseph J. Gallagher Insurance Agency Inc. d/b/a Gallagher Insurance Agency and J J Gallagher Insurance Agency (the "Gallagher Agency") and Renee R. Cherowitz ("Cherowitz")

(collectively, "Respondents") may have violated various provisions of the insurance laws of the State of New Jersey; and

WHEREAS, Emrick was licensed as a resident individual insurance producer in the State of New Jersey, pursuant to N.J.S.A. 17:22A-32a, until his license expired on May 31, 2014; and

WHEREAS, Emrick conducted insurance business under the trade names Kevalo Insurance Agency, The Insurance Advisory Service Agency, and My Insurance Man Agency, which were approved by the Department of Banking and Insurance (the "Department") pursuant to N.J.A.C. 11:17-2.8(a); and

WHEREAS, Cherowitz was licensed as a resident individual insurance producer in the State of New Jersey, pursuant to N.J.S.A. 17:22A-32a, until her license expired on December 31, 2011; and

WHEREAS, IMG 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 expired on May 31, 2014; and

WHEREAS, the Gallagher Agency 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 expired on May 31, 2012; and

WHEREAS, at all relevant times, Emrick was the owner of IMG and Emrick and Cherowitz were the Designated Responsible Licensed Producers ("DRLP") for IMG and responsible for the activities of IMG and its compliance with the insurance laws, rules, and regulations of this State, pursuant to N.J.S.A. 17:22A-32b(2); and

WHEREAS, Emrick owned and was the DRLP for the Gallagher Agency and responsible for the activities of the Gallagher Agency and its compliance with the insurance laws, rules, and regulations of this State, pursuant to N.J.S.A. 17:22A-32b(2); 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"), the Producer Licensing Regulations, N.J.A.C. 11:17-1.1 to -2.17 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. 17:22A-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-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-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-40a(16), an insurance producer shall not commit any fraudulent act; and

WHEREAS, pursuant to N.J.A.C. 11:17-2.10(b)4, where a producer is employed by another producer, an employer shall be responsible for the insurance-related conduct of an employee; and

WHEREAS, pursuant to N.J.A.C. 11:17A-1.3(a), with 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-1.6(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. 11:17C-2.1(a), all premium funds shall be held by an insurance producer in a fiduciary capacity and shall not be misappropriated, improperly converted to the insurance producer's own use, or illegally withheld by the licensee; 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 except as otherwise required and provided by any of the following: (1) the insurance producer's contract with the insurer or written agreement with the insured; (2) any controlling statute or administrative rule; or (3) the rules of any residual market mechanism created by or pursuant to any statute; and

WHEREAS, pursuant to N.J.A.C. 11:17C-2.6(b), all records, books and documents required to be maintained by the provisions of N.J.A.C. 11:17C-1.1 to -2.6, shall, upon his or her request, be produced for examination by the Commissioner or his or her duly authorized representatives; and

WHEREAS, on October 16, 2017, the Commissioner issued Order to Show Cause E17-90 alleging that Respondents violated various provisions of New Jersey insurance laws as set forth in the following:

### **FACTS RELEVANT TO COUNTS 1 THROUGH 3**

IT APPEARING, that D.M. was the owner of a home in New Jersey (the "Property") and the owner and/or operator of a construction company located in New Jersey; and

IT FURTHER APPEARING, that at all times relevant hereto, IMG was D.M.'s insurance agent for his personal and business needs; and

#### **A. Policy with Max Specialty Insurance Company**

IT FURTHER APPEARING, that Cherowitz submitted an application to Jimcor Agency Inc. ("Jimcor"), a managing general agent and insurance wholesaler, and requested that Jimcor bind a commercial general liability insurance policy insuring D.M.'s business with Max Specialty Insurance Company ("Max Specialty"), with a policy period from November 20, 2009 to November 20, 2010 and an annual premium, including taxes and fees, of \$3,770; and

IT FURTHER APPEARING, that Jimcor bound a commercial general liability policy with Max Specialty (the "Max Specialty Policy") based on the application submitted by Cherowitz; and

IT FURTHER APPEARING, that on or about November 20, 2009, D.M. remitted \$3,770 in cash to Cherowitz for the Max Specialty Policy; and

IT FURTHER APPEARING, that Cherowitz failed to remit the \$3,770 to Jimcor for the Max Specialty Policy; and

IT FURTHER APPEARING, that the Max Specialty Policy was cancelled effective January 20, 2010 for nonpayment of premium; and

**B. Policy with Zurich American Insurance Company**

IT FURTHER APPEARING, that on January 26, 2010, Emrick, IMG, and Cherowitz, acting under the approved trade name Kebalo Insurance Agency, submitted an application to Zurich American Insurance Company ("Zurich") for a builders risk insurance policy for D.M. (the "Builders Risk Policy"), which had a policy period from January 26, 2010 to January 26, 2011 and an annual premium of \$2,197.60, and which would have covered the Property; and

IT FURTHER APPEARING, that Zurich bound the Builders Risk Policy based on the application that was submitted; and

IT FURTHER APPEARING, that Emrick, IMG, and Cherowitz did not ask D.M. to remit any additional money for the Builders Risk Policy because D.M. had already remitted \$3,770 for the Max Specialty Policy, which had been cancelled because Respondents failed to remit that money to Jimcor; and

IT FURTHER APPEARING, that Emrick, IMG, and Cherowitz failed to remit the annual premium of \$2,197.60 for the Builders Risk Policy to Zurich, despite having already received \$3,770 from D.M.; and

IT FURTHER APPEARING, that on February 22, 2010, the Builders Risk Policy was cancelled for non-payment of premium; and

**C. D.M. Suffers a Loss**

IT FURTHER APPEARING, that as a result of a severe storm on March 13, 2010, D.M. experienced a loss on the Property when a tree fell onto the garage; and

IT FURTHER APPEARING, that on March 13, 2010, D.M. contacted Cherowitz to report the loss and that Cherowitz said she would take care of the matter; and

IT FURTHER APPEARING, that D.M.'s loss on the Property was not covered by insurance but would have been covered by Zurich if the premium for the Builders Risk Policy had been paid by Respondents; and

### **COUNT 1**

IT FURTHER APPEARING, that Emrick, IMG, and Cherowitz failed to remit the premium on the Builder's Risk Policy within five business days, causing D.M. to be without coverage when he experienced a loss at the Property on March 13, 2010, in violation of N.J.S.A. 17:22A-40a(2), (4), (8), and (16); and N.J.A.C. 11:17C-2.1(a) and 11:17C-2.2(a); and

### **COUNT 2**

IT FURTHER APPEARING, that Emrick, IMG, and Cherowitz failed to remit insurance premiums on the Max Specialty Policy to Jimcor within five business days, in violation of N.J.S.A. 17:22A-40a(2), (4), and (8); and N.J.A.C. 11:17C-2.1(a) and 11:17C-2.2(a); and

### **COUNT 3**

IT FURTHER APPEARING, that despite numerous requests by the Department to Respondents between February 2014 and July 2014 for Respondents' complete records concerning D.M.'s insurance policies, Emrick, IMG, and Cherowitz failed to provide required records during the Department's investigation, in violation of N.J.S.A. 17:22A-40a(2) and (8) and N.J.A.C. 11:17C-2.6(b); and

### **FACTS RELEVANT TO COUNTS 4 THROUGH 11**

IT FURTHER APPEARING, that Emrick, IMG, and the Gallagher Agency were the insurance producers for several condominium associations in New Jersey; and

IT FURTHER APPEARING, that the condominium associations all maintained commercial property insurance policies, procured through the surplus lines market; and

IT FURTHER APPEARING, that Emrick, IMG, and the Gallagher Agency were not authorized to place business in the surplus lines insurance market and utilized the McSweeney Agency, LLC ("McSweeney Agency"), a surplus lines agent and representative of certain underwriters at Lloyds of London, to procure and bind the policies; and

IT FURTHER APPEARING, that Emrick, IMG, and the Gallagher Agency procured surplus lines insurance policies for the condominium associations from Scottsdale Insurance Company ("Scottsdale") through the McSweeney Agency; and

**COUNT 4**

IT FURTHER APPEARING, that M.I. and S.S. were the representatives of a condominium association that maintained a commercial insurance policy with Scottsdale, with a policy period of December 1, 2014 to December 1, 2015, which policy covered condominiums located in New Jersey; and

IT FURTHER APPEARING, that on or about November 28, 2015, M.I. wrote a check in the amount of \$1,569.35, payable to the Gallagher Agency, and sent it to the Gallagher Agency for half of the annual premium; and

IT FURTHER APPEARING, that on or about November 29, 2015, S.S. wrote a check in the amount of \$1,569.35, payable to The Insurance Advisory Service Agency, one of Emrick's trade names, and sent it to the Gallagher Agency for the second half of the annual premium; and

IT FURTHER APPEARING, that on or about December 2, 2015, M.I.'s check and S.S.'s check were deposited into a trust account owned by the Gallagher Agency; and

IT FURTHER APPEARING, that Emrick and the Gallagher Agency failed to remit the premium to the McSweeney Agency within five days of receipt; and

IT FURTHER APPEARING, that on or about January 4, 2016, Scottsdale sent a Notice of Cancellation for non-payment to M.I. and S.S.; and

IT FURTHER APPEARING, that on or about January 21, 2016, the McSweeney Agency received the payment from the Gallagher Agency for the renewal of the Scottsdale policy; and

IT FURTHER APPEARING, that Emrick and the Gallagher Agency failed to remit the premium within five business days to the McSweeney Agency, in violation of N.J.S.A. 17:22A-40a(2), (4), and (8); and N.J.A.C. 11:17C-2.1(a) and 11:17C-2.2(a); and

**COUNT 5**

IT FURTHER APPEARING, that P.H. and E.B were the representatives of a condominium association that maintained a commercial insurance policy with Scottsdale for condominiums in New Jersey; and



IT FURTHER APPEARING, that on or about March 1, 2016, P.H. wrote a check in the amount of \$848.53, payable to Scottsdale, and sent it to the Gallagher Agency for half of the annual premium; and

IT FURTHER APPEARING, that on March 3, 2016, P.H.'s check was deposited into the Gallagher Agency's trust account, despite the check being made payable to Scottsdale; and

IT FURTHER APPEARING, that on or about March 7, 2016, E.B. wrote a check in the amount of \$848.53, payable to the Gallagher Agency, and sent it to the Gallagher Agency for the second half of the annual premium; and

IT FURTHER APPEARING, that on March 9, 2016, E.B.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, that the total of \$1,697.06 in premiums were never remitted to the McSweeney Agency by the Gallagher Agency; and

IT FURTHER APPEARING, that on or about April 13, 2016, Scottsdale sent P.H. and E.B. a Notice of Cancellation for nonpayment of premium; and

IT FURTHER APPEARING, that P.H. and E.B. issued new checks to Scottsdale so that the policy would not be cancelled; and

IT FURTHER APPEARING, that Emrick and the Gallagher Agency misappropriated \$1,697.06 in premiums from P.H. and E.B., in violation of N.J.S.A. 17:22A-40a(2), (4) and (8), and N.J.A.C. 11:17C-2.1(a); and 11:17C-2.2(a); and

#### COUNT 6

IT FURTHER APPEARING, that R.G. and M.S. were the representatives of a condominium association that maintained a commercial insurance policy with Scottsdale for condominiums in New Jersey; and

IT FURTHER APPEARING, that on or about January 5, 2016, R.G. wrote a check in the amount of \$1,108.93, payable to the Gallagher Agency, and sent it to the Gallagher Agency for half of the annual premium; and

IT FURTHER APPEARING, that on January 7, 2016, R.G.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, that on or about January 10, 2016, M.S. wrote a check in the amount of \$1,108.93, payable to IMG, and sent it to IMG for the second half of the annual premium; and

IT FURTHER APPEARING, that on January 13, 2016, M.S.'s check was deposited into the Gallagher Agency's trust account, despite the check being made payable to IMG; and

IT FURTHER APPEARING, that the premium was never remitted to the McSweeney Agency; and

IT FURTHER APPEARING, that R.G. and M.S. issued new checks to Scottsdale so that the policy would not be cancelled; and

IT FURTHER APPEARING, that M.S. filed a complaint with the local police department where the condominiums were located and that the police department contacted Emrick; and

IT FURTHER APPEARING, that on or about December 24, 2016, Emrick returned \$1,108.93 to M.S.; and

IT FURTHER APPEARING, that on or about June 19, 2017, Emrick returned \$1,108.93 to R.G.; and

IT FURTHER APPEARING, that Respondents failed to remit premiums within five business days to the McSweeney Agency, in violation of N.J.S.A. 17:22A-40a(2), (4), and (8) and N.J.A.C. 11:17C-2.1(a); and 11:17C-2.2(a); and

#### COUNT 7

IT FURTHER APPEARING, that K.G. and P.L. were the representatives of a condominium association that maintained a commercial insurance policy with Scottsdale for condominiums in New Jersey; and

IT FURTHER APPEARING, that on or about March 10, 2016, P.L. wrote a check in the amount of \$1,773.53, payable to the Gallagher Agency, and sent it to the Gallagher Agency for half of the annual premium; and

IT FURTHER APPEARING, that on March 14, 2016, P.L.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, that on or about March 11, 2016, K.G. wrote a check in the amount of \$1,773.52, payable to Gallagher Agency, and sent it to the Gallagher Agency for the second half of the annual premium; and

IT FURTHER APPEARING, that on March 16, 2016, K.G.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, that the premium payments were never remitted to the McSweeney Agency; and

IT FURTHER APPEARING, that P.L. and K.G. issued new checks to Scottsdale so that the policy would not be cancelled; and

IT FURTHER APPEARING, that Emrick and the Gallagher Agency misappropriated \$3,547.05 in premiums from K.G. and P.L., in violation of N.J.S.A. 17:22A-40a(2), (4) and (8) and N.J.A.C. 11:17C-2.1(a) and 11:17C-2.2(a); and

### COUNT 8

IT FURTHER APPEARING, that P.D. was a representative of a condominium association that maintained a commercial insurance policy with Scottsdale for condominiums in New Jersey; and

IT FURTHER APPEARING, that on or about February 15, 2016, P.D. wrote a check in the amount of \$1,029.60, payable to the Gallagher Agency, and sent it to the Gallagher Agency for half of the annual premium; and

IT FURTHER APPEARING, that on March 18, 2016, P.D.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, that another representative of the condominium association wrote a check in the amount of \$1,029.60, payable to Scottsdale, and Scottsdale received the check; and

IT FURTHER APPEARING, that P.D.'s premium was never remitted to the McSweeney Agency; and

IT FURTHER APPEARING, that P.D. issued a new check to Scottsdale so that the policy would not be cancelled; and

IT FURTHER APPEARING, that Emrick and the Gallagher Agency misappropriated a \$1,029.60 premium payment from P.D., in violation of N.J.S.A. 17:22A-40a(2), (4), and (8), and N.J.A.C. 11:17C-2.1(a) and 11:17C-2.2(a); and

### COUNT 9

IT FURTHER APPEARING, that P.M. was a representative of a condominium association that maintained a commercial insurance policy with Scottsdale for condominiums in New Jersey; and

IT FURTHER APPEARING, that on or about January 3, 2016, P.M. wrote a check in the amount of \$2,361.75, payable to the Gallagher Agency, and sent it to the Gallagher Agency for the full annual premium; and

IT FURTHER APPEARING, that on January 7, 2016, P.M.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, the premium was never remitted to the McSweeney Agency; and

IT FURTHER APPEARING, that P.M.'s policy was cancelled effective May 2, 2016 for nonpayment of premium; and

IT FURTHER APPEARING, that Emrick and the Gallagher Agency misappropriated the \$2,361.75 premium payment from P.M., in violation of N.J.S.A. 17:22A-40a(2), (4), and (8) and N.J.A.C. 11:17C-2.1(a) and 11:17C-2.2(a); and

### COUNT 10

IT FURTHER APPEARING, that M.D. and A.E. were representatives of a condominium association that maintained a commercial insurance policy with Scottsdale for condominiums in New Jersey; and

IT FURTHER APPEARING, that on or about March 22, 2016, M.D. wrote a check in the amount of \$1,405.03, payable to the Gallagher Agency, and sent it to the Gallagher Agency for half of the annual premium; and

IT FURTHER APPEARING, that on April 12, 2016, M.D.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, that on or about March 21, 2016, A.E. wrote a check in the amount of \$1,405.02, payable to the Gallagher Agency, and sent it to the Gallagher Agency for the second half of the annual premium; and

IT FURTHER APPEARING, that on April 12, 2016, A.E.'s check was deposited into the Gallagher Agency's trust account; and

IT FURTHER APPEARING, that the premium payments were never remitted to the McSweeney Agency; and

IT FURTHER APPEARING, that on April 1, 2016, the commercial insurance policy with Scottsdale was cancelled for nonpayment of premium; and

IT FURTHER APPEARING, that M.D. subsequently filed a complaint with the Mount Holly Police Department; and

IT FURTHER APPEARING, that on or about January 30, 2017, Emrick returned \$1,405.03 to M.D. after the Mount Holly Police Department contacted Emrick; and

IT FURTHER APPEARING, that Emrick did not return the \$1,405.02 to A.E.; and

IT FURTHER APPEARING, that Emrick and the Gallagher Agency misappropriated the \$1,405.02 in premiums from A.E., and failed to remit M.D.'s premium payment within five business days, in violation of N.J.S.A. 17:22A-40a(2), (4) and (8) and N.J.A.C. 11:17C-2.1(a) and 11:17C-2.2(a); and

#### **COUNT 11**

IT FURTHER APPEARING, that the insurance producer licenses of Emrick, the Gallagher Agency, and IMG were expired when they acted as insurance producers for the policies as described in Counts 4 through 10, in violation of N.J.S.A. 17:22A-29; N.J.S.A. 17:22A-40a(2) and (8) and N.J.A.C. 11:17A-1.3(a); and

WHEREAS, Emrick, IMG, and the Gallagher Agency were given notice of the above-referenced charges and an opportunity to contest the charges at a hearing; and

WHEREAS, the Order to Show Cause was duly served upon Emrick, IMG, and the Gallagher Agency by certified and regular mail at their last known addresses pursuant to N.J.A.C. 11:17D-2.1(a)3, as described in the Certification of Deputy Attorney General Adam B. Masef, attached hereto as Exhibit 1; and

WHEREAS, Emrick, IMG, and the Gallagher Agency have failed to provide a written response to the charges contained in the Order to Show Cause, and therefore, pursuant to N.J.A.C. 11:17D-2.1(b)1, Emrick, IMG, and the Gallagher Agency have

waived their right to a hearing to contest these charges and the charges are deemed admitted by Emrick, IMG, and the Gallagher Agency; and

WHEREAS, Cherowitz has agreed to enter into a separate Consent Order with the Commissioner resolving the Department's allegations against her; and

NOW, THEREFORE, IT IS on this *4th* day of *June*, 2018;

ORDERED, that the charges contained in the Order to Show Cause are deemed admitted by Emrick, IMG, and the Gallagher Agency pursuant to N.J.A.C. 11:17D-2.1(b)1; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-40 and N.J.A.C. 11:17D-2.1(b)2, the insurance producer licenses of Emrick, IMG, and the Gallagher Agency are hereby **REVOKED**; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-45c, Emrick and IMG shall pay a civil penalty, jointly and severally, in the total amount of \$25,000 to the New Jersey Department of Banking and Insurance, with the following breakdown: Count 1 - \$5,000; Count 2 - \$10,000; Count 3 - \$10,000; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-45c, Emrick and the Gallagher Agency shall pay a civil penalty, jointly and severally, in the total amount of \$60,000 to the New Jersey Department of Banking and Insurance, with the following breakdown: Count 4 - \$10,000; Count 5 - \$10,000; Count 7 - \$10,000; Count 8 - \$10,000; Count 9 - \$10,000; Count 10 - \$10,000; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-45c, Emrick, IMG, and the Gallagher Agency shall pay a civil penalty, jointly and severally, in the total amount

of \$20,000 to the New Jersey Department of Banking and Insurance, with the following breakdown: Count 6 - \$10,000; and Count 11 - \$10,000; and

IT IS FURTHER ORDERED, that pursuant to N.J.S.A. 17:22A-45c, Emrick and the Gallagher Agency shall be jointly and severally liable to pay restitution as follows: P.H. - \$848.53; E.B.; \$848.53; K.G. - \$1,773.52; P.L. - \$1,773.53; P.D. - \$1,029.60; P.M. - \$2,361.75; and A.E. - \$1,405.02; and

IT IS FURTHER ORDERED, that in addition to the aforementioned penalties, pursuant to N.J.S.A. 17:22A-45c and N.J.A.C. 11:1-32.4(b)20, and pursuant to the Certification of Investigator Eugene R. Shannon, attached hereto as Exhibit 2, Emrick, IMG, and the Gallagher Agency shall jointly and severally reimburse the Department \$9,400 for the costs associated with the investigation of this matter; and

IT IS FURTHER ORDERED, that payment of the penalties and costs shall be remitted to the New Jersey Department of Banking and Insurance, 20 West State Street, P.O. Box 325, Trenton, New Jersey 08625, Attention: Virgil Downtin, Chief of Investigations, by certified check, cashier's check, or money order made payable to the "State of New Jersey, General Treasury" within 10 days of the date of service of this Final Order; and

IT IS FURTHER ORDERED, that in the event full payment of fines and investigation costs are not made, the Commissioner may exercise any and all remedies available by law, including, but not limited to, recovery of any unpaid penalties in accordance with the Penalty Enforcement Law, N.J.S.A. 2A:58-10 to -12

IT IS FURTHER ORDERED, that the penalties and investigative costs are imposed herein pursuant to the police powers of the State of New Jersey for the enforcement of the

law and the protection of the public health, safety and welfare, and are not intended to constitute debts which may be limited or discharged in a bankruptcy proceeding; and

IT IS FURTHER ORDERED, that the provisions of this Final Order represent a final agency decision and constitute a final resolution of the allegations contained in the Order to Show Cause against Emrick, IMG, and the Gallagher Agency only.

  
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Marlehe Caride  
Acting Commissioner



# EXHIBIT 1

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Department of Banking and Insurance  
Richard J. Hughes Justice Complex  
P.O. Box 117  
Trenton, New Jersey 08625-0117

By: Adam B. Masef  
Deputy Attorney General  
NJ Attorney ID: 013692012  
(609) 292-8150  
Adam.Masef@law.njoag.gov

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

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Proceedings by the Commissioner of Banking	)
and Insurance, State of New Jersey, to fine, suspend	)
and/or revoke the insurance producer licenses of	)
Russell W. Emrick, Jr. d/b/a Kebalo Insurance Agency,	)
The Insurance Advisory Service Agency, and	)
My Insurance Man Agency, Ref. No. 8026975;	)
Insurance Management Group Inc., Ref. No. 9844698;	)
Joseph J. Gallagher Insurance Agency Inc. d/b/a	)
Gallagher Insurance Agency and J J Gallagher Insurance	)
Agency, Ref. No. 8012406; and	)
Renee R. Cherowitz, Ref. No. 8214974	)

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I, Adam B. Masef, of full age, do of my own personal knowledge make the following statements by way of certification in lieu of affidavit pursuant to R. 1:4-4(b):

1. I am a Deputy Attorney General assigned as counsel for the New Jersey Department of Banking and Insurance ("Department") in the above matter. I submit this certification in support of the Department's request that a Final Order be entered against Respondents Russell W. Emrick, Jr. d/b/a Kebalo Insurance Agency, The Insurance Advisory Service Agency, and My Insurance Man Agency ("Emrick"); Insurance Management Group Inc. ("IMG"); and Joseph J. Gallagher Insurance Agency Inc. d/b/a Gallagher Insurance Agency and

J J Gallagher Insurance Agency (the "Gallagher Agency") (collectively, "Respondents"); and specifically, to establish that proper service of Order to Show Cause No. E17-90 was made upon the Respondents.

2. The Commissioner of Banking and Insurance issued Order to Show Cause No. E17-90 on October 16, 2017.

3. By letter dated October 19, 2017, my office served a copy of Order to Show Cause No. E17-90 upon Respondents via regular and certified mail, return receipt requested, at the following, last known business and mailing addresses for Respondents on file with the Department:


Russell W. Emrick, Jr.  
508 Paige Drive  
Vincentown, NJ 08088

Insurance Management Group Inc.  
c/o Russell W. Emrick, Jr.  
28 High St.  
Mt. Holly, NJ 08060

Joseph J. Gallagher Insurance Agency, Inc.  
c/o Russell W. Emrick, Jr.  
28 High St.  
Mt. Holly, NJ 08060

4. Pursuant to N.J.A.C. 11:17D-2.1(a)3, service of the Order to Show Cause in this manner constitutes lawful service upon Respondents.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

  
Adam B. Masel  
Deputy Attorney General

Dated: May 30, 2018

# EXHIBIT 2

GURBIR S. GREWAL  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Department of Banking and Insurance  
Richard J. Hughes Justice Complex  
P.O. Box 117  
Trenton, New Jersey 08625-0117

By: Adam B. Masef  
Deputy Attorney General  
NJ Attorney ID: 013692012  
(609) 292-8150  
Adam.Masef@law.njoag.gov

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

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Proceedings by the Commissioner of Banking )  
and Insurance, State of New Jersey, to fine, suspend )  
and/or revoke the insurance producer licenses of )  
Russell W. Emrick, Jr. d/b/a Kebalo Insurance Agency, ) **CERTIFICATION OF COSTS**  
The Insurance Advisory Service Agency, and )  
My Insurance Man Agency, Ref. No. 8026975; )  
Insurance Management Group Inc., Ref. No. 9844698; )  
Joseph J. Gallagher Insurance Agency Inc. d/b/a )  
Gallagher Insurance Agency and J J Gallagher Insurance )  
Agency, Ref. No. 8012406; and )  
Renee R. Cherowitz, Ref. No. 8214974 )

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I, Eugene R. Shannon, of full age, does hereby certify as follows:

1. I am employed by the New Jersey Department of Banking and Insurance, Office of Consumer Protection Services ("Department") and hold the title of Investigator 1.
2. This certification is submitted in support of the Department's application for reimbursement of its costs of investigation and prosecution, in accordance with N.J.S.A. 17:22A-45c and N.J.A.C. 11:1-32.4(b)20.
3. On March 15, 2016, I was assigned the responsibility for conducting an investigation to determine whether Respondents Russell W. Emrick, Jr. d/b/a Kebalo Insurance

Agency, The Insurance Advisory Service Agency, and My Insurance Man Agency ("Emrick"), Insurance Management Group Inc. ("IMG"), and Joseph J. Gallagher Insurance Agency Inc. d/b/a Gallagher Insurance Agency and J J Gallagher Insurance Agency (the "Gallagher Agency") (collectively, "Respondents") violated certain provisions of the New Jersey Insurance Producer Licensing Act of 2001, N.J.S.A. 17:22A-26 to -48 ("Producer Act"), which investigation contributed to the issuance of an Order to Show Cause.


4. To determine the amount of time that Department investigators spent in the investigation and prosecution of this matter, I reviewed the Department's files relative to this matter, including investigator time records. On the basis of this review I have prepared the schedule of costs attached hereto as Exhibit "A".

5. As this schedule reflects, Department investigators spent at least 188 hours investigating and prosecuting this matter.

6. Pursuant to N.J.A.C. 11:1-32.4(b)(20), costs to the Department for the investigation and prosecution for violations of the Producer Act are reimbursable at the rate of \$50.00 per hour, rounded to the nearest quarter hour.

7. I therefore request that the Department's costs of investigation and prosecution be reimbursed in the amount of \$9,400.

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements are willfully false I am subject to punishment.

  
Eugene R. Shannon  
Investigator I

Dated: 5/30/2018



**State of New Jersey**

DEPARTMENT OF BANKING AND INSURANCE  
DIVISION OF INSURANCE  
PO Box 329  
TRENTON, NJ 08625-0329

PHIL MURPHY  
*Governor*

MARLENE CARIDE  
*Acting Commissioner*

SHEILA OLIVER  
*Lt. Governor*

TEL (609) 292-5316  
FAX (609) 292-5865

PETER L. HARTT  
*Director*

**Exhibit A**

**RECORD OF TIME EXPENDED ON  
INVESTIGATION AND/OR PROSECUTION**

Re: Joseph J. Gallagher Insurance Agency, Insurance Management Group, W. Russell Emrick,  
Jr.

Department File No.:10312, 231234, 204125 and 257712

Investigator: Eugene Shannon

<b>Date</b>	<b>Time in Hours</b>	<b>Phone</b>	<b>Case Prep</b>	<b>Comments</b>
6/28/2012	2			Review complaint 10312 documents, identify respondents, check licensing
6/18/2014	2			Review new complaint 204125 documents, identify respondents, check licensing
4/29/2015	2			Review new complaint 231234 documents, identify respondents, check licensing
3/15/2016	2			Review new complaint 257712 documents, identify respondents, check licensing
3/21/2016	6		A review of all reassigned files was conducted	Files 10312, 204125 and 231234 merged with 257712 and assigned to Inv. Shannon
7/30/2012- 4/28/15	4			Letters and emails to respondents, complainants and witnesses for 10312 and 204125
2/20/14- 7/28/14	16			Obtain and review applications and policies

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				from 8 insurance carriers for 10312 and 204125
2/21/2014-7/28/2014	14			Conduct interviews with respondents, complainants and witnesses and write report of contact for 10312 and 204125
3/27/2014	3		Investigative Report 1 for 3012	
8/1/2014	2		Investigative Report 1 for 204125	
9/26/2014	1		Investigative Report 2 for 204125	First response from Respondent re: Penalty
6/16/2014	7		Initial F&E Report, amended four times	Due to additional information being received
4/29/2015	2			New complaint 231234 Review complaint and licenses
5/10/2015	2			Forward 231234 to DOL for merger with 10312 and 204125
3/15/2016	3			New Complaint 257712 Review complaint and licenses
3/18/2015	6			Conduct field visit to respondent business, conduct interviews, write report of action 257712
3/29/2016	8			Conduct 2nd field visit to respondent business, conduct interviews, obtained documents, write report of action 257712
3/16/2016-1/19/2018	15	36 calls		Calls to carriers, complainants and respondents for 257712
3/15/16-4/7/2017	20			Communicate with and obtain and review complaint evidence from 8 consumers for 257712
4/1/2016-4/7/2017	40			Communicate with and obtain and review application, premium payment and policy evidence from 16 agencies and carriers for 257712



4/29/2016	3		Investigative Report 1 for 257712	
7/21/2016	3		Investigative Report 2 for 257712	
10/28/2016	2		Investigative Report 3 for 257712	
4/7/2017	8		F&E Report for 257712	
4/7/2017-2/23/2018	4			Consultations with DAG
9/13/2017	2		Review OTSC draft	
11/30/2017-2/23/2018	6			Assessment of penalties for agencies and carriers, communication of penalty to agencies, and carriers and negotiations for settlement
<b>TOTAL:</b>	Hours	188		
Hours @ \$50 x hrs.	= \$9,400.00			