



**MICHAEL FRANCIS NAPADOW**

15 Tuileries Place  
Elgin, Illinois 60123

11341 Lake Cypress Loop  
Fort Meyers, FL 33913

6900-29 Daniels Parkway  
Suite 350  
Fort Meyers, FL 33912-158

YOU ARE HEREBY NOTIFIED that pursuant to the Florida Insurance Code, including Sections 120.569, 624.307, 624.317, 624.402, 626.901, 626.904 and 626.909 of the Florida Statutes, the State of Florida, Office of Insurance Regulation (hereinafter referred to as the "OFFICE") has caused an investigation to be made of the insurance-related activities of NATIONS HAZARD INSURANCE COMPANY a/k/a NATIONS HAZARD INSURANCE AGENCY (hereinafter collectively referred to as "NATIONS HAZARD") and Michael Francis Napadow. The OFFICE has information that you and the aforementioned companies have transacted insurance business, in the State of Florida, without holding a certificate of authority as an insurer.

As a result of its investigation, the OFFICE finds:

1. Section 120.569(2)(n), Florida Statutes, provides that "if an agency head finds that an immediate danger to the public health, safety or welfare requires

an immediate final order, it shall recite with particularity the facts underlying such finding in the final order....”

2. The Immediate Final Order is being issued pursuant to Section 120.569(2)(n), Florida Statutes, as the facts stated herein demonstrate an immediate threat to the public health, safety and welfare, including personal and public monetary losses. Furthermore, the issuance of cease and desist orders by Arizona, Colorado, Illinois, Iowa, Nevada, Oregon, Pennsylvania, South Carolina and Washington against NATIONS HAZARD and Michael Francis Napadow including the revocation of Michael Francis Napadow’s Illinois insurance agent license demonstrate a continuing pattern of conduct that must be stopped in order to prevent further harm to the public. **See Exhibit A.**

3. Section 624.03, Florida Statutes, states that an “insurer includes every person engaged as indemnitor, surety or contractor in the business of entering into contracts of insurance or of annuity.”

4. Section 624.10, Florida Statutes, states that to “Transact” with respect to insurance includes any of the following...

- (1) Solicitation or inducement;
- (2) Preliminary negotiations;
- (3) Effectuation of a contract of insurance; and

(4) Transaction of matters subsequent to effectuation of a contract of insurance and arising out of it.

5. Section 624.401, Florida Statutes, states in pertinent part that...

(1) No Person shall act as an insurer, and no insurer or its agents, attorneys, subscribers, or representatives shall directly or indirectly transact insurance in this state except as authorized by a subsisting certificate of authority issued to the insurer by the office...

(2) No insurer shall from offices or by personnel or facilities located in this state solicit insurance applications or otherwise transact insurance in another state or country unless it holds a subsisting certificate of authority issued to it by the office...

6. NATIONS HAZARD has failed to procure a certificate of authority permitting it to transact insurance in the State of Florida. NATIONS HAZARD is unlicensed and unauthorized to transact insurance in Florida or any other U.S. jurisdiction as an insurer or in any other capacity. NATIONS HAZARD has never held a license or certificate of authority to transact insurance in the State of Florida as an insurer or in any other capacity and is in violation of Section 624.401, Florida Statutes. NATIONS HAZARD has never been qualified as an eligible surplus

lines insurer in Florida, pursuant to Sections 626.913 through 626.937, Florida Statutes. See **Exhibit B**.

7. NATIONS HAZARD is a foreign insurance company domiciled in the State of Illinois. NATIONS HAZARD's principal mailing addresses are 129 Canterfield Parkway West, West Dundee, Illinois 60118; 180 South Western Avenue PMB 273, Carpentersville, Illinois 60110; and 925 Carriage Way, Suite 22, Elgin, Illinois 60120-2518.

8. NATIONS HAZARD, an unlicensed and unauthorized insurer solicited Florida consumers from offices in Illinois and Florida to purchase insurance and prepaid legal plans to be performed in Florida and affecting subjects located in Florida in violation of Section 624.401, Florida Statutes.

9. As of the date of this Immediate Final Order NATIONS HAZARD continues to advertise and solicit Florida residents for the sale of professional liability coverage, errors and omissions and prepaid legal insurance through its website found at [www.nationshazard.com](http://www.nationshazard.com). See **Exhibit C**.

10. On or about March 16, 2004, Florida resident, Rick Chipelo of North Bay Home Inspections, received a solicitation purporting to be from "Hartford Casualty Insurance." Mr. Chipelo was instructed to visit a site with the internet address <http://hartfordcasualtyinsurance.com> and fill out forms for additional

information on general liability and errors and omissions coverage for his business.

**See Exhibit D.**

11. On or about June 5, 2003, Rick Chipelo, President, North Bay Home Inspections, Inc. purchased errors and omissions and professional liability coverage from Michael Napadow, representing NATIONS HAZARD INSURANCE. A copy of checks number 1734 and 1759 indicate that a total of four thousand two hundred thirty dollars (\$4,230.00) was paid to the order of NATIONS HAZARD and deposited in the account of Napslo Holding Company, an unlicensed or unregistered Illinois corporate entity . **See Exhibit E.**

12. In reality, a check of this domain name, <http://hartfordcasualtyinsurance.com>, revealed that said website was actually created on January 8, 2004, by Napslo Holding Company, located at 180 S. Western Avenue, PMB 273, Carpentersville, Illinois, 60110, the same address as used by NATIONS HAZARD. The website administrator for the above referenced site is listed as Michael Napadow. Such misrepresentation in the solicitation or sale of insurance from or in the State of Florida is an unfair or deceptive trade practice and is a violation of Section 626.9541, Florida Statutes. **See Exhibit F.**

13. OFFICE investigators received an e-mail from Hartford Assistant Vice-President Brian J. Chiolan indicating that The Hartford does not sell errors and omissions insurance coverage and further confirmed that neither NATIONS

HAZARD nor Michael Napadow was an authorized agent of The Hartford. See **Exhibit G.**

14. Richard Wardell, an investigator for The Hartford, confirmed with OFFICE investigators that Michael Napadow's bogus web site had no connection to the authentic, certified and admitted Hartford Casualty Insurance Company and Michael Napadow is not and at no time has been authorized to use the Hartford's name and logo. See **Exhibit H.**

15. The authentic Hartford has investigated the fraudulent use of its name and logo and has referred these matters to and filed a complaint against Michael Napadow, Nations Hazard and anyone associated with the company to the Illinois Department of Insurance, The Illinois Attorney General's Office, the United States Postal Department and the West Dundee, Illinois Police Department. The Hartford has requested that criminal charges be brought against Michael Napadow and his associates for defrauding home inspectors and fraudulently using The Hartford's name and logo. Additionally, the Hartford has served notice under the Digital Millennium Copyright Act on the internet service provider who hosted the bogus Hartford website. The internet service provider has subsequently shut down this site.

16. Upon learning that Nations Hazard was not authorized to sell insurance in the State of Florida, Mr. Chipelo cancelled his coverage and requested

that NATIONS HAZARD refund his paid premiums. To date Mr. Chipelo has received no refund from either NATIONS HAZARD or Michael Napadow.

17. Mr. Chipelo was forced to purchase bona fide coverage through an authorized insurer at additional cost to cover the risk of legal liability resulting from his business operations. Mr. Chipelo's losses are exacerbated by the fact that his current authorized policy contract does not now, nor will ever include "tail coverage" for losses that may arise from Mr. Chipelo's business dealings while he was covered by Nations Hazard's bogus policy.

18. On or about July 29, 2003, Nations Hazard solicited Cochran & Associates, a business located in the State of Florida, for the sale of an insurance plan that included errors and omissions coverage along with a prepaid legal plan.

**See Exhibit I.**

19. On or about May 5, 2004, Michael McLendon, a home inspector from Lynn Haven, Florida telephoned the DFS Division of Insurance Fraud Hotline to report that he received an email solicitation from NATIONS HAZARD selling errors and omissions and professional liability coverage. The email directed Mr. McLendon to go to the following website <http://hartfordcasualtyinsurance.com>, to submit an application for insurance coverage. Said email further stated that more information was needed "so we can show you how we can give you better

coverage at better pricing, We hope to be of service to you in the near future.” See **Exhibit J**.

20. After receiving orders to cease and desist from the sale of insurance in multiple states and showing a blatant disregard for the law and consumers of the State of Florida, Michael F. Napadow continues to use the name “Hartford” to mislead and trick consumers into purchasing insurance. On April 22, 2004, Mr. Michael Napadow filed a fictitious name registration with Florida’s Secretary of State to conduct business in the State of Florida under the name “Hartford Company” from a Fort Myers address. See **Exhibit K**.

21. While preparing this Immediate Final Order, Office investigators discovered that Michael Napadow has engaged a new internet service provider in Boca Raton, Florida to host yet another bogus website to solicit the sale of insurance products using the Hartford’s name and logo. See **Exhibit L** showing that Michael Napadow of 180 S. Western Ave. PMB 273, Carpentersville, IL 60110, is the registrant of this bogus domain name. A copy of the new bogus “Hartford” website located at [www.hartfordcasualtyinsurance.com](http://www.hartfordcasualtyinsurance.com) is attached as **Exhibit L** and reflects that Napadow was actively soliciting the sale of insurance products through both his bogus “Hartford” site as well as his [www.nationshazard.com](http://www.nationshazard.com) site.

22. NATIONS HAZARD'S and MICHAEL FRANCIS NAPADOW'S transaction of insurance with Florida residents and solicitation from an address within the State of Florida without a subsisting Certificate of Authority issued by the Office is a violation of Section 624.401, Florida Statutes and a felony of the third degree.

23. NATIONS HAZARD'S and MICHAEL FRANCIS NAPADOW'S use of a bogus website to solicit the transaction of insurance is a violation of Florida's Insurance Unfair Trade Practices Act. See Section 626.9541, Florida Statutes.

WHEREFORE, pursuant to the Florida Insurance code and other applicable statutes, including Section 120.569(2)(n), Florida Statutes, the OFFICE finds that NATIONS HAZARD'S and MICHAEL FRANCIS NAPADOW'S continuing transaction of insurance without licensure is a violation of Florida's Insurance Code and constitutes an immediate danger to the public welfare so as to require the issuance of this Immediate Final Order.

Accordingly, IT IS HEREBY ORDERED:

A. NATIONS HAZARD, whether acting in the State of Florida as an insurer, surety, or otherwise engaging in the business of insurance , either directly

or indirectly through named and unnamed persons, entities, agents, or otherwise, shall forthwith **CEASE AND DESIST** from the transaction of any insurance business, including but not limited to the following activities: advertising, solicitation, inducement to purchase, selling, maintaining an internet web page, negotiations, issuing, renewing, accepting premiums, mailing or delivery of policies, contracts or certificates of coverage to Florida consumers

B. NATIONS HAZARD shall **within five (5) days of the issuance of this Immediate Final Order, notify in writing, each and every insured, policyholder or purchaser of a prepaid legal plan residing in the State of Florida** of the cessation of their Florida insurance business and activities because NATIONS HAZARD is not licensed to transact insurance in the State of Florida, and shall also inform such persons and entities that no further applications will be accepted nor contracts issued. All parties subject to the Order **shall within fifteen (15) days** of this Order, file with the OFFICE, the sworn attestations of each officer, director, general partner, member, and limited partner that there has been full compliance with this provision, along with a copy (paper or on computer disk) of all notices mailed.

C. NATIONS HAZARD shall also, within **fifteen (15) days** of this Order, deliver to the Office (1) a **full and complete accounting of all premiums collected**; (2) a **copy of each and every policy, contract or agreement entered**

**into** since the inception of its operations in Florida; and (3) a **list of all persons or entities used to solicit the business in Florida.**

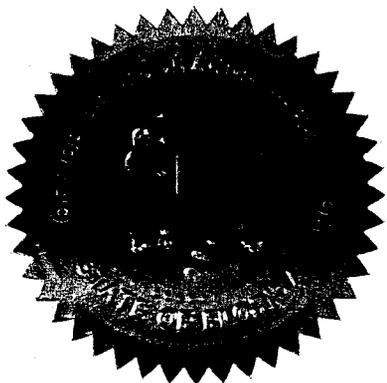
D. Subject to the other mandates of this Immediate Final Order, nothing herein shall relieve you of any obligation or duty you may have incurred in the course of your activities in this state. NATIONS HAZARD shall continue to be responsible for the defense and payment of claims, and otherwise for the timely fulfillment of its contractual obligations to each person or entity insured until all Florida claims have been paid or said contracts expire. This obligation shall remain in effect until further action or order of the OFFICE to the contrary.

E. The entry of this Immediate Final Order, or any amendment thereto, shall not be interpreted as having, nor shall it have, the effect of abrogating any statutory, common law, or contractual rights of any person or entity insured by or who or which may be a third-party beneficiary of coverage under any policy, contract, or certificate of coverage, nor of any person or entity that has relied upon the existence of a policy, contract, or certificate of coverage with NATIONS HAZARD in granting or allowing any right, privilege, or chose in action.

F. The issuance of this Immediate Final Order and the procedural safeguards set forth herein are concluded to be fair under the circumstances due to the irreparable loss and injury to the property of others that has already occurred and the potential grave harm resulting from unauthorized insurance entities

transacting insurance in Florida. As indicated in the Notice of Rights herein, NATIONS HAZARD is afforded the opportunity to appeal this order or to enjoin this Order pursuant to Section 120.569 (2)(n), Florida Statutes.

DONE AND ORDERED THIS 28<sup>th</sup> day of December, 2004.



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Kévin M. McCarty  
Commissioner  
Office of Insurance Regulation

## **NOTICE OF RIGHTS**

Any party to these proceedings adversely affected by this Order is entitled to seek review of this Order pursuant to Section 120.68, Florida Statutes, and Rule 9.110, Fla.R.App.P. Review proceedings must be instituted by filing a petition or notice of appeal with the General Counsel of the Office of Insurance Regulation, acting as the agency clerk, at 612 Larson Building, Tallahassee, FL 32399-0333, and a copy of the same with the appropriated District Court of Appeal, within thirty (30) days of rendition of this Order.

All correspondence or requests for hearing should contain the case number and /or style of the case as listed on page one of this order

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing Immediate Final Order has been sent by Certified Mail to Nations Hazard Insurance Company, a/k/a Nations Hazard Insurance Agency and Michael Francis Napadow at 129 Canterfield Parkway West, West Dundee, Illinois 60118; and 180 South Western Avenue, PMB 273, Carpentersville, Illinois 60110; and 925 Carriage Way, Suite 22, Elgin, Illinois 60120-2518; and 11341 Lake Cypress Loop, Fort Meyers, FL 33913; and 6900-29 Daniels Parkway, Suite 350, Fort Meyers, FL 33912-158 this 20<sup>th</sup> day of December, 2004.

~~Jeffrey W. Joseph~~  
Assistant General Counsel  
Office of Insurance Regulation  
200 East Gaines Street, 6<sup>th</sup> Floor  
Tallahassee, FL 32399-0333

YOU ARE HEREBY NOTIFIED, that you shall not advertise, solicit, sell, issue, renew or receive applications, collect premiums, mail or deliver policies, contracts, certificates of participation, memorandum of service contract reimbursement insurance agreements, or any other evidence of participation, nor shall you enter into any other contact which provides insurance benefits as described above in the State of Illinois until such time that Nations Hazard Insurance Company meets all of the requirements of the Illinois Insurance Code and Department of Insurance Regulations.

YOU ARE FURTHER NOTIFIED, in accordance with Section 401.1 of the Illinois Insurance Code, that the basis for this Order to Cease and Desist is that it appears that you are conducting an insurance business without authority and in such a manner that is hazardous to the participating parties and the public of the State of Illinois, and further that you are engaged in unlawful acts, practices and transactions in violation of Section 121 of the Illinois Insurance Code (215 ILCS 5/121) to wit: the transaction of insurance business in this State without first procuring a certificate of authority from the Director of Insurance, which pursuant to Section 188 of the Illinois Insurance Code (215 ILCS 5/188) would constitute grounds rendering you subject to conservation, rehabilitation or liquidation proceedings.

YOU ARE FURTHER NOTIFIED that irreparable loss and injury to the property of others has occurred or may occur unless this CEASE AND DESIST is issued forthwith.

YOU ARE FURTHER NOTIFIED that nothing herein shall relieve you of any obligation, duty or performances you may have incurred in the course of your activities in this State nor does it impair the validity of any act or contract.

#### NOTICE OF HEARING

YOU ARE FURTHER NOTIFIED, pursuant to Sections 401, 401.1, 402 and 403 of the Illinois Insurance Code (215 ILCS 5/401, 5/401.1, 5/402, and 5/403), that a Hearing will be held on September 10, 2003 at 10:00 a.m. in the offices of the Department of Insurance, 320 West Washington Street, 4<sup>th</sup> Floor, Springfield, Illinois or as soon thereafter as the business of the Department will allow before the Director of Insurance of the State of Illinois, or such authorized Hearing Officer as the Director may designate. The Director of Insurance or such Hearing Officer will be empowered to administer oaths, examine witnesses and require the production of any books, records, documents or papers relevant to the inquiry.

YOU ARE FURTHER NOTIFIED that the purpose of this Hearing is to determine whether you are conducting insurance business and affairs in a manner that is hazardous to participating parties and the public in this State, and whether you are engaged in unlawful acts, practices, and transactions in violation of Section 121 of the Illinois Insurance Code.

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



Received by Office of  
Insurance Regulation

IN THE MATTER OF:

NATIONS HAZARD INS. CO.;  
NATIONS HAZARD INS. AGENCY;  
MICHAEL F. NAPADOW;  
STEPHEN C. NAPADOW;  
JEFFREY MICHAEL NAPADOW;  
and/or Subsidiary or  
Affiliated Companies

MAR 11 2004

Bureau of  
Hearing & Market Investigations

### AUTHORITY TO CONDUCT HEARING

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 401, 402 and 403 of the Illinois Insurance Code (Ill. Rev. Stat., 2003, 215 ILCS 5/401, 402 and 403, designate and appoint Eve Blackwell-Lewis, an employee of the Department of Insurance, State of Illinois, as Hearing Officer to conduct a Hearing in the above-entitled matter, to be held in the Office of the Department of Insurance, 320 W. Washington, Springfield, Illinois, on September 10, 2003, at the hour of 10:00 A. M., or as soon thereafter as the business of the Department of Insurance will permit.

The Hearing Officer so designated by the Director will be empowered to administer oaths, examine witnesses and require the production of any books, records, documents or papers relevant to the inquiry.



IN WITNESS WHEREOF, I hereunto subscribed my name and affixed the Official Seal of the Department of Insurance in the City of Springfield, Illinois this 6<sup>th</sup> day of August, A. D., 2003.

J. Anthony Clark, )  
Director of Insurance

II 446-0194 (Rev. 7/00)

EXHIBIT

A

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

NATIONS HAZARD INSURANCE COMPANY )  
129 Canterfield Parkway West )  
West Dundee, Illinois 60118 )

NATIONS HAZARD INSURANCE AGENCY )  
129 Canterfield Parkway West )  
West Dundee, Illinois 60118 )

MICHAEL F. NAPADOW )  
129 Canterfield Parkway West )  
West Dundee, Illinois 60118 )

STEPHEN C. NAPADOW )  
10 Tuileries Park Place )  
Elgin, Illinois 60123-2722 )

JEFFREY MICHAEL NAPADOW )  
3 N 427 Willow )  
Elmhurst, Illinois 60126 )

AND/OR SUBSIDIARY OR )  
AFFILIATED COMPANIES )

HEARING NO. 4087

### ORDER

I, J. Anthony Clark, the undersigned, Director of Insurance of the State of Illinois, hereby certify that I have read the hereto attached Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer who was heretofore appointed and designated pursuant to Section 402 of the Illinois Insurance Code to conduct a hearing into the above-captioned matter. [215 ILCS 5/402]

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I, J. Anthony Clark, have carefully considered and reviewed the Findings, Conclusions and Recommendations of said Hearing Officer, which are attached hereto and make a part hereof.

I, J. Anthony Clark, the undersigned Director of Insurance, being duly advised in the premises do hereby adopt the Findings of Fact, Conclusions of Law and Recommendations of the Hearing Officer.

Based upon the information presented, I have caused this Order to be entered in this matter based upon the following:

1. Nations Hazard Insurance Company is operating in the State of Illinois and from the State of Illinois. In addition, the internet is used by this entity for both marketing and solicitation purposes.
2. Nations Hazard Insurance Company is not licensed by nor authorized to participate in the State of Illinois in any capacity by the Department of Insurance.
3. There are no statements or provisions in any available marketing materials that make it clear to the consumer that this entity is not authorized by the Illinois Department of Insurance to operate in this state.
4. On October 15, 2003, a hearing was held in the Department's Springfield office, where Nations Hazard Insurance Company failed to appear. At that time, counsel for the Department made a Motion for Default Judgment and proceeded to present a case, which substantiates the allegations made in the original Cease and Desist Order.

Having reviewed the record and found no just cause for the Respondent's refusal to register, I conclude that the allegations made in the Cease and Desist Order are accurate.

THEREFORE, IT IS HEREBY ORDERED THAT:

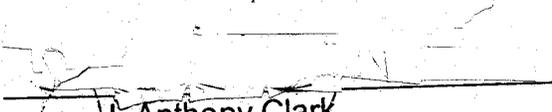
1. The original Cease and Desist Order is made permanent and becomes effective immediately.

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2. Nations Hazard, not operate from or in Illinois. In the event that such operations are taking place outside of Illinois, Nations Hazard must place in large (not less than 14 point), bold letters on each page of their internet website, application and marketing materials the following statement:

"This company is not authorized or licensed to do business in the State of Illinois by the Illinois Department of Insurance; thus, the sale of insurance products by this company are prohibited in Illinois."

IN WITNESS WHEREOF, I have  
Hereunto subscribed my name and  
Affix the Official Seal of the Department  
Of Insurance in the City of Springfield,  
State of Illinois, this 10<sup>th</sup> day of  
December, A.D., 2003.

  
\_\_\_\_\_  
J. Anthony Clark  
Director

# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

NATIONS HAZARD INSURANCE COMPANY )  
129 Canterfield Parkway West )  
West Dundee, Illinois 60118 )

NATIONS HAZARD INSURANCE AGENCY )  
129 Canterfield Parkway West )  
West Dundee, Illinois 60118 )

MICHAEL F. NAPADOW )  
129 Canterfield Parkway West )  
West Dundee, Illinois 60118 )

STEPHEN C. NAPADOW )  
10 Tuileries Park Place )  
Elgin, Illinois 60123-2722 )

JEFFREY MICHAEL NAPADOW )  
3 N 427 Willow )  
Elmhurst, Illinois 60126 )

AND/OR SUBSIDIARY OR )  
AFFILIATED COMPANIES )

HEARING NO. 4087

**FINDINGS OF FACT,  
CONCLUSIONS OF LAW  
AND RECOMMENDATIONS OF THE HEARING OFFICER**

NOW COMES, Eve Blackwell-Lewis, duly appointed Hearing Officer in the above-captioned matter, and hereby offers her Findings of Fact, Conclusions of Law and Recommendations to the Director of Insurance.

## FINDINGS OF FACT

1. On August 6, 2003, Eve M. Blackwell-Lewis, was appointed as Hearing Officer in the above-captioned matter by order of the Director of Insurance, J. Anthony Clark. (Hearing Officer Ex. #1)
2. The Director of Insurance caused an Order to Cease and Desist and Notice of Hearing to be issued on August 6, 2003. Attached thereto was the Appearance of Attorney Joseph T. Clennon, on behalf of the Department. (Hearing Officer Ex. #1)
3. The Order to Cease and Desist and Notice of Hearing, namely Hearing Officer Exhibit 1, was received by the Respondents, as indicated by the return of the five U.S. Postal Service's (green) Receipt Cards for Certified Mail. (Hearing Officer Ex. #2)
4. Prior to the day of the hearing, the Hearing Officer, received a Motion to Continue Hearing from Attorney Claire Manning, on behalf of all the Respondents. (Hearing Officer Exhibit #3)
5. In response to this request, the Hearing Officer issued an Order of Continuance, postponing the hearing to October 15, 2003. (Hearing officer Exhibit #4)
6. Having followed the general procedure of the Department, all copies of filings and Orders are mailed to all Respondents and their counsel. The envelope addressed to Respondent Jeffrey Michael Napadow was returned to the Department. The envelope was marked "Return to Sender", "Moved", and "Undeliverable as Addressee Forwarding Order Expired." (Hearing Officer Ex. #5)

This concluded the documents that comprised the Hearing Officer's file. Hearing no objections to any of these exhibits, all were entered into the record. (Tr. 4-5)

The Hearing Officer did note that immediately prior to the beginning of the hearing, she received a phone call from Attorney Claire Manning. Earlier, Attorney Manning had submitted a Motion to Continue Hearing on behalf of the Respondent. However, she wanted it to be clear to the Hearing Officer and the Counsel for the Department that she would not be appearing at the hearing on behalf of the Respondent.

7. The details of the proceedings are as follows:  
At approximately 10:15 a.m., the Hearing Officer called the hearing to Order. After going on the record, the Hearing Officer asked everyone in the room to state their name and indicate whom they represented.

The following individuals were present at the October 15, 2003 hearing (Tr. 3-4):

Hearing Officer, Eve Blackwell-Lewis  
Mr. Joseph T. Clennon, Counsel for the Department  
Mr. Brett Gerger, Illinois Department of Insurance  
Ms. Linda Crowder, Illinois Department of Insurance  
Mr. Michael Teer, Witness, Illinois Department of Insurance  
Mr. James Peacock, Illinois Department of Insurance  
Mrs. Etta Mae Credi, Illinois Department of Insurance  
Neither the Respondents, nor any counsel appeared upon their behalf.

Attorney Clennon waived his opening statement. (Tr. 5) At this time, Attorney Clennon called his first witness. After being duly sworn, Mrs. Linda Crowder, testified on behalf of the Department, as follows:

\*Mrs. Crowder is an employee of the Illinois Department of Insurance. Specifically, Mrs. Crowder serves as an investigator in the Producer Regulatory Unit. (Tr. 6-7)

\*Mrs. Crowder received a complaint via e-mail, involving the Respondent in this matter. After receiving the complaint, Mrs. Crowder began her investigation. As shown by Department Ex. #1, Respondent, Nations Hazard Insurance Agency became licensed with the Department on June 23, 2003, as an insurance agency, not as an insurance company. (Tr.7-8)

\*Department Exhibit #1 also contained information regarding the license data record of Michael Napadow. Mr. Napadow was originally licensed for fire and casualty on May 27, 2003. In addition, he was licensed as a limited rep through prepaid legal on November. 25, 1997. Mr. Napadow let that license lapse and re-applied for it on January 31, 2003. (Tr. 9; Department Ex.#1)

\*Department's Ex. 2 was then identified by Mrs. Crowder as documentation that was forwarded to her from Ronald Hansen with the Federal Building Inspection. When Mr. Hansen requested specific information from Mr. Michael Napadow, such as a certificate of insurance, Mr. Michael Napadow provided a certificate indicating that Hartford Insurance was the insurer. Further, the documentation shows that Hartford Insurance Company does not write E and O insurance for home inspectors. (Tr. 9-10: Department Ex. # 2)

\* The Department records show that Steven C. Napadow is licensed as a limited representative through Prepaid Legal Casualty, with various breaks in service. He was last licensed in June 17, 2003. (Tr.11-12: Department Ex. #3)

\*Jeffrey Michael Napadow's record, according to Department records, shows that he was licensed as a limited representative for prepaid legal, however, his license lapsed in January 1, 1999. (Tr. 12: Department Exhibit #3)

This concluded Mrs. Crowder's testimony. Mr. Clennon then called Mr. James Peacock to testify. After being duly sworn, Mr. Peacock testified as follows:

\*Mr. Peacock is employed at the Department of Insurance as the supervisor of the Non-admitted Insurance Regulatory Unit. In this position, Mr. Peacock investigates companies that are suspected of selling unauthorized insurance in the State of Illinois. (Tr. 14-15)

\*Mr. Peacock investigates complaints and other inquiries from various sources, such as e-mails, other state contacts, phone calls from consumers, under the supervision of Mrs. Etta Mae Credi. (Tr. 15-16)

\*Mr. Peacock did investigate Nations Hazard Insurance Company and concluded that it was an illegal entity operating in the State of Illinois and assuming the risk on insurance policies issued by Mr. Michael Napadow. In support of this conclusion, Mr. Peacock stated that Nations Hazard did not have the proper certificate of authority to conduct business in Illinois, as required in 215 ILCS 5/121. (Tr. 16-17)

\*In performing his investigation, Mr. Peacock reviewed the public website for Nations Hazard, located at [www.nationshazard.com](http://www.nationshazard.com), where he retrieved various information documents. An application for insurance, categories of coverage available and other information were available on the website. From the website, it appears that Nations Hazard was offering the insurance directly and underwriting the coverage. (Tr. 17-18)

\*Mr. Peacock also identified and discussed Department Ex. B, which was a policy and welcome packet received by a consumer, who works as a home inspector in the State of Washington. The packet also included information on what the home inspector needed to retain his termite inspector's license in the State of Washington.

\*In addition, according to the header on one of the documents, Nations Hazard Insurance Company is issuing the policy, along with a NAIC number. In addition, a monthly bank draft was included. Mr. Peacock identified each page of the exhibit and the notes and relevance of the page to his investigation. (Tr. 18-28: Department Ex. B).

**\*\*\*Various documents entered into the record, which contained personally identifiable information, has been redacted to protect the individual(s) or sealed to show that it is not available to the public.\*\*\***

\*Mr. Peacock identified Department Ex. C, as an e-mail exchange between Mr. Napadow, Mr. Kevin Campbell and Ms. Mallory Anderson, which was faxed to Mr. Peacock by Mallory Anderson on August 4, 2003. According to the e-mail, Mr. Napadow stated that Nations Hazard had been in business for 13 years, as a local insurance company, offering life, auto, work comp and casualty insurance. The e-mail made reference to Nations Hazard accepting and retaining the first \$25,000, with any amount over and above this being turned over to a Lloyds' underwriting syndicate. The leading member of this underwriting group is called Liberty Mutual Insurance Company. (Tr. 28-29: Department Ex. C)

\*Mr. Peacock then identified another set of e-mails that were forwarded to him by Mr. Ted Bader, who serves as an investigator for the State of Washington. This e-mail series are between Mr. Christopher Sloan, Assistant Vice President and Senior Corporate Counsel for Liberty Mutual Insurance Company and Mr. Michael Napadow. Mr. Sloan questioned the affiliation or relationship alleged between Nations Hazard and Liberty Mutual. After Mr. Napadow stated that he is unaware of any affiliation between his Nations Hazard and Liberty Mutual, Mr. Sloan requested that Mr. Napadow post on the website of the National Association of Certified Home Inspectors that he is not affiliated with Liberty Mutual Insurance Company. (Tr. 29-31: Department Ex. C-1)

\*Mr. Peacock then identified Department Ex. D, which was faxed into the Department, to the attention of his supervisor, Mrs. Etta Mae Credi, by Mallory Anderson, of the National Association of Home Inspectors. This fax contains copies of Mr. Napadow's license, as well as, the Agency license for Nations Hazard Insurance Agency, which were allegedly supplied by Mr. Michael Napadow to individuals asking for a copy of Nations Hazard's Certificate of Authority. (Tr. 31-33: Department Ex. D)

\*Mr. Peacock then turned his attention to Department Ex. E, which he identified as another fax received from the National Association of Home Inspectors, Inc. from Ms. Anderson to Mrs. Credi. This fax contained another policy issuance and quote issued by Mr. Michael Napadow. Handwritten notes on the second page seem to indicate that the exhibit is a standard package that goes out to all clients choosing coverage with Nations Hazard Insurance Company (Tr. 34: Department Ex. E)

\*Mr. Peacock identified Department Exhibit F, which was a facsimile sent to him by Mr. Wayne Wertzer of the Lloyds of America, Inc. This packet of information included letters to Mr. Napadow and Mrs. Etta Mae Credi

regarding the alleged relationship between Lloyds and Nations Hazard. On behalf of Lloyds, Mr. Wertzler denied any relationship existed. (Tr. 35-37: Department Exhibit F)

\*Mr. Peacock identified Department Exhibit G, which consisted of 8 pages. This exhibit represents a list of individuals who have acquired insurance through Nations Hazard Insurance Company on a nation-wide basis. The list was provided by Mr. Ted Bader of the Washington Insurance Department. Approximately 13 Illinois consumers were listed. (Tr. 37-38: Department Ex. G)

\*Mr. Peacock then identified Department Exhibit H, which is a single page document. This document is entitled Proof of Insurance Coverage. It was issued to Best Choice Inspections and Mr. Kenneth Norkus of Burr Ridge, Illinois. On this page, Nations Hazard Insurance Company is listed as both the producer and the insurer, with an NAIC company code number of 62603A. This document is dated June 19, 2003. However, upon checking the NAIC database, there was no company assigned to the above noted number. (Tr. 38-39: Department Exhibit H)

\*With regard to Department Exhibit I, Mr. Peacock identified it as another Proof of Insurance Coverage. This form purported coverage for Russ Augustine and Associates, located in Schaumburg, Illinois. Again, Nations Hazard Insurance Company was listed as both the producer and the insurance company providing the coverage. In this instance, the NAIC Code used was 71303. Again, no insurance company was assigned the above noted number. (Tr. 39-40: Department Exhibit I)

\*Department Exhibit J was presented to Mr. Peacock for identification and explanation. Mr. Peacock stated that this exhibit included another Proof of Insurance that was faxed to his supervisor from Al Chesley. On this Proof form, there were three insurers listed, including Nations Hazard. The only insurer for which an NAIC number appears was Liberty Mutual Insurance Company. Liberty Mutual has disavowed any connection with Nations Hazard Insurance Company. (Tr. 40-41: Department Exhibit J)

\*Counsel then directed Mr. Peacock's attention to Department Exhibit M. Mr. Peacock identified this as a fax sent to him by Mr. Bob Pearson of the Allen Insurance Group, located in Georgia. It contains a Proof of Insurance Coverage issued to Crossroads Home Inspections. Nations Hazard Insurance Company is listed as both the producer and as the insurance company accepting the risk. The NAIC Code number listed, 62803, did not match any company in the NAIC database. (Tr. 41-42: Department Exhibit M)

\*\*During the testimony of Mr. James Peacock, counsel for the Department requested that administrative notice be taken of Department Exhibit N, which is an Order from Banks and Real Estate denying Mr. Napadow his home inspection license. In addition, counsel requested that notice be taken of the certified copy of the Cease and Desist Order entered by the State of Washington, Office of the Insurance Commissioner. That Order included Nations Hazard Insurance Company, as an unauthorized entity, Michael F. Napadow, Steve C. Napadow and Jeffrey M. Napadow. Notice was duly taken.\*\* (Tr. 42-43: Department Exhibits N and O)

\*Mr. Peacock then stated that it was his belief that Nations Hazard was operating as an unlicensed insurance company in the State of Illinois on a nation-wide basis.

This concluded the testimony of Mr. Peacock. He was excused.

At this time, the Hearing Officer asked which exhibits Mr. Clennon would like entered into the record. The exhibits were called and entered into the record. Attorney Clennon waived his closing argument and made a motion for a default judgment.

The hearing was concluded and the record was closed.

### CONCLUSIONS OF LAW

Based upon the facts discussed above in the Section entitled "Findings of Fact", the Hearing Officer offers the following Conclusions of Law to the Director of Insurance.

1. Eve Blackwell-Lewis was duly and properly appointed as Hearing Officer in this matter by Order of the Director of Insurance pursuant to Section 402 of the Illinois Insurance Code. (215 ILCS 5/402)
2. The Director has jurisdiction over the subject matter and parties to this proceeding pursuant to various Sections of the Insurance Code. (215 ILCS 5\401, 5\401.1, 5\402, 5\403 and 5\121.)
3. The purpose of this Hearing was to determine whether the named Respondents were operating in Illinois as unauthorized insurers, pursuant to Section 121 of the Illinois Insurance Code, and thus, whether the Cease and Desist Order should be made permanent.
4. In the Cease and Desist Order issued by the Director of Insurance, the Department cited Section 121 of the Illinois Insurance Code :

Section 121 of the Illinois Insurance Code states, in part, the following:

***"Transacting business without certificate of authority prohibited.***

***(1) It shall be unlawful for any company to enter in to a contract of insurance as an insurer or to transact insurance business in this State, without a certificate of authority from the Director; . . .***

***(2) The following acts, if performed in this State, shall be included among those deemed to constitute transacting insurance business in this State:***

- (a) maintaining an agency or office where contracts are executed which are or purport to be contracts of insurance with citizens of this or any other State;***
- (b) maintaining files or records of contracts of insurance, or***
- (c) receiving payment of premiums for contracts of insurance.***

***215 ILCS 5/121  
(emphasis added)***

In addition, the Department also cited 401.1 of the Illinois Insurance Code, which states, in part, as follows:

***Section 401.1***

***(2) Whenever it appears to the Director that any person or company subject to this Code is conducting its business affairs in such a manner as to threaten to render it insolvent, or that it is in a hazardous condition, or is conducting its business and affairs in a manner which is hazardous to its policyholders, creditors or the public, or that it has committed or engaged in, or is committing or engaging in, any unlawful act, or any act, practice or transaction which under any provision of this Code would constitute ground rendering the person subject to conservation, liquidation or rehabilitation proceedings and that irreparable loss and injury to the property and business of a person or company has occurred or may occur unless the Director acts immediately, the Director may, without notice and before hearing, issue and cause to be served upon such person or company an order requiring such person or company to forthwith cease and desist from engaging further in the acts, practices or transactions which are causing such conduct, condition or ground to exist.***

***215 ILCS 5/401.1  
(emphasis added)***

The question that must be answered initially is whether Nations Hazard Insurance Company is operating an insurance business in or from Illinois. In reviewing

the evidence set forth by the Department, there is considerable evidence that Nations Hazard is operating an insurance related business in Illinois. All of the Respondents are Illinois residents, including the corporate entity, Nations Hazard Insurance Company. The addresses, which can be found on business cards, licensing information and other literature, also indicate an Illinois residency.

Furthermore, included in the evidence offered by the Department was documentation of Illinois citizens obtaining "coverage" from Nations Hazard. Finally, the use of the internet website for solicitation purposes, with no apparent disclosure or notification that excludes potential Illinois business, supports a finding of solicitation to Illinois citizens.

The second question that must be addressed is whether Nations Hazard is operating an "insurance business". It seems clear from the evidence set forth that Nations Hazard has put itself forth as both a producer and an insurer. There is no language in the literature that clearly distinguishes Nations Hazard's role as producer versus an insurer. In fact, on various Proof of Insurance forms, Nations Hazard appears in both capacities. Nevertheless, there is a very distinct legal difference in the functions of a producer compared to an insurer.

This leads to the next question that must be addressed, which is whether Nations Hazard Insurance Company is properly licensed to act as an insurer in Illinois. The testimony of Department staff is clear that there is no licensed insurance company by the name of Nations Hazard Insurance Company licensed by the Illinois Department of Insurance. Furthermore, the staff has noted the existence of licensing authority in various capacities for the remaining named Respondents, along with an explanation of the difference between an agency license and a Certificate of Authority. Certainly, insurance agencies are not licensed to bear risk. The standards set for the establishment of insurance companies in Illinois are focused, in part, on insuring financial stability and precautions. For instance, participation in the Illinois Guaranty Fund offers some relief for policyholders with claims, in the event that an insurer becomes insolvent. When these requirements are not fulfilled, all those who do business with such entities run the risk of significant financial and property loss.

The final question that must be addressed is whether the activities of Nations Hazard Insurance Company may result in public harm. There is no question that the behavior of Nations Hazard is alarming. The deceptive practice of falsely listing legitimate insurance entities in business forms and literature speaks volumes about the potential harm to the public. In addition, the attempt to give Nations Hazard the appearance of legitimacy through the use of false NAIC numbers opens the unsuspecting public to other hazardous pitfalls.

The evidence presented substantiated the allegations made by the Department. Therefore, the Department's Motion for Default is granted.

**RECOMMENDATION**

Based upon the above-stated Findings and Conclusions, the Hearing Officer respectfully recommends that the Director of Insurance affirm the Cease and Desist Order entered on August 6, 2003, and deem it permanent.

Dated: December 2, 2003

Respectfully submitted,

Eve Blackwell-Lewis  
Hearing Officer

BEFORE THE DIVISION OF INSURANCE, STATE OF COLORADO

Case File Nos. 145931 and 145606

Order No. 0-04-085

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**EX PARTE EMERGENCY ORDER TO CEASE AND DESIST THE UNAUTHORIZED AND UNLAWFUL TRANSACTION OF THE BUSINESS OF INSURANCE IN THE STATE OF COLORADO**

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IN THE MATTER OF NATIONS HAZARD INSURANCE COMPANY and MICHAEL FRANCIS NAPADOW, Respondents

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This matter comes before the Honorable Doug Dean, the Commissioner of Insurance of the State of Colorado (the "Commissioner"), pursuant to the provisions of the Regulation of Unauthorized Insurance Act, § 10-3-901 through § 10-3-910, C.R.S., wherein the Commissioner is authorized to issue an *ex parte* emergency cease and desist order when a person is engaging in the transacting of the business of insurance in Colorado without the benefit of legal authority to do so.

**JURISDICTION AND PARTIES**

1. Pursuant to § 10-1-108, C.R.S., the Commissioner has the duty and responsibility to supervise the business of insurance in Colorado, and to investigate and enforce Colorado insurance laws and regulations. Pursuant to § 10-3-904.5, C.R.S., when the Commissioner believes that an unauthorized person is engaging in the transacting of the business of insurance in violation of §§ 10-3-105 or 10-3-903, C.R.S., or any rule or regulation promulgated under authority of Colorado insurance laws, and when it appears to the Commissioner that such unauthorized person's conduct is fraudulent, or creates an immediate danger to the public safety, or is causing or can be reasonably expected to cause significant, imminent and irreparable public injury, then the Commissioner may issue an *ex parte* emergency cease and desist order to that unauthorized person to cease and refrain from such unlawful conduct.

2. Upon information and belief, Nations Hazard Insurance Company and Michael Francis Napadow (hereafter "Respondents") conduct business at the following addresses: 129 Canterfield Parkway West, West Dundee, Illinois 60118-9004.

3. Coleman Home Inspection, Incorporated filed articles of incorporation with the Colorado Secretary of State in 2001 and is a corporation in good standing in the state of Colorado.

4. Inspect-It 1<sup>st</sup> Property Inspection Corporation filed articles of incorporation with the Colorado Secretary of State in 2000 and is a corporation in good standing in the state of Colorado.

5. Respondents have engaged in the transacting of the business of insurance in Colorado without the benefit of legal authority to do so, thereby engaging in fraudulent conduct, creating an immediate danger to the public safety or causing or reasonably expecting to cause significant, imminent and irreparable public injury.

6. Respondents have solicited, negotiated, effected, procured, delivered, renewed, continued, or bonded policies of insurance for risks residing, located, or to be performed in this state without the benefit of legal authority to do so, thereby engaging in fraudulent conduct, creating an immediate danger to the public safety or causing or reasonably expecting to cause significant, imminent and irreparable public injury.

7. Therefore, the Commissioner has jurisdiction over Respondents and the subject matter of this *Ex Parte* Emergency Cease and Desist Order (the "Order").

8. The relevant portions of the Colorado Revised Statutes, which apply to Respondents and the subject matter of this Order, are:

**§ 10-3-105. Certificate of authority to do business--companies prohibited**

(1) Except pursuant to the provisions of article 5 of this title, no foreign or domestic insurance company shall transact any insurance business in this state, unless it first procures from the commissioner a certificate of authority stating that the requirements of the laws of this state have been complied with and authorizing it to do business. The certificate of authority shall expire on June 30 each year and shall be renewed annually if the company has continued to comply with the laws of the state.

....

**§ 10-3-903. Definition of transacting insurance business**

(1) Any of the following acts in this state, effected by mail or otherwise, by an unauthorized insurer constitute transacting insurance business in this state as such term is used in section 10-3-105:

(a) The making of, or proposing to make, as an insurer, an insurance contract;

(c) The taking or receiving of any application for insurance;

(d) The receiving or collection of any premium, commission, membership fees, assessments, dues, or other consideration for any insurance or part thereof;

(e) The issuance or delivery of contracts of insurance to residents of this state or to persons authorized to do business in this state;

**FINDINGS OF FACT**

**The Commissioner finds the following:**

9. On or about July 18, 2003, Respondent Nations Hazard Insurance Company issued a Certificate of Liability Insurance to Insured: Coleman Home Inspection, Inc., Mr. John Coleman, PMB#330, 1610 Pace Street Unit 900, Longmont, CO 80501, Policy Number [REDACTED] with an effective date of July 20, 2003. The Certificate is authorized by Respondent Michael Francis Napadow. See Certificate attached as Exhibit A and incorporated herein by reference.

10. Policy Number [REDACTED] allegedly provided general liability coverage, errors and omission coverage and pre-paid legal services to Coleman Home Inspection, Inc. See Exhibit A.

11. On or about August 19, 2003, Respondent Nations Hazard Insurance Company issued a Certificate of Liability Insurance to Insured: Inspect-It 1<sup>st</sup> of Grand Junction, Colorado, Mr. Domenick R. Iellamo, Jr., 651 Saddle Rock Drive, Grand Junction, CO 81504, Policy Number [REDACTED] with an effective date of September 8, 2003. The Certificate is authorized by Respondent Michael Francis Napadow. See Certificate attached as Exhibit B and incorporated herein by reference.

12. The certificate holder listed on the Certificate of Liability Insurance is Inspect-It 1<sup>st</sup> Franchising Corporation, Mr. Scott Grossman, 3420 E. Shea Blvd., Suite 115, Phoenix, AZ 85028. The Certificate of Insurance allegedly provided general liability coverage, errors and omissions coverage, and pre-paid legal services to Inspect-It 1<sup>st</sup> of Grand Junction, Colorado for work to be performed in Colorado. See Exhibit B.

13. On August 15, 2003, Inspect-It 1<sup>st</sup> Property Inspection, Corp. issued check number 2232 in the amount of \$3,120.48 payable to Respondent Nations Hazard Insurance to pay for Policy Number [REDACTED] referenced above in paragraph numbers 13 and 14. See check number 2232 attached hereto as Exhibit C and incorporated herein by reference.

14. The Commissioner's official records indicate that Respondents have never held a certificate of authority issued by the Commissioner of the Colorado Division of Insurance.

15. Respondents conduct in issuing Certificates of Liability Insurance to Coleman Home Inspections, Inc. and Inspect-It 1<sup>st</sup> Property Inspection, Corp. constitutes engaging in the business of insurance without the benefit of legal authority and constitutes conduct that is fraudulent, creates an immediate danger to the public safety, or is causing or can be reasonably expected to cause significant, imminent, and irreparable public injury.

## CONCLUSIONS OF LAW

16. The Commissioner has jurisdiction over Respondents and the subject matter of this Order.

17. Respondents have engaged in the transaction of the business of insurance as described in §§ 10-3-105 and 10-3-903, C.R.S. Respondents' actions as described herein are those of an "insurance company" as defined under § 10-1-102(4), C.R.S., and of an "insurer" as defined under and § 10-1-102(8), C.R.S. Likewise, Respondents business activities, conduct and contracts constitute "insurance" under § 10-1-102(7), C.R.S.

18. Respondents have never held a certificate of authority authorizing them to transact the business of insurance in Colorado, and the Commissioner has never issued the same to Respondents. This conduct constitutes violations of §§ 10-3-105 and 10-3-903, C.R.S.

19. The Commissioner is authorized to issue an *ex parte* emergency cease and desist order to Respondents because: (i) Respondents are an "unauthorized person", as defined in § 10-3-904.5(2), C.R.S.; (ii) Respondents have "transacted insurance business" in Colorado, as defined in § 10-3-903, C.R.S. as an unauthorized company without a certificate of authority as required by § 10-3-105, C.R.S.; (iii) Respondents have engaged in conduct which is fraudulent, creates an immediate danger to the public safety, or is causing or can be reasonably expected to cause significant, imminent, and irreparable public injury. See § 10-3-904.5(1)(b), C.R.S.

## ORDER

**Based upon the Findings of Fact and Conclusions of Law found above, the Commissioner orders as follows:**

20. Respondents and their officers, directors, employees, managers, members, partners, investors, affiliates, associates, agents and all other persons with actual knowledge of this Order, regardless of relation or corporate or other form, are **HEREBY ORDERED** to **CEASE AND DESIST** from transacting the business of insurance in the State of Colorado, as defined in § 10-3-903, C.R.S., until such time Respondents are issued a certificate of authority by the Commissioner of the Colorado Division of Insurance.

21. Further, Respondents are **HEREBY ORDERED** to produce to the Commissioner legible copies of all outstanding or currently effective insurance contracts, and other documents evidencing insurance currently in force, which insurance covers risks in or relating to persons, entities, or events in Colorado, and to disclose to the Commissioner the amount of insurance coverage and the gross amount of premiums paid or to be paid for each insurance contract within thirty (30) days of the date of this Order, pursuant to § 10-1-108(5), C.R.S., and § 10-3-907(1), C.R.S.

**OTHER MATTERS**

22. Pursuant to § 10-3-904.6(1), C.R.S., Respondents may contest this Order and request a hearing within 60 days of the date of this Order in accordance with § 24-4-105(12), C.R.S.

23. Pursuant to § 10-3-904.6(5), C.R.S., upon determination of a violation of this Order, the Commissioner may impose a civil penalty of \$25,000.00 for each act and/or direct restitution.

24. Pursuant to § 10-3-906, C.R.S., Respondents' Colorado insurance contracts, including those not mentioned in this Order, which are currently in place, remain valid and enforceable by Respondents' insureds pursuant to the terms of such contracts.

25. This Order contains a total of SIX (6) pages, including the Certificate of Service, but excluding Attachments and Exhibits, if any.

26. This Order is effective immediately upon execution by the Commissioner or his designee.

Dated this 10<sup>th</sup> day of October, 2003.

Doug Dean  
Commissioner of Insurance

JANET BYRNE  
Deputy Commissioner of Insurance

Colorado Division of Insurance  
Department of Regulatory Agencies  
State of Colorado

CERTIFICATE OF SERVICE

This is to certify that I have duly served the within *EX PARTE* EMERGENCY ORDER TO CEASE AND DESIST THE UNAUTHORIZED AND UNLAWFUL TRANSACTION OF THE BUSINESS OF INSURANCE IN THE STATE OF COLORADO, including Exhibits A through C, upon all parties herein by depositing copies of same in the United States mail, by certified mail, return receipt requested and postage prepaid at Denver, Colorado, this

20th day of October 2003, addressed as follows:

NATIONS HAZARD INSURANCE CO.  
129 CANTERFIELD PARKWAY WEST  
WEST DUNDEE, ILLINOIS 60118-9004  
CERTIFIED MAIL NO.

MICHAEL NAPADOW  
129 CANTERFIELD PARKWAY WEST  
WEST DUNDEE, ILLINOIS 60118-9004  
CERTIFIED MAIL NO.

COLEMAN HOME INSPECTION, INC.  
MR. JOHN COLEMAN  
PMB#330  
610 PACE STREET, UNIT 900,  
LONGMONT, CO 80501  
CERTIFIED MAIL NO.

INSPECT-IT 1<sup>ST</sup> OF GRAND JUNCTION,  
COLORADO MR. DOMENICK R.  
IELLAMO, JR.  
651 SADDLE ROCK DRIVE  
GRAND JUNCTION, CO 81504  
CERTIFIED MAIL NO.



# STATE OF IOWA

THOMAS J. VILSACK  
GOVERNOR

THERESE M. VAUGHAN  
COMMISSIONER OF INSURANCE

SALLY J. PEDERSON  
LT. GOVERNOR

October 7, 2003

Nations Hazard Insurance Company  
Attention: Michael Napadow  
129 Canterfield Parkway-West  
West Dundee, IL 60118-9004

RE: Insurance Plan H2000  
File # 45173

Dear Mr. Napadow:

The Iowa Insurance Division has received the enclosed documentation indicating that your company/agency has transacted the business of insurance in the State of Iowa.

In accordance with the provisions of Iowa Code Chapters 505, 507A, 507B, 515 and 522B the Iowa Insurance Division requires Nations Hazard Insurance to **Immediately Cease and Desist** transacting the business of insurance in Iowa until such time that it has provided the following information and documentation regarding your company and its insurance activities in Iowa to the satisfaction of the Iowa Insurance Division:

- 1) A copy of Nations Hazard Insurance's Certificate of Authority to conduct the business of insurance in the State of Iowa.
- 2) Provide copies of all advertising and marketing materials circulated by Nation's Hazard Insurance in Iowa for the period 1/1/03 to 10/1/03.
- 3) Provide copies of all, Cease and Desist or other administrative orders issued against Nations Hazard Insurance.
- 4) Provide the names, addresses and social security numbers for all principals, agents and/or sales representatives of Nations Hazard Insurance.
- 5) Provide the names, addresses, and policy numbers for all Iowa consumers to whom you have solicited or sold insurance and/or have collected premium and provide a complete accounting for all premiums collected.

**SENDER: COMPLETE THIS SECTION**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Napadow, Michael  
Nations Hazard Ins Co.  
129 Canterbury Parkway West  
West Dundee, IL  
60118-9004

2. Article Number  
(Transfer from service label)

7000 0600 0025 6720 8069

PS Form 3811, August 2001

Domestic Return Receipt

102595-02-M-1540

#45173 - Liesfield

**COMPLETE THIS SECTION ON DELIVERY**

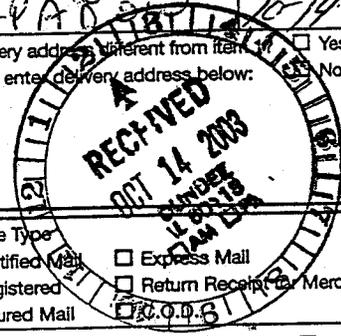
A. Signature *[Signature]*  Agent  
 Addressee

B. Received by (Printed Name) *NAPADOW* C. Date of Delivery *10/14/03*

D. Is delivery address different from item 1?  Yes  
If YES, enter delivery address below:  No

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes



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**Commercial Liability Coverage  
Declarations**

Policy #: [REDACTED]  
 Effective Date: 07/24/2003  
 @ 12:01 A.M. Standard Time

<u>Limits of Insurance for Occurrence Policy</u>					
General Aggregate Limit	-	-	-	-	\$1,000,000
Each Occurrence Limit	-	-	-	-	\$ 500,000
Deductible Limit of Insured	-	-	-	-	\$ 500

Name of Business/Employer: Home Inspections Services  
 Name of Business License Holder: David Liesveld  
 Business Address Location: 4224 Sunland Court SE  
 City, State, Zip code: Cedar Rapids, Iowa 52403

Effective Date of Policy: 07/24/2003      Expiry Date: 07/23/2004

Renewal or New: New      Business Entity: Corporation

Business Description: Home Inspection Company

*In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy along with all endorsements, if any, attached thereto.*

**Endorsements Contracted for and made part of this Policy:**

- |                                                                                            |                                     |                                    |     |
|--------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------|-----|
| Commercial/Industrial Inspections                                                          | [ ]                                 | Lead Paint Inspections & Testing   | [ ] |
| Termites (WDI)/Pests Inspection                                                            | [ ]                                 | Radon Testing & Reporting          | [ ] |
| Mold Testing & Reporting                                                                   | <input checked="" type="checkbox"/> |                                    |     |
| 1. Attached <u>Mold Inspection &amp; Reporting Procedure</u> is made part of this coverage |                                     |                                    |     |
| Septic System Testing & Reporting                                                          | [ ]                                 | Water Testing & Reporting          | [ ] |
| FHA 203k Consulting Services                                                               | [ ]                                 | Texas Pest Control (SPCB) Coverage | [ ] |
| Fidelity Bond - Amount - [\$                                                               | ][ ]                                | NONE                               | [ ] |

DATE: July 22nd, 2003

BY: \_\_\_\_\_  
 (Signature of Authorized Representative for the Company)  
 Number of boxes checked above - [ 1 ]



**129 Canterfield  
Parkway-West  
West Dundee, IL 60118**

# Invoice

Date	Invoice #
7/22/2003	72

Bill To
Home Inspection Services David N Liesveld 4224 Sunland Ct. SE Cedar Rapids, Iowa 52403

Terms	Due Date
Yearly	7/22/2003

Description	Qty	Rate	Amount
Principal, CEO, Senior Partner @ \$160.00 per month	12	160.00	1,920.00
Mold Testing & Reporting @ \$30.00 per month	12	30.00	360.00
General Liability Coverage @ \$40.00 per month	12	40.00	480.00
12% Premium Discount for prepay entire year. Only covers H2000 Portion	1	-331.20	-331.20

This invoice covers your total premium for the year for all coverages requested.

<b>Total Due:</b>	<b>\$2,428.80</b>
-------------------	-------------------

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# ACORD CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
07/22/03

**PRODUCER**  
NATIONS HAZARD INSURANCE COMPANY  
129 Centerfield Parkway West  
West Dundee, IL 60118-9004  
Michael Napadow

**INSURED**  
Home Inspection Services  
Mr. David Liesveld  
4224 Sunland Court SE  
Cedar Rapids, IA 52403

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE	NAIC#
INSURER A: Nations Hazard Insurance Company	72403
INSURER B: Pre-Paid Legal Services, Inc.	
INSURER C:	
INSURER D:	
INSURER E:	

## COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Errors & Omissions <input checked="" type="checkbox"/> Legal Defense GEN L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-TEST <input type="checkbox"/> LOS	[REDACTED]	07/24/2003	07/23/2004	EACH OCCURRENCE \$500,000 DAMAGE TO RENTED PREMISES (EA OCCURRENCE) \$ MED EXP (Any one person) \$ PERSONAL & ADY INJURY \$ GENERAL AGGREGATE \$1,000,000 PRODUCTS - COMPROP AGG \$ Deductible 500
<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (EA accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$
<b>EXCESS/UMBRELLA LIABILITY</b> <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
<b>WORKERS COMPENSATION AND EMPLOYERS LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (INCL EXCL) If yes, describe under SPECIAL PROVISIONS below				EL. EACH ACCIDENT \$ EL. DISEASE - EA EMPLOYEE \$ EL. DISEASE - POLICY LIMIT \$
OTHER				

DESCRIPTION OF OPERATION(S) / LOCATION(S) / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
 Corporation performing Visual Home Inspections  
 Endorsements:  
 1. Mold Testing & Reporting

CERTIFICATE HOLDER	CANCELLATION
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE: Michael F. Napadow

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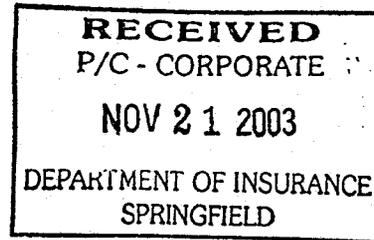


STATE OF IOWA

THOMAS J. VILSACK  
GOVERNOR

THERESE M. VAUGHAN  
COMMISSIONER OF INSURANCE

SALLY J. PEDERSON  
LT. GOVERNOR



November 19, 2003

Illinois Department of Insurance  
Attention: Ms. Etta Mae Creedy  
320 West Washington St., 4<sup>th</sup> Floor  
Springfield, IL 62767-0001

Re: Nations Hazard Insurance Company and Michael Napadow

Dear Ms. Creedy,

Please be advised that the Division has received the enclosed information indicating that Nations Hazard Insurance Company and Michael Napadow have solicited and sold insurance in Iowa without a Certificate of Authority or an Iowa Producer License. Additionally, the company and Mr. Napadow have failed to respond to the Division's requests for information.

As the information received by the Division indicates that Nations Hazard Insurance Company and Michael Napadow operate from an address of 129 Canterfield Parkway in West Dundee, IL the Division is seeking your assistance in obtaining information regarding this entity.

Thank you for your anticipated cooperation and attention to this matter. If you have questions please contact me at 515-281-4746.

For the Division,

Wayne L. Lacher  
Complaint Analyst

Enclosures

STATE OF WASHINGTON



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of

Nation's Hazard Insurance Company	)	No. DO3-131
	)	
an Unauthorized Entity, and	)	
	)	ORDER TO
Michael F. Napadow; Stephen C. Napadow,	)	CEASE AND
and Jeffery M. Napadow	)	DESIST

Pursuant to RCW 48.05.030, RCW 48.15.020, RCW 48.30.010, and RCW 48.30.040, the Office of the Insurance Commissioner ("OIC") orders Nation's Hazard Insurance Company; and the individuals named above and their officers, directors, trustees, agents, and affiliates ("Respondents") to immediately cease and desist from:

- A. engaging in or transacting the business of insurance in the state of Washington, including the collection of premium monies and the advertising of insurance and insurance-related products;
- B. seeking, soliciting, pursuing, continuing and/or obtaining any insurance business in the state of Washington and from participating, directly or indirectly, in any act of an insurance agent or insurance company in seeking, soliciting, pursuing, continuing, and/or obtaining any insurance business in the state of Washington;
- C. soliciting Washington residents to sell or purchase any plan or policy or coverage for malpractice, errors and omissions, liability or any other form of insurance;
- D. soliciting Washington residents by e-mail, facsimile (fax), telephone, mail or any other means to induce them to purchase any form of insurance product.
- E. offering to Washington residents a plan or policy or coverage for any form of insurance without submitting to examination by the insurance commissioner to determine the organization and solvency of the person or the entity offering such insurance, and to determine whether or not such person or entity complies with the applicable provisions of the Insurance Code as required by RCW 48.

THIS ORDER IS BASED ON THE FOLLOWING:

- 1. Violation of RCW 48.05.030, Certificate of authority required; RCW 48.15.020, Solicitation by unauthorized insurer prohibited; and RCW 48.17.060, License required;

a.) On or about May 22<sup>nd</sup>, 2003, Respondents solicited a Washington insurance agent, who holds a resident license, to sell a plan or policy or coverage for liability insurance.

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In this solicitation, Respondents stated "We have many clients in WA...", however, Respondents have not applied for or been granted, a certificate of authority or license to act as an insurance agent or an insurer in Washington. Respondents have not submitted to OIC any appropriate certificate, license, or other document issued by another agency of this state, any subdivision thereof, or the federal government permitting or qualifying Respondents to provide such coverage in this state.

b.) On or about May 4<sup>th</sup>, 2003, Respondents solicited a Washington resident to purchase a plan or policy of liability insurance and submitted a written quotation for such policy. On or about May 6<sup>th</sup>, 2003, Respondents issued a "binder" for such a policy to the Washington resident, backdated to 5/1/03.

2. Violation of RCW 48.30.040, False information and advertising

Respondents intentionally represented to the purchaser that the product they were selling was being legally offered under the laws of the State of Washington. This representation was false, deceptive and misleading, in that the Respondents were fully aware that they were not authorized to issue an insurance contract under RCW 48. This misleading representation was intended to induce Washington residents to sell or purchase the insurance sold by the Respondents

Any violation of the terms of this Order by Respondents, their officers, directors, agents, or affiliates, will render the violator(s) subject to the full penalties authorized by RCW 48.02.080, RCW 48.17.530, and other applicable Code sections.

Respondents are ordered to refund, within forty-five (45) days of receipt of this order, all monies collected from Washington residents and are to furnish the OIC with a complete listing, to include contact information, of all Washington residents who have purchased any insurance or insurance-related product from Respondents.

Respondents have the right to demand a hearing pursuant to chapters 48.04 and 34.05 RCW. This Order shall remain in effect subject to the further order of the commissioner.

**THIS ORDER IS EFFECTIVE IMMEDIATELY AND IS ENTERED at Tumwater, Washington, this 22nd day of July, 2003.**

**MIKE KREIDLER**  
Insurance Commissioner

By: \_\_\_\_\_  
Carol Sureau, Deputy Commissioner  
Legal Affairs Division  
Office of Insurance Commissioner  
State of Washington



unknown, telephone (toll free): 866-351-4680, fax: 501-621-7818. HCI is not affiliated with The Hartford Insurance Group.

Napadow has never been licensed in Oregon as an insurer or intermediary or in any other manner authorized to transact insurance in or relative to risks located in Oregon. Napadow's last known residence and business address is 129 Canterfield Parkway West, West Dundee, IL 60118-9004.

Transacted Insurance in Oregon as an Insurer Without a License

1. NHIC has violated and is violating ORS 731.354 by engaging in the following conduct. As indicated above, NHIC has never been licensed in Oregon as an insurer or intermediary or in any other manner authorized to transact insurance in or relative to risks located in Oregon. Since at least August 2003, NHIC has operated a website at <http://www.nationshazard.com>. Whois.net identifies Napadow as the administrator of the website. The website does not indicate that NHIC's solicitation of insurance is limited to any particular state, and thus is directed to persons residing in all states. On the website, NHIC offers to sell "Insurance Plan H2000, a unique combination of E & O, General Liability and Legal Defense Insurance for liability coverage for the home inspector, real estate appraiser, real estate Broker/Agent and employees. Professional liability insurance, also called Errors and Omissions (E & O), protects an individual or a documented entity (Corporation, Limited Liability Corporation and/or Documented Partnership) from claims alleging failure or error in the providing of services that result in financial damages to their clients. ... It is so easy to apply. Fill out the [online] application form and submit it. We will respond with a timely quotation as soon as possible." Sometime prior to 8/4/03, David R. Raybourn (Raybourn) dba Compass Home Inspection Associates of Beaverton, Oregon applied to NHIC for the insurance. On or about 8/4/03, NHIC issued to Raybourn a policy, number H2000/090103/P, effective from 9/1/03 to 8/31/04. From 8/4/03 to 2/1/04, NHIC mailed to Raybourn six invoices each for payment of a premium of \$175 for the insurance. Raybourn paid only four of the invoices and thus paid NHIC a total of \$700.

2. HIC is violating ORS 731.354 by engaging in the following conduct. As indicated above, HIC has never been licensed in Oregon as an insurer or intermediary or in any other manner authorized to transact insurance in or relative to risks located in Oregon. HIC has established a website at [www.hartfordcasualtyinsurance.com](http://www.hartfordcasualtyinsurance.com). Whois.net identifies Napadow as the administrator of the website. On the website, NIC offers to sell the same type insurance as NHIC. HCI's website is identical to NHIC's website in organization and content. The website does not indicate that HCI's solicitation is limited to any particular state, and thus is directed to persons residing in all states.

3. Napadow violated and is violating ORS 731.354 by engaging or causing others to engage in the above described conduct on behalf of NHIC and HCI.

#### **Order**

Pursuant to ORS 731.252, NHIC, HIC, and Napadow, each shall immediately cease and desist from violating ORS 731.354 by engaging in the conduct described above.

#### **Notice of Right to a Hearing and Judicial Review**

##### Right to a Hearing

Each party has the right to a hearing pursuant to ORS 731.252. A party may request a hearing by sending a written request to the Insurance Division. A party may send the request to the Insurance Division by delivering it to the Labor and Industries Building, 350 Winter Street NE, Room 440 (4<sup>th</sup> Floor), Salem, Oregon; or mailing it to PO Box 14480, Salem, OR 97309-0405, or faxing it to 503-378-4351; or e-mailing it to [mitchel.d.curzon@state.or.us](mailto:mitchel.d.curzon@state.or.us). The Insurance Division must receive the request within 20 days from the date this notice was sent to the party.

If the Insurance Division receives from or on behalf of a party a written request for a hearing by the due date described above, then the Insurance Division will refer the request to the Office of Administrative Hearings (OAH). OAH will schedule the hearing and notify the party of the date and location of the hearing and other related information. OAH will conduct the hearing in accordance with the Oregon Administrative Procedures Act, ORS Chapter 183; and related rules, Oregon

Administrative Rules (OAR) 137-05-0501 *et seq.* A party that is an individual may represent him or her self, or may be represented by an attorney licensed in Oregon, at a hearing. A party that is a corporation, partnership, limited liability company, unincorporated association, trust, or government agency must be represented at a hearing by an attorney licensed in Oregon except as otherwise provided by law. Subsequently, OAH will issued a proposed order, and the director will issue a final order. However, this Cease and Desist Order will remain in effect if and until a final order is issued terminating this order.

If the Insurance Division does not receive from or on behalf of a party a written request for a hearing by the due date, then this order will become final automatically pursuant to ORS 731.252 and no further order will be issued.

If the Insurance Division receives from or on behalf of a party a written request for a hearing by the due date described above but the party withdraws the request, notifies the Insurance Division or OAH that the party will not appear at a hearing, or does not appear at a scheduled hearing, then the director will issue a final order by default pursuant to ORS 731.252, 183.415(6) and OAR 137-003-670(3) .

If this order becomes final automatically or the director issues a final order by default, then the record of this proceeding to date, including the designated portion of the Insurance Division's file on the party, automatically become part of the contested case record. The party may request the Oregon Court of Appeals to review this order pursuant to ORS 183.480 and 183.482 by filing a written petition for judicial review with the court within 60 calendar days after the date this order became final.

Dated August 6, 2004

/s/Cory Streisinger  
Cory Streisinger  
Director  
Department of Consumer and Business Services

//  
//  
//

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**National Producer #: 7697774**  
**Date of Birth:** XXXXXXXXXX

MICHAEL F NAPADOW

### Summary Information -

**Number of Actions: 1**  
**Last Entered Date: 04/16/2004**

Action 1 of 1

Action ID Number: 10993514

**State of Action:** IL  
**Origin of Action:** FIELD INVESTIGATION  
**Reason for Action:** DEMONSTRATED LACK OF FITNESS OR TRUSTWORTHNESS  
**Disposition:** LICENSE, REVOKED  
**Date of Action:** 03/24/2004  
**Effective Date:** 03/24/2004  
**Enter Date:** 04/16/2004  
**Contact Person:** KROESCHEL TANYA S  
**Contact Phone:** (217)782-6368

**Entity Role:** Producer  
**Penalty/Fine/Forfeiture:** Not Supplied  
**Time/Length of Order (Days):**  
**Department:**  
**File Reference:**

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# Regulatory Actions

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MICHAEL F NAPADOW

National Producer #: 7697774

Date of Birth: [REDACTED]

## Summary Information -

Number of Actions: 1

Last Entered Date: 08/05/2003

Action 1 of 1

State of Action: WA	Action ID Number: 10985906
Origin of Action: LEGAL	
Reason for Action: UNFAIR INSURANCE PRACTICES ACT VIOLATION	
Disposition: CEASE AND DESIST FROM ALL INSURANCE ACTIVITY	
Date of Action: 07/23/2003	Entity Role: Producer
Effective Date: 07/23/2003	Penalty/Fine/Forfeiture: Not Supplied
Enter Date: 08/05/2003	Time/Length of Order (Days):
Contact Person: HELEY NANCY	Department:
Contact Phone: (360)725-7047	File Reference: DO3-131

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MICHAEL F NAPADOW

National Producer #: 7697774  
Date of Birth: [REDACTED]

### Summary Information -

Number of Actions: 1  
Last Entered Date: 01/23/2004

Action 1 of 1

Action ID Number: 10990257

State of Action: AZ  
 Origin of Action: ROUTINE DEPT ACTION  
 Reason for Action: UNAUTHORIZED INSURANCE BUSINESS  
 Disposition: IMMED C/D ANY INS BUS IN AZ  
 Date of Action: 12/22/2003  
 Effective Date: 12/22/2003  
 Enter Date: 01/23/2004  
 Contact Person: ONEIL CATHERINE M  
 Contact Phone: (602)912-8442

Entity Role: Producer  
 Penalty/Fine/Forfeiture: Not Supplied  
 Time/Length of Order (Days):  
 Department:  
 File Reference: 03A-208-INS

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5/20/2004

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BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

RECEIVED  
INSURANCE DEPARTMENT  
04 SEP -7 PM 2:22  
ADMIN HEARINGS OFF...

Michael Francis Napadow and Nations : ALLEGED VIOLATIONS:  
Hazard Insurance Agency, d/b/a Nation's :  
Hazard Insurance Company and : 40 P.S. §§47, 1171.4 and 1171.5  
"Hartford Casualty Insurance" :  
129 Centerfield Parkway :  
West Dundee, IL 60118-9182 :  
:  
:  
"Hartford Casualty Insurance" :  
180 South Western Avenue, PMB 273 :  
Carpentersville, Illinois 60110 : Docket No. SC04-08-041

ORDER TO SHOW CAUSE

AND NOW, this 7<sup>th</sup> day of September, 2004, pursuant to the statutes captioned above and in accordance with 1 Pa. Code §35.14, Respondent is hereby ORDERED to appear at a formal administrative hearing before the Insurance Commissioner of the Commonwealth of Pennsylvania, or her duly designated Presiding Officer, and TO SHOW CAUSE why the Insurance Commissioner, upon consideration of the Factual Allegations pursuant to Applicable Law, and in accordance with Procedures cited herein, should not impose the specified Penalties, as said terms are described below.

IT IS HEREBY ORDERED that Respondent file an Answer to this Order to Show Cause in writing within the time specified herein, in accordance with 1 Pa. Code §35.37. Such Answer shall specifically admit or deny each of the Factual Allegations made herein and the

authenticity of the Exhibits attached hereto, and shall set forth the facts and state concisely the matters of law upon which Respondent relies. If Respondent fails to file an Answer within the time allowed herein, the Factual Allegations and the authenticity of the attached Exhibits shall be deemed admitted, and the Insurance Commissioner may issue an Order imposing such Penalties as she deems appropriate.

### FACTUAL ALLEGATIONS

1. Respondents are Michael Francis Napadow and Nations Hazard Insurance Agency, DBA: Nation's Hazard Insurance Company ("Nations Hazard"), both located at: 129 Centerfield Parkway West Dundee, IL 60118-9182.
2. Upon information and belief, Respondent "Hartford Casualty Insurance" is located at 180 South Western Ave., PMB 273, Carpentersville, Illinois 60110.
3. Upon information and belief, Napadow is now doing business as: Hartford Company, 6900-29 Daniels Parkway, Suite #350, Fort Myers Florida, and maintains a residential address of: 11341 Lake Cypress Loop, Fort Myers, Florida 33913
4. None of the Respondents have ever possessed a license to conduct the business of insurance as an agent, broker, producer and/or company (certificate of authority) in the Commonwealth of Pennsylvania.
5. Michael F. Napadow, trading as Nations Hazard Insurance Company, an unauthorized entity, is engaging in or transacting the business of insurance in the Commonwealth of Pennsylvania including participating, directly or indirectly as an insurance company including the collection of premium monies, issuing policies, and the advertising of insurance and insurance-related products all without being properly licensed.
6. Michael F. Napadow, trading as Nations Hazard Insurance Company solicited and/or issued insurance certificates for errors and omissions coverage for home inspections, to the following Pennsylvania persons:

Wayne T. Donat  
Beacon Home Inspection  
Pittsburgh, Pennsylvania 15202

Terry D. Amsley  
South Central PA. Home Inspection  
Carlisle, Pennsylvania 17013

Robert & Tammy Ulm  
Eagle Home Inspections  
Liberty Boro, PA 15133

Frank Marsico  
Home Spec Inspection Service  
Mechanicsburg, Pa 17050

7. In August 2003, Robert and Tammy Ulm, trading as Eagle Home Inspections, a Pennsylvania based entity, inquired over the Internet for commercial liability coverage, errors & omissions.
8. In August 2003, Robert and Tammy Ulm decided to purchase the coverage from Napadow, trading as Nation's Hazard Insurance Company. In late August 2003, Robert Ulm received a package from "The Staff of Nations Hazard Insurance Company" regarding his policy # [REDACTED] with an effective date of August 15, 2003 to August 14, 2004.
9. In late August 2003, Robert Ulm received an Acord – Certificate of Liability Insurance from Michael F. Napadow listing the insurer as Nations Hazard Insurance Company.
10. In late August 2003, Robert and Tammy Ulm received an Acord – Cancellation Request/Policy Release on policy # [REDACTED] policy term effective August 15, 2003 with a cancellation date of August 26, 2003. On August 25, 2003, Robert Ulm received a credit memo from Nations Hazard Insurance Company reflecting a negative balance of \$50.58.
11. Terry D. Amsley, trading as South Central Pennsylvania Home Inspection Company, Inc., a Pennsylvania based entity, inquired over the Internet for commercial liability coverage, errors & omissions, and legal defense coverage with Nation's Hazard Insurance Company.
12. In July 2003, Terry D. Amsley decided to purchase the coverage from Napadow, trading as Nation's Hazard Insurance Company. In July 2003, Amsley received an Acord – Certificate of Insurance bearing the stamped signature of Michael F. Napadow, trading as Nations Hazard Insurance Company listing that Amsley had commercial general liability coverage, errors and omissions, policy # [REDACTED], effective 07/10/2003 to 07/09/2004, total premium \$3,746.16. In addition, Amsley received a Nations Hazard' commercial liability coverage declaration page, signed by Michael Napadow reflecting a general aggregate limit of \$1,000,000.00 and an occurrence limit (each) of \$500,000.00. Also, he received documentation/policy supporting coverage with Nations Hazard for errors and omissions general liability insurance, a business card from Michael Napadow, trading as Nations Hazard Insurance Company, membership # 10069294659, and an invoice for \$3,746.16.

13. Amsley contacted Michael Napadow three times requesting documentation supporting that Nations Hazard Insurance Company was operating a legitimate business, and authorized to sell insurance in the Commonwealth of Pennsylvania. Amsley never received any such confirmation.
14. Wayne Donat, trading as Beacon Home Inspections, became a home inspector for the National Association of Home Inspectors. In the fall 2003, he received an e-mail from Nations Hazard Insurance Company and decided to purchase coverage from the carrier. Napadow collected premiums from the Ulms, Amsley and Donat for coverage through Nations Hazard.
15. Napadow collected premium from the Ulms, Ansley and Donat for coverage through Nations Hazard.
16. Michael F. Napadow's National Producer # 7697774 issued in the State of Illinois was revoked for "Demonstrated Lack of Fitness or Trustworthiness" under Action ID # 10993514 on March 24, 2004.
17. On November 1, 2003, the State of Washington issued a consent order # 8504306 against Nations Hazard Insurance Company for marketing fraudulent Errors & Omissions coverage, along with general liability insurance to home inspectors and realtors nationwide.
18. As of July of 2004, Napadow operated a new scam involving a bogus company called "Hartford Casualty Insurance" that is intended to deceive home inspectors into believing that it is affiliated with the legitimate insurer, The Hartford Group. "Hartford Casualty Insurance" employs the website, <http://hartfordcasualtyinsurance.com/> which is actually registered to Napslo Holdings, and Michael Napadow, and which illegally used The Hartford Insurance Group's registered trademark.
19. Respondents Napadow and "Hartford Casualty Insurance" solicit and issue errors and omissions policies to consumers throughout the United States.
20. The Illinois Department of Insurance has issued a Cease and Desist order against Respondents.
21. The Oregon Department of Insurance has issued a Cease and Desist order against Respondents.

## APPLICABLE LAW

Based on the foregoing Factual Allegations, it is alleged that Respondents have violated the following statutes and are subject to the following penalties:

40 P.S. § 47. Penalty for acting without certificate of authority: (a) Any insurance company, association, or exchange doing an insurance business within this Commonwealth without a certificate of authority as required by this act shall be required to pay a civil penalty of not less than one thousand dollars (\$ 1,000) nor more than ten thousand dollars (\$ 10,000) for each offense, to be recovered on behalf of the Commonwealth.

40 P.S. § 47. Penalty for acting without certificate of authority: (b) Any person negotiating or soliciting any policy of insurance or suretyship in this Commonwealth, collecting or forwarding premiums or delivering policies for any company, association, or exchange to which a certificate of authority has not been granted, shall be deemed to be the agent of the company, association, or exchange, in any legal proceedings brought against it. Such person shall be required to pay a civil penalty of not less than one thousand dollars (\$ 1,000) nor more than ten thousand dollars (\$10,000) for each offense to be recovered on behalf of the Commonwealth.

40 P.S. § 1171.4. Unfair methods of competition and unfair or deceptive acts or practices prohibited: No person shall engage in this state in any trade practice which is defined or determined to be an unfair method of competition or an unfair or deceptive act or practice in the business of insurance pursuant to this act.

40 P.S. § 1171.5. Unfair methods of competition and unfair or deceptive acts or practices defined: (a) "unfair methods of competition" and "unfair or deceptive acts or practices" in the business of insurance (2) Making, issuing, publishing or circulating in any manner an advertisement, announcement or statement containing any representation or statement with respect to the business of insurance or with respect to any person in the conduct of his insurance business which is untrue, deceptive or misleading.

40 P.S. § 1171.9. Administrative penalty: Upon a determination by hearing that this act has been violated, the Commissioner may issue an order requiring the person to cease and desist from engaging in such violation or, if such violation is a method of competition, act or practice defined in section 5 of this act, the Commissioner may suspend or revoke the person's license.

40 P.S § 1171.11. (1) For each method of competition, act or practice defined in section 5 of this act and in violation of this act which the person knew or reasonably should have known was such a violation, a penalty of not more than five thousand dollars (\$5,000) for each violation but not to exceed an aggregate penalty of fifty thousand dollars (\$50,000) in any six month period;

40 P.S § 1171.11 (2) For each method of competition, act or practice defined in section 5 of this act and in violation of this act which the person did not know nor reasonably should have known was such a violation, a penalty of not more than one thousand dollars (\$ 1,000) for each violation but not to exceed an aggregate penalty of ten thousand dollars (\$ 10,000) in any six month period;

Reference should also be made to the following statutes and regulations:

1. Administrative Agency Law, 2 Pa. C.S. §§101-508 and §§701-704;
2. General Rules of Administrative Practice and Procedure, 1 Pa. Code §§31.1-35.193, 35.225-35.251;
3. Special Rules of Administrative Practice and Procedure, 31 Pa. Code §§56.1-56.3.

#### PENALTIES

After the Procedures set forth herein, if the Insurance Commissioner finds the Factual Allegations set forth herein to be true and correct, and determines that Respondent has violated any provision of Applicable Law, the Insurance Commissioner at her discretion may impose any or all of the following Penalties:

1. \$10,000 per violation of 40 P.S. § 47;

2. \$5,000 for each violation of 40 P.S. §1171.5;

3. A cease and desist order and restitution under 40 P.S. §1171.4.

### PROCEDURES

Respondents shall file a written Answer to this Order to Show Cause within Twenty (20) days of the date stated on page one (1) of this Order. Such Answer shall specifically admit or deny each of the Factual Allegations made herein, and the authenticity of the Exhibits attached hereto, and shall set forth the facts and state concisely the matters of law upon which Respondents rely. If Respondents fail to file an Answer within the time allowed herein, the Factual Allegations and the authenticity of the attached Exhibits shall be deemed admitted, and the Insurance Commissioner will issue an Order imposing penalties as set forth herein.

If Respondents file a timely Answer, a formal administrative hearing in this matter shall be held in accordance with the Administrative Agency Law, 2 Pa. C.S. §§101-508 and 701-704; General Rules of Administrative Practice and Procedure, 1 Pa. Code §§31.1-35.193, 35.225-35.251; Special Rules of Administrative Practice and Procedure, 31 Pa. Code §§56.1-56.3; and other relevant procedural provisions of law.

The hearing shall be held before the Insurance Commissioner of the Commonwealth of Pennsylvania, or her duly designated Presiding Officer, in accordance with 1 Pa. Code §35.185.

Respondents may appear, with or without counsel, and offer testimony or other evidence in their behalf.

Answers, motions preliminary to those at hearing, protests, petitions to intervene, or notices of intervention, if any, must be filed in writing with the Docket Clerk, Insurance Department, Administrative Hearings Office, Capitol Associates Building, 901 North 7th Street, Harrisburg, Pennsylvania 17102.

Notice of this Order to Show Cause shall be given by the Insurance Department by forwarding a copy by first class mail, to the Respondents named herein and by publication in accordance with 1 Pa. Code §35.105 and 31 Pa. Code §57.1.

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Randolph L. Rohrbaugh  
Deputy Insurance Commissioner

9/7/04

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving the foregoing document upon all parties of record in this proceeding in accordance with the requirements of 1 Pa. Code Chapter 33 in the following manner:

Service by first-class mail, addressed as follows:

Michael Francis Napadow and Nations  
Hazard Insurance Agency, d/b/a  
Nation's Hazard Insurance Company  
and "Hartford Casualty Insurance"  
129 Centerfield Parkway  
West Dundee, IL 60118-9182

Hartford Casualty Insurance  
180 South Western Avenue  
PMB 273  
Carpentersville, IL 60110

Michael Francis Napadow  
Hartford Company  
6900-29 Daniels Parkway, Suite #350  
Fort Myers, Florida 33912

Michael Francis Napadow  
11341 Lake Cypress Loop  
Fort Myers, Florida 33913

  
Terrance A. Keating  
Deputy Chief Counsel  
Pennsylvania Insurance Department  
1341 Strawberry Square  
Harristown State Office Building No. 1  
Harrisburg, PA 17120  
(717) 787-2567

Counsel for the Insurance Department,  
Commonwealth of Pennsylvania

DATED:

9/7/04

# State of Florida



## OFFICE OF INSURANCE REGULATION Tallahassee, Florida

I, the undersigned, Director of the Office of Insurance Regulation of the State of Florida, do hereby certify that

Dated this Day 14<sup>th</sup> of September, 2004

After conducting a diligent search of the official records of the FLORIDA OFFICE OF INSURANCE REGULATION, no record exists which discloses that the following entities currently hold, nor have ever been granted a CERTIFICATE OF AUTHORITY issued by the FLORIDA OFFICE OF INSURANCE REGULATION, authorizing these entities to transact the business of errors and omissions professional liability insurance or insurance in any capacity:

**Nations Hazard Insurance Company**

**Nations Hazard Insurance Agency**

**Napslo Holding Company**

IN TESTIMONY WHEREOF, I hereto  
subscribe my name, and affix the Seal of  
my Office, at Tallahassee, the day and year  
first above written.

**Kevin M. McCarty**

Director, Office of Insurance Regulation



**EXHIBIT**

B

tabbles



Home

Search

Tech Support

Help

Printable

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# searchresults

Search for Companies

0 MATCHES

[edit](#) companies search.  
[edit](#) current search.  
[save](#) this search and add to MyDFS.

**Search Criteria:**  
 Company Name field containing "Nations Hazard Insurance Company"

## No Results Found

No items matched your criteria. Please [edit](#) this search and try again.

45



[Home](#)
[Search](#)
[Tech Support](#)
[Help](#)
[Printable](#)
[Log Out](#)

## searchresults

Search for Companies

0 MATCHES

[New companies search.](#)  
[Edit current search.](#)  
[Save this search and add to MyDFS.](#)

**Search Criteria:**  
 Company Name field containing "Nations Hazard Insurance"

**No Results Found**

No items matched your criteria. Please [edit](#) this search and try again.

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# Lookup Results

## No Results

**No data was found.**

**Your market firm selection criteria was:**

Firm Name -> Nations Hazard Insurance Company

Report Date: 5/11/2004

[Back](#)

Database: DSSSPLP

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5/11/2004

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# Lookup Results

Company Name	Category	
<b>1)NATIONS HAZARD INS CO</b> <b>Cocode:</b> <b>FEIN:</b> <b>Entity Number:7896767</b> <b>Alien:</b> <b>Type:Primary</b>	<u>Complaints</u> (No Data) <u>Exam Tracking</u> (No Data) <u>Market Analysis Profile</u> <u>Producer Licensing</u> (No Data)	<u>Regulatory Actions</u> 11/03/2003 <u>Relationships</u> (No Data) <u>Special Activities/1033</u> <u>Activity</u> 10/22/2003
<b>2)NATIONS HAZARD INS CO</b> <b>Cocode:</b> <b>FEIN:</b> <b>Entity Number:7967517</b> <b>Alien:</b> <b>Type:Primary</b>	<u>Complaints</u> (No Data) <u>Exam Tracking</u> (No Data) <u>Market Analysis Profile</u> <u>Producer Licensing</u> (No Data)	<u>Regulatory Actions</u> (No Data) <u>Relationships</u> (No Data) <u>Special Activities/1033</u> <u>Activity</u> 01/07/2004
<b>(3)NATIONS HAZARD INS CO</b> <b>Cocode:</b> <b>FEIN:</b> <b>Entity Number:7980183</b> <b>Alien:</b> <b>Type:Primary</b>	<u>Complaints</u> (No Data) <u>Exam Tracking</u> (No Data) <u>Market Analysis Profile</u> <u>Producer Licensing</u> (No Data)	<u>Regulatory Actions</u> 01/23/2004 <u>Relationships</u> (No Data) <u>Special Activities/1033 Activity</u> (No Data)

Displaying 1 to 3 of 3

Your market firm selection criteria was:  
 Firm Name -> nations hazard  
 Report Date: 5/14/2004

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Database: DSSSPLP

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5/14/2004

# Nations Hazard Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Real Estate Broker/Agent

**navigate**

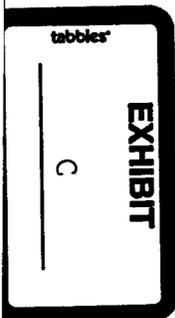
**Typical Pricing Quotation**

**Application**

**Questions & Answers**

**"Pay-as-you-go"**

**Contact**



**Some States and most Banks & National Real Estate Companies want E & O & General L**

**—[Welcome**

Nations Hazard Insurance provides Insurance Plan H2000, a unique combination of E & O, General Liability and Legal Defense Insurance for liability coverage for the home inspector, real estate appraiser, real estate Broker/Agent and employees.

Professional liability insurance, also called Errors an Omissions (E & O), protects an individual or a documented entity (Corporation, Limited Liability Corporation and/or Documented Partnership) from claims alleging failure or error in the providing of services that result in financial damages to their clients.

Allegations of negligence, fraud, untimely delivery, misrepresentation, misstatement, system failure, even negligent oversell are all grounds for an E & O claim.

It is so easy to apply. Fill out the application form and submit it. We will respond with a timely quotation as soon as possible.

**Visitors to the Site: 8679**

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Problems with site: Contact: Webmaster@NationsHazard.com

# Nations Hazard Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Real Estate Broker/Agent



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[Questions & Answers](#)

["Pay-as-you-go"](#)

[Contact](#)

## Typical Pricing Quotation

### ABC Home Inspection of Phoenix, Arizona

Coverage from January 1, 2003 to December 31, 2003

Coverage: \$1,000,000 Aggregate (Total of Policy Terms)

\$ 500,000 Per Occurrence (Each Claim a Separate Occurrence)

\$ 500.00 Deductible per Occurrence (Each Claim)

#### Pricing Recap:

Principal, CEO, Senior Partner --\$160.00 per month for the Liability (E&O) plus \$39.50 per month for the Legal Defense Insurance Coverage = \$199.50 per month.

All others that physically perform inspections: \$30.00 per month Liability (E & O) plus \$25.00 per month for the Legal Defense Insurance Coverage = \$55.00 per month for each payroll inspector. \$80.00 per month Liability (E & O) plus \$25.00 per month for the Legal Defense Insurance Coverage = \$121.00 per month each sub-contractor inspector.

#### Optional Coverage: **(May have to hold a special license in some states)**

Commercial/Industrial Inspections - Add: \$15.00 per month

Lead Paint Inspections and Testing - Add: \$10.00 per month

Termites (WDI)/Pests Inspection - Add: \$18.00 per month

Radon Testing and Reporting - Add: \$6.00 per month

Mold Testing and Reporting - Add: \$30.00 per month

Typical Pricing

Septic System Testing and Reporting - Add: \$10.00 per month

Water Testing & Reporting - Add: \$6.00 per month

203K Consulting Services - Add: \$10.00 per month

General Liability Coverage of \$500,000/\$1,000,000 - Add: \$40.00 per month

\$1,000,000/\$2,000,000 Coverage vs. Standard - Add: \$28.00 per month

Texas Pest Control (SPCB) Coverage - Add: \$41.00 per month

**Payment Terms: Credit Card, or Bank Draft billed monthly automatically a week before the anniversary date of the policy or Twelve Percent (12%) discount if fully paid for the policy term (1 year). Company check accepted for one time payment. Policy is automatically renewed unless notified in writing via signed letter or facsimile transmission. (E-Mail notifications are not accepted).**

**Policies are terminated if payment cannot be processed after one(1) communiqué from the home office has not resolved the NSF, Account Closed, etc. payment. There would then have to be a re-application and potentially increase in premium costs.**

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# Nations Hazard Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Real Estate Broker/Agent



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[Typical Pricing Quotation](#)

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["Pay-as-you-go"](#)

[Contact](#)

**Application**

## Application for Insurances

Complete & Submit - Quotation within 2 business days

**Form Note:** Use either the TAB or your mouse to move from field to field. If you accidentally hit the RETURN key it will try to send the Application prematurely before you are finished. Don't worry, you have to type "YES" in the box at the very end of the application for it to send. After the application is sent you will see the information that was E-Mailed to our office. Thank you for your interest. We hope you are pleasantly surprised by the amount of coverage we can supply for the price.

### Applicant Information:

Requester:  Title:

Company Name:  Profession:

Company Address:  Suite #:

City:  State or Province:

Zip or Postal Code:  Country:

Telephone #:  Fax #:  w/Area Code

E-Mail Address:

**States You Do Business In: (If you need more; use the "Special Instructions & Requests" section below.**

Primary:  Secondary:

**Type of Business Entity:**

**Coverage Required By:** MONTH  DAY  YEAR

**If you were referred to us by an Individual, a Company, or an Organization, we would like to know. It does help our marketing department. If you were referred please tell us in the following box. Thank you.**

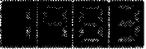
Special Instructions and/or Requests

**NOTE:** Riders that are automatically quoted as options to the policy are: Cost for additional inspectors, Commercial/Industrial Inspections, Lead Paint Inspections & Testing, Termites (WDI)/Pests Inspection, Radon Testing & Reporting, Mold Testing & Reporting, Septic System Testing & Reporting, Water Testing & Reporting, 203K Consulting Services, Texas Pest Control (SPCB) coverage, Fidelity Bonds in \$5,000 increments, and any additional coverage's that you request in the "Special Request" section above.

**Are you really ready to send this Application in now? (Type "yes")**

---

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## Nations Hazard Insurance

Unique Combination of Errors & Omissions and General Liability  
Insurance with Legal Defense Insurance for the Home Inspector, Real  
Estate Appraiser, and Real Estate Broker/Agent

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### Questions & Answers to our clients:

#### *Is this insurance occurrence or claims based?*

Our insurance policy is occurrence based. Let me explain; **Occurrence Based** insurance means that if a claim is made 2, 10, 100 years from now and you had the policy in effect at the time you performed the service (home inspection, appraisal, real estate transaction, etc.), you are covered. There is no time limit even if the policy is no longer in effect, for any reason. **Claims Based** insurance means that you must have the policy in effect for infinity to have any claim covered. If you ever cancel, miss a payment, etc. your insurance is no longer in effect. You are only covered for as long as you keep the policy. For your reference:

**CLAIMS-MADE COVERAGE:** A policy providing liability coverage only if a written claim is made during the policy period or any applicable extended reporting period. For example, a claim made in the current reporting year could be charged against the current policy even if the injury or loss occurred many years in the past. If the policy has a retroactive date, an occurrence prior to that date is not covered. (Contrast this with "Occurrence Coverage")

**OCCURRENCE COVERAGE:** A policy providing liability coverage only for injury or loss that occurs during the policy period, regardless of when the claim is actually made.

#### Definitions

**Occurrence Policy** - An occurrence policy covers you for any incidents that happen while you are insured by the policy - regardless of when the claim may be filed.

**Claims-Made Policy** - A claims-made policy covers you for incidents that happen after coverage becomes effective. The claim, however, must be reported while your policy is in force. Claims filed after your coverage ends may be covered by purchasing an Extended Reporting Period Policy.

#### *Why do I need the Legal Defense Insurance?*

Our policy was negotiated based on the fact that insurance companies expend

most of their monies on in-house or contract attorneys to investigate and negotiate settlements. This is why some claims are paid without a fight. It is purely economical that it might be more expensive to fight a claim than just pay it. We took that out of the equation by putting Legal Defense Insurance in as a "**Buffer**" between the claim and the insurance company. The legal defense attorneys will do all the communicating with the claimant or their lawyer and try to negotiate a settlement. Once they do that then Nations Hazard pays the claim unless it exceeds \$25,000 and then it goes to the Underwriter for review. This is one of the main reasons that the insurance rates are very competitive

***I only do 100 inspections a year. Why isn't my premium lower than a guy who does 1,000?***

The answer is simple. The only way to know how many inspections you really do is to audit your books. That means hiring an accountant to go thru your company records to see how many inspections you did that policy year. That is what Workmen's Compensation insurers have to do. We do not want to do audits; they are expensive. So, the compromise is to average what a "typical" home inspection company does. You can always opt to look into our "Pay-as-you-Go" Plan. It was designed for part-time and/or new inspectors.

***Do I need the Commercial/Industrial coverage even if I only do 2 or 3 a year?***

That is your business decision. If you want those inspections covered, YES. If you do not have the Commercial/Industrial Rider then you are not covered by our insurance for those instances. If a claim is made from a property that an investigator can deem is in that category, you have given us and the underwriter a reason to refuse coverage. If you know you have one coming up, you can always call us, activate the Commercial/Industrial Rider for a month and then cancel it the next month.

***What is my premium going to be next year?***

Good question! We do not know. Costs are always going up, but if we control cost, increase client base, control claim payout, and other factors

remain constant, the rate shouldn't change. To stay competitive in the market, there is a limit to how much we can charge. So far, things are going well. So again, the answer is "We do not know".

***I have an employee who does inspections and a couple of sub-contractors who do them when I'm swamped. Are they covered?***

It is not a prudent business practice to hire sub-contractors who do not have their own insurance. If you choose to put your company in harms way, so be it. Our policy has a provision for sub-contractors to be listed on your policy for \$80.00 per month. The only provision is that they must have the legal defense coverage in effect at the time you sub the work to them. Employees that do inspections cost \$30.00 per month per employee plus the legal defense insurance. That is the way the policy is structured. For your Reference:

#### Definitions

**Independent Contractor** - Any person contracted by you who receives a 1099 Form for tax purposes is an independent contractor. Your coverage protects you against claims caused by the negligence of a contractor or subcontractor while working on your behalf. This coverage, however, does not provide individual protection for the independent contractor.

**Employee** - Anyone you hire and give a W2 Form for tax purposes is considered an employee. Employees are covered only for acts performed on your behalf as an employee of your practice organization.

#### ***How do I get out of a Claims Made Insurance Policy?***

To be covered by us for tail (A tail policy is a policy that keeps you covered for as many years as you are comfortable with, usually 2 or 3 once you decide to change coverage or just quit the business.) The cost for Tail Insurance is: 1 year - \$285.00, 2 years - \$500.00, 3 years - \$642.00. Each additional year over 3 add \$115.00 per year. Then total your number of inspections during the term of the tail insurance and multiply by \$1.40 each inspection.

***So what you are saying is that there is NO advantage to switching insurance companies if you have had had claims made for the last few years..***

NO - The very real advantage is that you currently have claims-made insurance which only covers you while the policy is in effect unless you purchased a "tail" policy for X (whatever you feel comfortable with) years. Occurrence based insurance means that you are covered for infinity even if

you cancel the insurance. EXAMPLE: You sign up for our policy and only pay for 1 month and cancel. Any inspections you did in that month would be covered forever.

Once someone gets out of claims-made, you never go back. You're out of the insurance "trap". *I, personally, think claims-made is an irresponsible excuse for insurance and embarrasses me as a lifelong insurance professional.* So, off the soapbox; Give us the info we requested, you'll get a price, then decide. Do not lie or underestimate the number of inspections. If you do, and an investigator finds out because a claim was filed, you have given the insurance company a loophole to jump thru and deny the claim because you lied. *"Never give them an excuse to not pay"*. By the way, Tail Insurance isn't that expensive thru us.

***When someone refers a Home Inspector are they covered?***

The H2000 policy extends its' coverage to indemnify the Real Estate Agent or Broker, Lending Institution, Relocation Company and/or Real Estate Attorneys and their agents or employees.

***What is the company insurance rating?***

A.M. Best's rating is - "A-Excellent", Standard & Poors' rating is "A"

***"Pay-as-you-Go" Questions:***

***Is the \$395 enrollment fee charged every year or is it a one time cost?***

One time cost for set-up only.

***Is there any expiration date on the certificate? Once purchased, can they be used at any time?***

There is an expiration date on the day before the expiry date of the policy. Then a new one year policy is issued and the certificates that you are holding, if any, can be exchanged for newly dated ones.

***I'm sure you know how the inspection business works. You schedule an***

***inspection a few days ahead and then get a call the day of the inspection that it has been cancelled. In these cases, how does the certificate work? If the expected inspection certificate has already been faxed into your offices, but then gets cancelled, is the certificate re-instated and good to be used for another inspection?***

Right now you are SOL. We have not come up with a system to handle the "total" cancellation. If the inspection is just rescheduled, it is covered. If you have any ideas, we could use one.

***Once my business grows to a level where an annual blanket policy makes sense, is there any conversion that needs to take place? Do I just finish using my Pay As You Go certificates and then begin paying the premium per month on the annual policy?***

You can turn in unused certificates for credit when you either cancel or convert to a "regular" policy.

**"Pay-as-you-Go" is an new form of Home Inspection Insurance Plan that let's you grow your business without the burden of high insurance costs from the outset.**

This policy is also very good for the part-time home inspector.

The policy is all-inclusive, meaning that it covers the Errors and Omissions and General Liability and the same limits as the "Standard" policy of \$500,000 per occurrence, \$1,000,000 Aggregate and with a \$500.00 deductible. If you require any of the "special" endorsements, such as: water, radon, mold testing and reporting; then you must add those monthly fees to the base price. Refer to the "Check Box" page of the proposal for pricing.

The Enrollment Fee is \$395.00, which activates the insurance coverage, and you will be issued five (5) PER-INSPECTION CERTIFICATES OF INSURANCE certificates that must be faxed to our office before, not after the inspection. Additional certificates can be purchased via faxed in order form @ \$22.50 per certificate plus \$5.95 postage & handling charge, plus any special delivery request, such as Priority Mail or Fed-Ex.

You will also be required to have the Legal Defense Insurance. Costs are different in every state. See proposal for that pricing. Ranges from \$9.95 to \$55.00 per month depending on state of residence.

Policies can be issued within 24 hours, if required.

## Nations Hazard Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Real Estate Broker/Agent

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"Pay-as-you-go"



[contact

Sales and Executive personnel are available M-F 9 AM-5 PM Central Time

Fax:  
(501) 621-7818

General e-mail  
info@NationsHazard.com



Technical Assistance  
tech@NationsHazard.com

Call Today Toll-Free!

866/351-4680

**Nations Hazard Insurance**

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Ernie Ulrich

From: North Bay Home Inspections [nbayhi@tampabay.rr.com]  
Sent: Tuesday, March 16, 2004 5:21 PM  
To: Ernie Ulrich  
Subject: Fw: Unique Insurance Package For Your Home Inspection

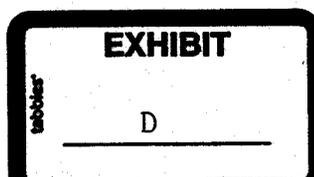
--- Original Message ---

From: Customer Service  
To: [info@northbayhomeinspections.com](mailto:info@northbayhomeinspections.com)  
Sent: Saturday, March 13, 2004 1:09 PM  
Subject: Unique Insurance Package For Your Home Inspection Business

As a Professional Home Inspection Company, you know the importance of being insured in this litigious society. We have developed a unique offering of E & O and General Liability insurance to protect Home Inspection Companies. Please visit the website at <http://hartfordcasualtyinsurance.com> and fill out the easy submittal form so we can show you how we can give you better coverage at better pricing. We hope to be of service to you in the near future.

Sincerely,  
Customer Service Representative

3/17/2004



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# Hartford Casualty Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Mold Decontamination Professional

Some States and most Banks & National Real Estate Companies want E & O & General L

**—Welcome**

Hartford Casualty Insurance provides Insurance Plan H2004, a unique combination of E & O, General Liability and Legal Defense Insurance for liability coverage for the home inspector and mold decontamination professional

Professional liability insurance, also called Errors an Omissions (E & O), protects an individual or a documented entity (Corporation, Limited Liability Corporation and/or Documented Partnership) from claims alleging failure or error in the providing of services that result in financial damages to their clients.

Allegations of negligence, fraud, untimely delivery, misrepresentation, misstatement, system failure, even negligent oversell are all grounds for an E & O claim.

It is so easy to apply. Fill out the application form and submit it. We will respond with a timely quotation as soon as possible.

Visitors to the Site: **3343**

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Problems with site: Contact: [Webmaster@HartfordCasualtyInsurance.com](mailto:Webmaster@HartfordCasualtyInsurance.com)

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# Hartford Casualty Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Mold Decontamination Professional

## Typical Pricing Quotation

Typical Pricing

ABC Home Inspection and Mold Decontamination Company of Phoenix, Arizona

Coverage from January 1, 2004 to December 31, 2004

Coverage: \$1,000,000 Aggregate (Total of Policy Terms)

\$ 500,000 Per Occurrence (Each Claim a Separate Occurrence)

\$ 500.00 Deductible per Occurrence (Each Claim)

### Pricing Recap:

Principal, CEO, Senior Partner --\$175.00 per month for the Liability (E&O) plus \$39.50 per month for the Legal Defense Insurance Coverage = \$199.50 per month.

All others that physically perform duties: \$30.00 per month Liability (E & O) plus \$25.00 per month for the Legal Defense Insurance Coverage = \$55.00 per month for each payroll employee. \$80.00 per month Liability (E & O) plus \$25.00 per month for the Legal Defense Insurance Coverage = \$121.00 per month each sub-contractor employee.

### Optional Coverage: (May have to hold a special license in some states)

Commercial/Industrial Inspections - Add: \$15.00 per month

Lead Paint Inspections and Testing - Add: \$10.00 per month

Termites (WDI)/Pests Inspection - Add: \$18.00 per month

Radon Testing and Reporting - Add: \$8.00 per month

Mold Testing and Reporting - Add: \$58.00 per month

Septic System Testing and Reporting - Add: \$10.00 per month

Water Testing & Reporting - Add: \$8.00 per month

203K Consulting Services - Add: \$10.00 per month

General Liability Coverage of \$500,000/\$1,000,000 - Add: \$60.00 per month

**Mold Decontamination Coverage** - Add: 3.6% of Gross Sales with a minimum premium based on \$100,000.00 gross sales or \$3,600.00 per annum or \$300.00 per month. This coverage is audited via submission of financial statement every 3 months and a final audit at the end of the calendar year by registered CPA. Premiums will be adjusted, if required, at each audit.

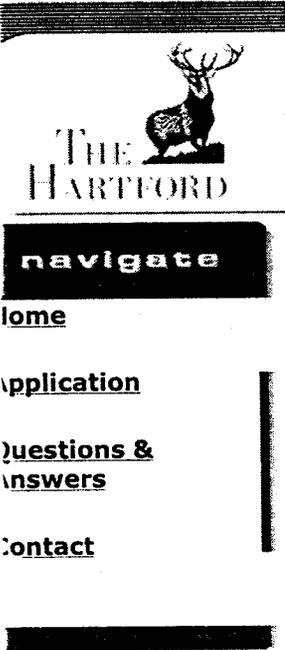
\$1,000,000/\$2,000,000 Coverage vs. Standard - Add: \$28.00 per month. Higher coverage is available.

**Payment Terms: Billed monthly 15 days before the anniversary date of the policy or**

<http://hartfordcasualtyinsurance.com/Pricing%20Recap.htm>

3/17/2004

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**Twelve Percent (12%) discount if fully paid for the policy term (1 year). Company checks are the only form of payment. Policy is automatically renewed unless notified in writing via signed letter or facsimile transmission (E-Mail notifications are not**

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problems with site: Contact: Webmaster@hartfordcasualtyinsurance.com

Application

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Mold Decontamination Professional

# Hartford Casualty Insurance

[Application



## Application for Insurances

Complete & Submit - Quotation within 2 business days

**Form Note:** Use either the TAB or your mouse to move from field to field. If you accidentally hit the RETURN key it will try to send the Application prematurely before you are finished. Don't worry, you have to type "YES" in the box at the very end of the application for it to send. After the application is sent you will see the information that was E-Mailed to our office. Thank you for your interest. We hope you are pleasantly surprised by the amount of coverage we can supply for the price.

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Typical Pricing Quotation

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### Applicant Information:

Requester: \_\_\_\_\_ Title: \_\_\_\_\_

Company Name: \_\_\_\_\_ Profession:

Company Address: \_\_\_\_\_ Suite #: \_\_\_\_\_

City: \_\_\_\_\_ State or Province: \_\_\_\_\_

Zip or Postal Code: \_\_\_\_\_ Country:

Telephone #: \_\_\_\_\_ Fax #: \_\_\_\_\_ w/Area Code

E-Mail Address: \_\_\_\_\_

States You Do Business In: (If you need more; use the "Special Instructions & Requests" section below.)

Primary: \_\_\_\_\_ Secondary: \_\_\_\_\_

Type of Business Entity:

Coverage Required By: MONTH  DAY  YEAR

If you were referred to us by an Individual, a Company, or an Organization, we would like to know. It does help our marketing department. If you were referred please tell us in the following box. Thank you. \_\_\_\_\_

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Special Instructions and/or Requests

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Contact Us Now!

# Hartford Casualty Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Mold Decontamination Professional

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Sales and Executive personnel are available M-F 9 AM-5 PM Central Time

**Fax:**  
**(501) 621-7818**

**General e-mail**  
**[info@HartfordCasualtyInsurance.com](mailto:info@HartfordCasualtyInsurance.com)**



**Technical Assistance**  
**[tech@HartfordCasualtyInsurance.com](mailto:tech@HartfordCasualtyInsurance.com)**

**Call Today!**

**340/998-8629**

**Hartford Casualty Insurance**

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Problems with site: Contact: [Webmaster@HartfordCasualtyInsurance.com](mailto:Webmaster@HartfordCasualtyInsurance.com)

# Hartford Casualty Insurance

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Mold Decontamination Professional

## Questions & Answers to our clients:

### *Is this insurance occurrence or claims based?*

Our insurance policy is occurrence based. Let me explain; **Occurrence Based** insurance means that if a claim is made 2, 10, 100 years from now and you had the policy in effect at the time you performed the service (home inspection, appraisal, real estate transaction, etc.), you are covered. There is no time limit even if the policy is no longer in effect, for any reason. **Claims Based** insurance means that you must have the policy in effect for infinity to have any claim covered. If you ever cancel, miss a payment, etc. your insurance is no longer in effect. You are only covered for as long as you keep the policy. For your reference:

**CLAIMS-MADE COVERAGE:** A policy providing liability coverage only if a written claim is made during the policy period or any applicable extended reporting period. For example, a claim made in the current reporting year could be charged against the current policy even if the injury or loss occurred many years in the past. If the policy has a retroactive date, an occurrence prior to that date is not covered. (Contrast this with "Occurrence Coverage")

**OCCURRENCE COVERAGE:** A policy providing liability coverage only for injury or loss that occurs during the policy period, regardless of when the claim is actually made.

#### Definitions

**Occurrence Policy** - An occurrence policy covers you for any incidents that happen while you are insured by the policy - regardless of when the claim may be filed.

**Claims-Made Policy** - A claims-made policy covers you for incidents that happen after coverage becomes effective. The claim, however, must be reported while your policy is in force. Claims filed after your coverage ends may be covered by purchasing an Extended Reporting Period Policy.

### *Why do I need the Legal Defense Insurance?*

Our policy was negotiated based on the fact that insurance companies expend most of their monies on in-house or contract attorneys to investigate and negotiate settlements. This is why some claims are paid without a fight. It is purely economical that it might be more expensive to fight a claim than just pay it. We took that out of the equation by putting Legal Defense Insurance in as a "**Buffer**" between the claim and the insurance company. The legal defense attorneys will do all the communicating with the claimant or their lawyer and try to negotiate a settlement.

### *Do I need the Commercial/Industrial coverage even if I only do 2 or 3 a year?*

That is your business decision. If you want those inspections covered, YES. If you do not have the Commercial/Industrial Rider then you are not covered by our insurance for those instances. If a claim is made from a property that an investigator can deem is in that category, you have given us and the underwriter a reason to refuse coverage. If you know you have one coming

up, you can always call us, activate the Commercial/Industrial Rider for a month and then cancel it the next month.

*What is my premium going to be next year?*

*Good question! We do not know. Costs are always rising, but if you*

---

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# NORTH BAY HOME INSPECTIONS INC.

---

13045 Cooper Road  
Spring Hill, FL. 34609.  
Phone (352) 683-0727  
Fax (352) 684-2988  
Toll Free 1-800-370-8186  
E-mail: [nbayhi@tampabay.rr.com](mailto:nbayhi@tampabay.rr.com)  
Website: [www.northbayhomeinspections.com](http://www.northbayhomeinspections.com)

RECEIVED  
DEC 05 2003

December 2, 2003

Mr. Ernie Ulrich,

On June 10, 2003, North Bay Home Inspections, Inc., purchased errors and omissions insurance from Nations Hazard Insurance Company. Their representative was Michael Napadow. He was given a check on June 5, 2003 for \$3,491.60. On July 21, 2003, a second check was sent in the amount of \$739.20. This was for tail coverage, errors and omissions insurance, subcontractor coverage for a total of \$4,230.80

After the second check was written I called to cancel the subcontractor coverage. He told me that the check was in the mail. Several phone calls later and several months later there has not been a refund. Michael Napadow always had an excuse from he forgot to his secretary lost the information to he was in the hospital and couldn't get to it.

Michael Napadow told me that Lloyds of London was his underwriter. Shortly thereafter I found out that Michael Napadow is not licensed to sell insurance in any state.

I have been forced to get additional insurance at additional expense to cover North Bay Home Inspections, Inc. Unfortunately, since I switched carriers and they are aware of Nations Hazard Insurance Company, all of the previous inspections we performed do not have insurance coverage.

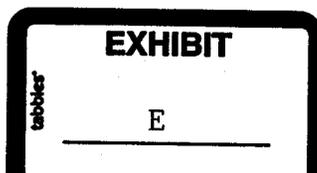


Should you have any additional questions, please feel free to call.

Sincerely,

A handwritten signature in cursive script, appearing to read "Rick Chipelo".

Rick Chipelo- CRI  
North Bay Home Inspections, Inc.



119

Florida Department of State, Division of Corporations

Corporations Online  
 www.sunbiz.org Public Inquiry

Florida Profit

NORTH BAY HOME INSPECTIONS, INC.

PRINCIPAL ADDRESS

13045 COOPER RD.  
 SPRING HILL FL 34609

MAILING ADDRESS

13045 COOPER RD.  
 SPRING HILL FL 34609

Document Number  
 P00000008510

FEI Number

Date Filed  
 01/19/2000

State  
 FL

Status  
 ACTIVE

Effective Date  
 NONE

Registered Agent

Name & Address
CHIPELO, RICK F 13045 COOPER RD. SPRING HILL FL 34609

Officer/Director Detail

Name & Address	Title
CHIPELO, RICK F 13045 COOPER RD. SPRING HILL FL 34609	PSTD
CHIPELO, KATHY S 13045 COOPER RD. SPRING HILL FL 34609	VD

Annual Reports

Report Year	Filed Date
2002	02/11/2002
2003	01/04/2003
2004	01/07/2004

121

1759

**NORTH BAY HOME INSPECTIONS, INC.**

13045 COOPER ROAD PH. 352-683-0727  
SPRING HILL, FL 34609

63-886/631

DATE 7/21/03

©CHECKS UNLIMITED™ - SOPHISTICATES

PAY TO THE ORDER OF Nations Hazard Insurance Co. \$ 739.20

seven hundred thirty nine <sup>20</sup>/<sub>100</sub> DOLLARS

REPUBLIC BANK  
SPRING HILL OFFICE  
5335 SPRING HILL DRIVE  
SPRING HILL, FLORIDA 34606  
1-800-MY BANK 1

FOR

⑈001759⑈ ⑆063108868⑆ 0338001506⑈ ⑈000073920⑈

1734

**NORTH BAY HOME INSPECTIONS, INC.**

13045 COOPER ROAD PH. 352-683-0727  
SPRING HILL, FL 34609

63-886/631

DATE 6/5/03

©CHECKS UNLIMITED™ - SOPHISTICATES

PAY TO THE ORDER OF Nations Hazard Insurance Co. \$ 3,491.60

three thousand four hundred ninety one <sup>60</sup>/<sub>100</sub> DOLLARS

REPUBLIC BANK  
SPRING HILL OFFICE  
5335 SPRING HILL DRIVE  
SPRING HILL, FLORIDA 34606  
1-800-MY BANK 1

FOR

E+O insurance  
⑈001734⑈ ⑆063108868⑆ 0338001506⑈ ⑈0000349160⑈

[Previous Filing](#)

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No Events  
No Name History Information

### Document Images

Listed below are the images available for this filing.

<u>01/07/2004 -- ANNUAL REPORT</u>
<u>01/04/2003 -- ANNUAL REPORT</u>
<u>02/11/2002 -- ANN REP/UNIFORM BUS REP</u>
<u>02/07/2001 -- ANN REP/UNIFORM BUS REP</u>
<u>01/19/2000 -- Domestic Profit</u>

**THIS IS NOT OFFICIAL RECORD; SEE DOCUMENTS IF QUESTION OR CONFLICT**

[Corporations Inquiry](#)

[Corporations Help](#)

PAY TO THE ORDER OF  
FIRST COMMUNITY BANK  
FOR DEPOSIT ONLY  
NAPSLO HOLDING COMPANY (NHC)  
114451

DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
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1111 50233

FIRST  
COMMUNITY BANK  
ELGIN, IL 60120  
⑈071925392⑈

JUN -9 03

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4700000000  
6/19/03

PAY TO THE ORDER OF  
FIRST COMMUNITY BANK  
FOR DEPOSIT ONLY  
NAPSLO HOLDING COMPANY (NHC)  
114451

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1111 45300

FIRST  
COMMUNITY BANK  
ELGIN, IL 60120  
⑈071925392⑈

JUL 25 03

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6102003  
63010019  
NT=2160  
4700000000  
6/19/03

124

# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
06/10/03

PRODUCER  
NATIONS HAZARD INSURANCE COMPANY  
129 Canterfield Parkway West  
West Dundee, IL 60118  
Michael Napadow

H2000/061003/P00

INSURED  
North Bay Home Inspections Inc.  
Mr. Rick Chipelo  
13045 Cooper Road  
Spring Hill, FL 34609

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE		NAIC #
INSURER A:	Nations Hazard Insurance Company	061003
INSURER B:		
INSURER C:		
INSURER D:		
INSURER E:		

## COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Errors & Omissions <input checked="" type="checkbox"/> Pre-Paid Legal GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	H2000/061003/P000000000GL	06/10/2003	06/09/2004	EACH OCCURRENCE	\$ 500,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$
						MED EXP (Any one person)	\$
						PERSONAL & ADV INJURY	\$
						GENERAL AGGREGATE	\$ 1,000,000
						PRODUCTS - COMP/OP AGG	\$
						Deductible	\$500.00
		<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN AUTO ONLY: EA ACC	\$
						AGG	\$
		<b>EXCESS/UMBRELLA LIABILITY</b> <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE	\$
						AGGREGATE	\$
							\$
							\$
		<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? INCL EXCL If yes, describe under SPECIAL PROVISIONS below				WC STATUTORY LIMITS	OTH-ER
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$
A		<b>OTHER Tail Insurance</b>	H2000/060103/P10000R000GL	06/10/2001	06/09/2003	700 Inspections	1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
 Corporation performing Visual Home Inspections  
 Endorsements:  
 1. Tail Insurance; Effective 6/10/2001 to 06/09/2003 - 700 Home Inspections

## CERTIFICATE HOLDER

Blank space for Certificate Holder information.

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.  
 AUTHORIZED REPRESENTATIVE  
 Michael F. Napadow

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# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)  
06/10/03

PRODUCER  
NATIONS HAZARD INSURANCE COMPANY  
129 Canterfield Parkway West  
West Dundee, IL 60118  
Michael Napadow

H2000/061003/P00

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED  
North Bay Home Inspections Inc.  
Mr. Rick Chipelo  
13045 Cooper Road  
Spring Hill, FL 34609

INSURERS AFFORDING COVERAGE		NAIC #
INSURER A: Nations Hazard Insurance Company		061003
INSURER B:		
INSURER C:		
INSURER D:		
INSURER E:		

## COVERAGES

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INSR LTR	ADD'L INSR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		<b>GENERAL LIABILITY</b> <input type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Errors & Omissions <input checked="" type="checkbox"/> Pre-Paid Legal GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	H2000/061003/P000000000GL	06/10/2003	06/09/2004	EACH OCCURRENCE	\$ 500,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$
						MED EXP (Any one person)	\$
						PERSONAL & ADV INJURY	\$
						GENERAL AGGREGATE	\$ 1,000,000
						PRODUCTS - COMP/OP AGG	\$
						Deductible	\$500.00
		<b>AUTOMOBILE LIABILITY</b> <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea accident)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		<b>GARAGE LIABILITY</b> <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN AUTO ONLY: EA ACC	\$
						AGG	\$
		<b>EXCESS/UMBRELLA LIABILITY</b> <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE	\$
						AGGREGATE	\$
							\$
							\$
		<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b> ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? INCL EXCL If yes, describe under SPECIAL PROVISIONS below				WC STATUTORY LIMITS	OT-HER
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$
A		<b>OTHER Tail Insurance</b>	H2000/060103/P10000R000GL	06/10/2001	06/09/2003	700 Inspections	1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS  
 Corporation performing Visual Home Inspections  
 Endorsements:  
 1. Tail Insurance; Effective 6/10/2001 to 06/09/2003 - 700 Home Inspections

## CERTIFICATE HOLDER

## CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Michael F. Napadow

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## **IMPORTANT**

If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

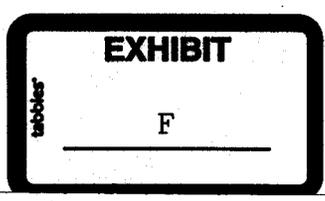
## **DISCLAIMER**

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.

Domain Name..... hartfordcasualtyirance.com  
Creation Date..... 2004-01-08  
Registration Date.... 2004-01-08  
Expiry Date..... 2006-01-08  
Organisation Name.... Napelo Holding Company  
Organisation Address. 180 S. Western AvenuePMB 273  
Organisation Address.  
Organisation Address. Carpentersville  
Organisation Address. 60110  
Organisation Address. IL  
Organisation Address. UNITED STATES

Admin Name..... Michael Napadow  
Admin Address..... 180 S. Western AvenuePMB 273  
Admin Address.....  
Admin Address..... Carpentersville  
Admin Address..... 60110  
Admin Address..... IL  
Admin Address..... UNITED STATES  
Admin Email..... mikenapadow@asn.com  
Admin Phone..... 8663514680  
Admin Fax..... 5015217818

Tech Name..... Tech Support  
Tech Address..... 101 Marietta Street  
Tech Address.....  
Tech Address..... Atlanta  
Tech Address..... 30303  
Tech Address..... GA  
Tech Address..... UNITED STATES  
Tech Email..... mittransfers@interland.com  
Tech Phone..... +1.8005895060  
Tech Fax..... +1.4045860001  
Name Server..... a.ns.interland.net  
Name Server..... b.ns.interland.net



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Subject: Federal Building Inspection - E&O Insurance  
Date: Mon, 29 Sep 2003 16:34:41 -0400  
From: "Chiolan, Brian (HFP, UW)" <Brian.Chiolan@thehartford.com>  
To: "Hansens@cape.com" <Hansens@cape.com>

09/29/03

RE: Federal Building Inspection  
PO Box 2321  
Falmouth, MA 02536  
Errors & Omissions Insurance

Ron,

To document our conversation of this afternoon.

- \* The Hartford does not currently write E&O insurance for Home Inspectors.
- \* We have checked your companies name against our corporate database and we do not show you as a current insured of ours.
- \* Nations Hazard Insurance is not an authorized agent of the Hartford.

I hope this confirmation proves useful.

We have also advised our internal legal department of this issue.

Feel free to contact me if I can be of additional assistance.

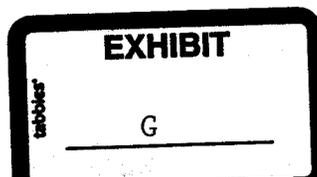
Regards,

Brian

Brian J. Chiolan  
Assistant Vice President  
Hartford Financial Products  
2 Park Avenue  
New York, NY 10016

(P) 212-277-0408  
(F) 917-464-7102

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9/29/03

acier

nie Ulrich

om: Wardell, Richard (Internal Audit, Investigative Services) [richard.wardell@thehartford.com]  
 ant: Wednesday, May 19, 2004 9:14 AM  
 o: Ernie Ulrich  
 bject: RE: Napadow, Nations Hazard, Hartford Casualty Ins Co.

Mr. Ulrich,

As per your request, The Hartford Insurance Company and its entities has found no record of any insurance policies associated with Home Inspectors that did business with Nations Hazard Insurance Company or a Michael Napadow. The Hartford has not received any of the premiums paid to Nations Hazard or a Michael Napadow from Home Inspectors across the Country. Mr. Napadow has initiated a web site through an Atlanta, Georgia based company and named the web site, Hartford Casualty Insurance Company. It is not an authorized Web Site of The Hartford.

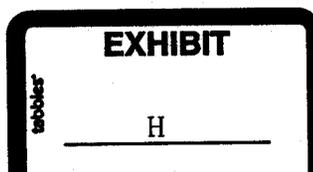
Michael Napadow is not and has never been a licensed Agent for The Hartford. Nations Hazard is not and has never been a authorized Hartford Agency. Mr. Napadow has fraudulently used The Hartford's name and Logo to defraud Home Inspectors throughout the country. The Hartford has conducted an investigation and referred their case, requesting a criminal complaint be lodged against Michael Napadow and anyone associated with his company. The following agencies have been contacted by The Hartford and a complaint filed to The Illinois Department of Insurance, The Illinois Attorney General's office, The United States Postal Department and the West Dundee, Illinois Police Department. The Hartford is requesting criminal charges be brought against Mr. Napadow and his associates for defrauding Home Inspectors across the country and using The Hartford's name and logo fraudulently in order to consummate his crimes.

The Hartford's Investigation was requested by The Hartford's Law Department (Liz Steigman). Ms. Steigman has been appraised of the results of the Investigation and the request to pursue criminal and civil complaints against Mr. Michael Napadow and any associates of Nations Hazard Insurance Company who have defrauded The Hartford.

Respectfully,

Richard Wardell  
 Senior Investigator  
 The Hartford's Investigative Services

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Tuesday, July 29, 2003



**Nations Hazard Insurance**  
 129 Canterfield Parkway West  
 West Dundee, Illinois 60118  
 Telephone: 847/428-5560  
 Facsimile: 847/428-5517  
 E-Mail: [Info@NationsHazard.com](mailto:Info@NationsHazard.com)

**Cochran & Associates**  
 PO Box 25367  
 Tamaras, Florida 33320

TAMARAS

Attention: Ed Cochran  
 E-Mail Address:

~~mailed~~  
 JUL 28 2003

mailed  
 JUL 29 2003

Dear Sir or Madam:

We are pleased to present you with our quotation for the Nations Hazard \*Occurrence Based Insurance Plan H2000, which combines the E & O Insurance for liability coverage with prepaid legal insurance.

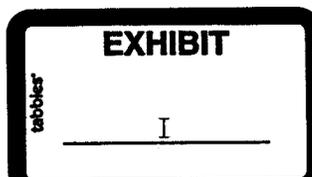
*Your Proposal is as follows for a Corporation:*

Coverage is for 1 year term commencing with binding date. Binding Date is the date that signed documents are faxed back to our office and the processing of the 1<sup>st</sup> payment.

E & O Coverage: \$1,000,000 Aggregate (Total of Policy Terms)  
 \$ 500,000 Per Occurrence (Each Claim a Separate Occurrence)  
 \$ 500.00 Deductible per Occurrence (Each Claim)

To explain the above: The Aggregate Coverage is the limit of the policy over the one (1) year term. You are liable for any combined judgments over \$1,000,000 and you are also liable for any single judgment over \$500,000. The \$500 deductible is for each claim not total for all claims during the policy term.

\*Occurrence Based vs. Claims Based is an important criterion in choosing a policy. Refer to "Question and Answer" section of website <http://www.nationshazard.com> for complete comparison.



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Please check which coverage you would like to contract for:

- Principal, CEO, Senior Partner - \$175.00 per month
- Entity with multiple inspectors - \$30.00 per each additional employee inspector per month
- Enter # to be covered ( )
- Entity with multiple inspectors - \$80.00 per each additional sub-contractor Inspector per month
- Enter # to be covered ( )
- Commercial/Industrial Inspections - \$15.00 per month
- Lead Paint Inspections & Testing - \$10.00 per month
- Termites (WDI)/Pests Inspection - \$18.00 per month
- Radon Testing & Reporting - \$8.00 per month
- Mold Testing & Reporting - 30.00 per month
- Septic System Testing & Reporting - \$10.00 per month
- Water Testing & Reporting - \$8.00 per month
- FHA 203k Consulting Services - \$10.00 per month
- \*General Liability Coverage - \$60.00 per month
- Fidelity Bond - \$5,000 increments @ \$5.00 per month per increment - # of increments - [ ] per inspector
- Increase Coverage from base of \$500,000/\$1,000,000 to \$1,000,000/\$2,000,000 - \$28.00 per month
- Texas Pest Control (SPCB) coverage - \$41.00 per month
- PA Building Code Official & Third Party Agency Certification (Requires Increase coverage rider of \$1,000,000/\$2,000,000) - \$39.00 per month
- Legal Defense Insurance - Refer to Cost Sheet for Price
- Tail Insurance - [ ] years, [ ] # of inspections
- "Pay-as-you-go"© - \$395.00 Enrollment Fee

NOTE: The Legal Coverage is intertwined with the E & O & Liability coverage. For entities insuring more than just the Principal, each inspector must have the Pre-Paid Legal coverage. Both must be in effect to complete the contract. Visit <http://www.prepaidlegal.com> for additional information on Pre-Paid Legal Services, Inc.

Company Name \_\_\_\_\_

Principal \_\_\_\_\_

Telephone # \_\_\_\_\_ Time to Call \_\_\_\_\_

Effective Date of Coverage: \_\_\_\_/\_\_\_\_/\_\_\_\_

Signature \_\_\_\_\_ Date: \_\_\_\_\_

Fax to: Nations Hazard Insurance @ 847/428-5517

**Example:**

Principal, two (2) payroll inspectors & one (1) sub-contractor inspector.

Principal - \$175.00, 2 payroll inspectors - \$30.00 x 2 = \$60.00, 1 Sub-

Contractor Inspector - \$80.00 = \$300.00 per month

Plus Options (For Example):

Commercial/Industrial Inspections - \$15.00

Radon Testing & Reporting - \$6.00

Your monthly premium would be \$336.00 to Nations Hazard Insurance Company.

plus:

Each inspector @ \$39.50 per month for Legal Defense Coverage

\* General Liability coverage is also available as an option. General Liability covers bodily injury or property damage as a result of the insured's professional activities. Example: Ladder falls & breaks the picture window; General Liability would cover that occurrence. All deductibles, limits, claim filing, etc. are the same as the Errors & Omissions policy.

**Tail Insurance Binder:**

Tail insurance is an insurance policy that extends the "Claims-Made" insurance policy of another carrier for X amount of years. We offer this as an option based on the following chart of pricing:

1 year - \$285.00      2 year - \$500.00      3 Year - \$642.00

Each additional year over 3 add \$115.00 per year.

Number of Inspections during term X \$1.40 each inspection

(Note: Be as accurate as possible on the number of inspections, It is better to pay a little more now than give the Insurance company a loophole to get thru later, if there is a claim. This premium can be billed monthly and added to the monthly payment plan or, if you choose, it can be paid in full. If you choose to pay in full, the 12% discount will apply.)





There is no discount for paying the Legal Defense portion on an annual basis, so we do not offer it. You can, when your package of information and activation information arrives, do so if you wish.

The E & O portion of the plan can be paid annually with substantial savings. We, Nations Hazard Insurance Company offer a **twelve percent (12%)** discount on yearly premiums. This equates to a month of coverage. Call our office to calculate the yearly premium, if this is a consideration.

Once the check page and payment method portions of the policy application are faxed to our office you will be contacted by one of our office staff to complete the informational portion of the policy.

Within 30 days from Date of Binding

You will receive: The Certificate of Insurance, Claim Form, Request for Insurance Certificate Issuance to Third Party Form along with some useful information on avoiding claims in the future and a free review of your inspection contract and suggested changes, additions, deletions, etc. You are not obligated to modify your contract but most of the suggestions, if any, could preempt claims.

We, at Nations Hazard Insurance Company, do hope that you receive this proposal favorably and look forward to being long term partners in your business.

Best regards,

Staff of Nations Hazard

Note: Quotation/Proposal is binding for 30 days from date submitted. Subject to change after that date.

***P.S. Fax in "Check-Box" page, Payment Information, and Personal Information page for all inspectors to be named in the policy.***

### Nations Hazard Insurance Company

129 Canterfield Parkway West  
West Dundee, Illinois 60118-9004 USA

#### Personal Information required for processing:

Each inspector and/or sub-contractor inspector that you wish to be covered by the policies needs to give this information on a separate submittal.

**NAME OF COMPANY:** \_\_\_\_\_

**Social Security #:** \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_

**Last Name:** \_\_\_\_\_

**First Name:** \_\_\_\_\_

**Middle Initial:** \_\_\_\_\_

**Home Mailing Address:** \_\_\_\_\_

**Apt./Suite #:** \_\_\_\_\_

**City:** \_\_\_\_\_

**State:** \_\_\_\_\_

**Zip + 4** \_\_\_\_\_

**Date of Birth:** \_\_\_\_ (Month) / \_\_\_\_ (Day) / \_\_\_\_ (Year)

**Spouse – Last Name:** \_\_\_\_\_

**First Name:** \_\_\_\_\_

**MI:** \_\_\_\_\_

**Work Phone:** \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

**Ext:** \_\_\_\_\_

**Home Phone:** \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

**E-mail Address:** \_\_\_\_\_

**\*Dependents: Last:** \_\_\_\_\_

**First:** \_\_\_\_\_

**MI** \_\_\_\_\_

**Date of Birth:** \_\_\_\_ (Month) / \_\_\_\_ (Day) / \_\_\_\_ (Year)

**Last:** \_\_\_\_\_

**First:** \_\_\_\_\_

**MI** \_\_\_\_\_

**Date of Birth:** \_\_\_\_ (Month) / \_\_\_\_ (Day) / \_\_\_\_ (Year)

**Last:** \_\_\_\_\_

**First:** \_\_\_\_\_

**MI** \_\_\_\_\_

**Date of Birth:** \_\_\_\_ (Month) / \_\_\_\_ (Day) / \_\_\_\_ (Year)

• Dependents are persons that live with you or you are responsible for.

**Applicant Signature:** \_\_\_\_\_

**Date of Signature:** \_\_\_\_ (Month) / \_\_\_\_ (Day) / \_\_\_\_ (Year)

*Fax to: Nations Hazard Insurance Company @ 847/428-5517*

## **"Pay-as-you-go"<sup>®</sup>**

"Pay-as-you-go" is an insurance program to assist the part-time or new inspector in insuring his/her inspections as they build their business.

The policy is all inclusive, meaning that it covers the Errors and Omissions, all endorsements (riders), General Liability and the same limits as the "Standard" policy of \$500,000 per occurrence, \$1,000,000 Aggregate and with a \$500.00 deductible.

The Enrollment Fee is \$395.00, which activates the insurance coverage, and you will be issued five (5) PER-INSPECTION CERTIFICATES OF INSURANCE certificates that must be faxed to our office before, not after the inspection. Additional certificates can be purchased via our website (currently under construction for this plan) or via faxed in order form @ \$22.50 per certificate plus \$5.95 postage & handling charge, plus any special delivery request, such as Priority Mail or Fed-Ex.

You will also be required to have the Legal Defense Insurance. Costs are different in every state. See pricing sheet attached.

To sign up for this plan, you will need to fax in the "check box" page, the payment information page, the Personnel information page, and a copy of a voided check, if you are going to pay by E-Check.

Policies can be issued within 24 hours, if required.

## Legal Defense Pricing per State Per Month

There is an One-Time Enrollment Fee of \$10.00 for all Legal Defense Policies

Alabama	\$39.50	Alaska	\$55.00
Arizona	39.50	Arkansas	39.50
California	39.50	Colorado	39.50
Connecticut	39.50	Delaware	39.50
District of Columbia	39.50	Florida	25.00
Georgia	39.50	Hawaii	49.00
Idaho	16.00	Illinois	39.50
Indiana	39.50	Iowa	39.50
Kansas	39.50	Kentucky	39.50
Louisiana	39.50	Maine	16.00
Maryland	39.50	Massachusetts	39.50
Michigan	39.50	Minnesota	39.50
Mississippi	39.50	Missouri	39.50
Montana	39.50	Nebraska	39.50
Nevada	39.50	New Jersey	9.95
New Hampshire	55.00	New Mexico	39.50
New York	24.00	North Carolina	39.50
North Dakota	16.00	Ohio	39.50
Oklahoma	39.50	Oregon	39.50
Pennsylvania	39.50	Rhode Island	16.00
South Carolina	39.50	South Dakota	16.00
Tennessee	25.00	Texas	25.00
Utah	39.50	Virginia	39.50
Vermont	16.00	Washington	16.00
West Virginia	39.50	Wisconsin	39.50
Wyoming	39.50		

The above pricing is for the "Principal" only. Any additional partners, payroll employee inspectors and/or sub-contractor inspectors would only need personnel coverage instead of the "Principal" who needs personal and business coverage. Call for those rates, as they are different for each state.

[Service Request Number: 1797415] Hotline Complaint

Page 1 of 2

-----Original Message-----

From:  
Sent: Monday, May 10, 2004 9:40 AM  
To:  
Subject: RE: Hotline Complaint

Yes, we should follow up with the O.I.R. or the company to check it out.

-----Original Message-----

From:  
Sent: Wednesday, May 05, 2004 4:00 PM  
To:  
Subject: FW: Hotline Complaint

This looks valid, what do you think?

Thanks,

-----Original Message-----

From:  
Sent: Wednesday, May 05, 2004 3:50 PM  
To:  
Subject: Hotline Complaint

This complaint was taken by an operator of the Insurance Fraud Hotline. However, it appears to be better handled by the Bureau of Consumer Assistance.

Complainant/caller:

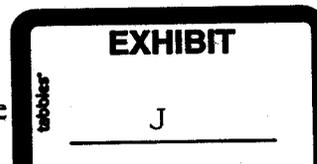
Michael McLendon  
1702 Maryland Ave  
Lynn Haven, FL 32444  
850 271 0501

*MMcLendon@ptphome.com*

Subject:

Michael Nabadow  
no mailing address provided  
Phone: 866 435 4680  
or 340 998 8629  
<http://hartfordcasualtyinsurance.com>

Caller, Michael McLendon, is a home inspector in Lynn Haven, FL. He reports that he received an email about E&O Insurance which he believes is bogus. The email reads, "As a professional home inspection company you know the importance of being insured in this litigious society. We have developed a unique offering of E&O and general liability insurance to protect home inspection companies. Please visit the website at <http://hartfordcasualtyinsurance.com> and fill out the easy submittal form so we can show you how we can give you better coverage at better pricing. We hope to be of service to you in the near future. Sincerely, Customer Service Representative."



Caller claims that Michael Nabadow is the agent that is soliciting this advertisement.

Thank you for your assistance.

SMA  
Fraud Division

**APPLICATION FOR REGISTRATION OF FICTITIOUS NAME**

DOCUMENT# G04114900059

Fictitious Name to be Registered: HARTFORD COMPANY

Mailing Address of Business: 6900-29 DANIELS PARKWAY  
SUITE #350  
FORT MYERS, FL 33912-158

Florida County of principal place of business: MULTIPLE

FEI Number:

Owner(s) of Fictitious Name:

NAPADOW, MICHAEL F  
11341 LAKE CYPRESS LOOP  
FORT MYERS, FL 33913

**FILED**  
**Apr 22, 2004**  
**Secretary of State**

I (we) the undersigned, being the sole (all the) party(ies) owning interest in the above fictitious name, certify that the information indicated on this form is true and accurate. I (we) understand that the electronic signature(s) below shall have the same legal effect as if made under oath.

MICHAEL NAPADOW

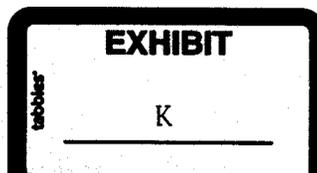
04/22/2004

Electronic Signature(s)

Date

Certificate of Status Requested (X)

Certified Copy Requested (X)



Division of Corporations - Public Access

**HARTFORD COMPANY**  
 6900-29 DANIELS PARKWAY  
 SUITE #350  
 FORT MYERS, FL 33912-158

**Document Number**  
 G04114900059

**Status**  
 ACTIVE

**Date Filed**  
 04/22/2004

**Expiration Date**  
 12/31/2009

**Current Owners**  
 000000001

**County**  
 MULTIPLE

**Total Pages**  
 000000001

**Events Filed**  
 000000000

**FEI Number**  
 NONE

**No Filing History**

[Previous on List](#)

[Return to Name List](#)

[Next on List](#)

**Owner Information**

Name & Address	FEI Number	Charter Number
NAPADOW, MICHAEL FRANCIS 11341 LAKE CYPRESS LOOP FORT MYERS, FL 33913	N/A	NONE

**Document Images**

Listed below are the images available for this filing.

G04114900059 -- 04/22/2004 -- Fictitious Name Filing

**THIS IS NOT OFFICIAL RECORD; SEE DOCUMENTS IF QUESTION OR CONFLICT**

Fictitious Name Inquiry Menu

Fictitious Name Inquiry Help

Home

# Hartford Casualty Insurance Co.

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Real Estate Broker/Agent



Some States and most Banks & National Real Estate Companies want E & O & General L  
—[Welcome

Hartford Casualty Insurance provides Insurance Plan H2004, a unique combination of E & O, General Liability and Legal Defense Insurance for liability coverage for the home inspector, real estate appraiser, real estate Broker/Agent and employees.

Typical Pricing Quotation

Professional liability insurance, also called Errors an Omissions (E & O), protects an individual or a documented entity (Corporation, Limited Liability Corporation and/or Documented Partnership) from claims alleging failure or error in the providing of services that result in financial damages to their clients.

Application

Allegations of negligence, fraud, untimely delivery, misrepresentation, misstatement, system failure, even negligent oversell are all grounds for an E & O claim.

Questions & Answers

State Regulations

Contact

Client Only Section

Certificate of Insurance Order Form

It is so easy to apply. Fill out the application form and submit it. We will respond with a timely quotation as soon as possible.

Visitors to the Site:

4887

EXHIBIT

tabbles

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Problems with site: Contact: [Webmaster@hartfordcasualtyinsurance.com](mailto:Webmaster@hartfordcasualtyinsurance.com)

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Typical Pricing

# Hartford Casualty Insurance Co.

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Questions & Answers

State Regulations

Contact

### Typical Pricing Quotation

#### ABC Home Inspection of Phoenix, Arizona

Coverage from January 1, 2003 to December 31, 2003

Coverage: \$1,000,000 Aggregate (Total of Policy Terms)

\$ 500,000 Per Occurrence (Each Claim a Separate Occurrence)

\$ 500.00 Deductible per Occurrence (Each Claim)

— [Typical Pricing

#### Pricing Recap:

Principal, CEO, Senior Partner --\$175.00 per month for the Liability (E&O) plus \$39.50 per month for the Legal Defense Insurance Coverage = \$214.50 per month.

All others that physically perform inspections: \$30.00 per month Liability (E & O) for each employee inspector, \$60.00 per month Liability (E & O) for each sub-contractor inspector.

Optional Coverage: **(May have to hold a special license in some states)**

Commercial/Industrial Inspections - Add: \$15.00 per month

Lead Paint Inspections and Testing - Add: \$10.00 per month

Termites (WDI)/Pests Inspection - Add: \$18.00 per month

Radon Testing and Reporting - Add: \$8.00 per month

Mold Testing and Reporting - Add: \$58.00 per month

Septic System Testing and Reporting - Add: \$10.00 per month

## Typical Pricing

Water Testing & Reporting - Add: \$8.00 per month

203K Consulting Services - Add: \$10.00 per month

General Liability Coverage of \$500,000/\$1,000,000 - Add: \$60.00 per month

Fidelity Bond - \$5,000 increments @ \$5.00 per month

\$1,000,000/\$2,000,000 Coverage vs. Standard - Add: \$28.00 per month

Tail Insurance available; refer to proposal for rates.

Workmen's Compensation Insurance available; refer to proposal for rates.

**Payment Terms: Monthly or Annually. Annual Premium payments are eligible for a 12% discount.**

**Policies are terminated if payment cannot be processed after one(1) communiqué from the home office has not resolved the NSF, Account Closed, etc. payment. There would then have to be a re-application and potentially increase in premium costs.**

## Typical Pricing

Water Testing & Reporting - Add: \$8.00 per month

203K Consulting Services - Add: \$10.00 per month

General Liability Coverage of \$500,000/\$1,000,000 - Add: \$60.00 per month

Fidelity Bond - \$5,000 increments @ \$5.00 per month

\$1,000,000/\$2,000,000 Coverage vs. Standard - Add: \$28.00 per month

Tail Insurance available; refer to proposal for rates.

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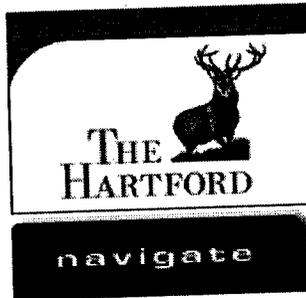
**Payment Terms: Monthly or Annually. Annual Premium payments are eligible for a 12% discount.**

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Application

# Hartford Casualty Insurance Co.

Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Real Estate Broker/Agent



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—[Application

## Application for Insurances

Complete & Submit - Quotation within 2 business days

**Form Note:** Use either the TAB or your mouse to move from field to field. If you accidentally hit the RETURN key it will try to send the Application prematurely before you are finished. Don't worry, you have to type "YES" in the box at the very end of the application for it to send. After the application is sent you will see the information that was E-Mailed to our office. Thank you for your interest. We hope you are pleasantly surprised by the amount of coverage we can supply for the price.

### Applicant Information:

Requester:  Title:

Company Name:  Profession:

Company Address:  Suite #:

City:  State or Province:

Zip or Postal Code:  Country:

Telephone #:  Fax #:  w/Area Code

E-Mail Address:

**States You Do Business In:** (If you need more; use the "Special Instructions & Requests" section below.

Primary:  Secondary:

---

**Type of Business Entity:**

**Coverage Required By:** MONTH  DAY  YEAR

If you were referred to us by an Individual, a Company, or an Organization, we would like to know. It does help our marketing department. If you were referred please tell us in the following box. Thank you.

---

Special Instructions and/or Requests

---

**NOTE:** Riders that are automatically quoted as options to the policy are: Cost for additional inspectors, Commercial/Industrial Inspections, Lead Paint Inspections & Testing, Termites (WDI)/Pests Inspection, Radon Testing & Reporting, Mold Testing & Reporting, Septic System Testing & Reporting, Water Testing & Reporting, 203K Consulting Services, Texas Pest Control (SPCB) coverage, Fidelity Bonds in \$5,000 increments, and any additional coverage's that you request in the "Special Request" section above.

**Are you really ready to send this Application in now? (Type "yes")**

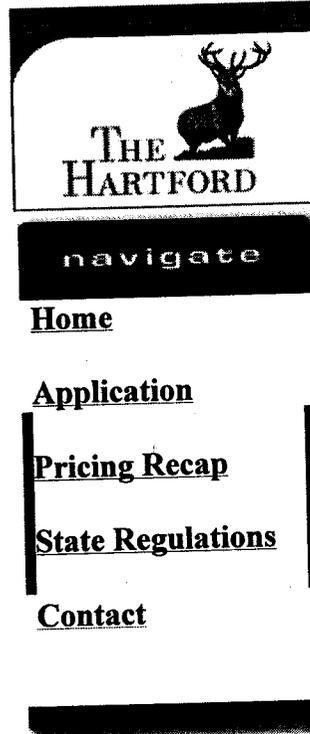


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Problems with site: Contact: [Webmaster@hartfordcasualtyinsurance.com](mailto:Webmaster@hartfordcasualtyinsurance.com)



## Hartford Casualty Insurance Co.



Unique Combination of Errors & Omissions and General Liability Insurance with Legal Defense Insurance for the Home Inspector, Real Estate Appraiser, and Real Estate Broker/Agent

### Questions & Answers to our clients:

#### *Is this insurance occurrence or claims based?*

Our insurance policy is occurrence based. Let me explain; **Occurrence Based** insurance means that if a claim is made 2, 10, 100 years from now and you had the policy in effect at the time you performed the service (home inspection, appraisal, real estate transaction, etc.), you are covered. There is no time limit even if the policy is no longer in effect, for any reason. **Claims Based** insurance means that you must have the policy in effect for infinity to have any claim covered. If you ever cancel, miss a payment, etc. your insurance is no longer in effect. You are only covered for as long as you keep the policy. For your reference:

**CLAIMS-MADE COVERAGE:** A policy providing liability coverage only if a written claim is made during the policy period or any applicable extended reporting period. For example, a claim made in the current reporting year could be charged against the current policy even if the injury or loss occurred many years in the past. If the policy has a retroactive date, an occurrence prior to that date is not covered. (Contrast this with "Occurrence Coverage")

**OCCURRENCE COVERAGE:** A policy providing liability coverage only for injury or loss that occurs during the policy period, regardless of when the claim is actually made.

#### Definitions

**Occurrence Policy** - An occurrence policy covers you for any incidents that happen while you are insured by the policy - regardless of when the claim may be filed.

**Claims-Made Policy** - A claims-made policy covers you for incidents that happen after coverage becomes effective. The claim, however, must be reported while your policy is in force. Claims filed after your coverage ends may be covered by purchasing an Extended Reporting Period Policy.

#### *Why do I need the Legal Defense Insurance?*

Our policy was negotiated based on the fact that insurance companies expend

most of their monies on in-house or contract attorneys to investigate and negotiate settlements. This is why some claims are paid without a fight. It is purely economical that it might be more expensive to fight a claim than just pay it. We took that out of the equation by putting Legal Defense Insurance in as a "Buffer" between the claim and the insurance company. The legal defense attorneys will do all the communicating with the claimant or their lawyer and try to negotiate a settlement. Once they do that then Nations Hazard pays the claim unless it exceeds \$25,000 and then it goes to the Underwriter for review. This is one of the main reasons that the insurance rates are very competitive

***I only do 100 inspections a year. Why isn't my premium lower than a guy who does 1,000?***

The answer is simple. The only way to know how many inspections you really do is to audit your books. That means hiring an accountant to go thru your company records to see how many inspections you did that policy year. That is what Workmen's Compensation insurers have to do. We do not want to do audits; they are expensive. So, the compromise is to average what a "typical" home inspection company does. You can always opt to look into our "Pay-as-you-Go" Plan. It was designed for part-time and/or new inspectors.

***Do I need the Commercial/Industrial coverage even if I only do 2 or 3 a year?***

That is your business decision. If you want those inspections covered, YES. If you do not have the Commercial/Industrial Rider then you are not covered by our insurance for those instances. If a claim is made from a property that an investigator can deem is in that category, you have given us and the underwriter a reason to refuse coverage. If you know you have one coming up, you can always call us, activate the Commercial/Industrial Rider for a month and then cancel it the next month.

***What is my premium going to be next year?***

Good question! We do not know. Costs are always going up, but if we control cost, increase client base, control claim payout, and other factors

remain constant, the rate shouldn't change. To stay competitive in the market, there is a limit to how much we can charge. So far, things are going well. So again, the answer is "We do not know".

***I have an employee who does inspections and a couple of sub-contractors who do them when I'm swamped. Are they covered?***

It is not a prudent business practice to hire sub-contractors who do not have their own insurance. If you choose to put your company in harms way, so be it. Our policy has a provision for sub-contractors to be listed on your policy for \$80.00 per month. The only provision is that they must have the legal defense coverage in effect at the time you sub the work to them. Employees that do inspections cost \$30.00 per month per employee plus the legal defense insurance. That is the way the policy is structured. For your Reference:

**Definitions**

**Independent Contractor** - Any person contracted by you who receives a 1099 Form for tax purposes is an independent contractor. Your coverage protects you against claims caused by the negligence of a contractor or subcontractor while working on your behalf. This coverage, however, does not provide individual protection for the independent contractor.

**Employee** - Anyone you hire and give a W2 Form for tax purposes is considered an employee. Employees are covered only for acts performed on your behalf as an employee of your practice organization.

***How do I get out of a Claims Made Insurance Policy?***

To be covered by us for tail (A tail policy is a policy that keeps you covered for as many years as you are comfortable with, usually 2 or 3 once you decide to change coverage or just quit the business.) The cost for Tail Insurance is: 1 year - \$285.00, 2 years - \$500.00, 3 years - \$642.00. Each additional year over 3 add \$115.00 per year. Then total your number of inspections during the term of the tail insurance and multiply by \$1.40 each inspection.

***So what you are saying is that there is NO advantage to switching insurance companies if you have had had claims made for the last few years..***

**NO** - The very real advantage is that you currently have claims-made insurance which only covers you while the policy is in effect unless you purchased a "tail" policy for X (whatever you feel comfortable with) years. Occurrence based insurance means that you are covered for infinity even if

you cancel the insurance. **EXAMPLE:** You sign up for our policy and only pay for 1 month and cancel. Any inspections you did in that month would be covered forever.

Once someone gets out of claims-made, you never go back. You're out of the insurance "trap". *I, personally, think claims-made is an irresponsible excuse for insurance and embarrasses me as a lifelong insurance professional.*

So, off the soapbox; Give us the info we requested, you'll get a price, then decide. Do not lie or underestimate the number of inspections. If you do, and an investigator finds out because a claim was filed, you have given the insurance company a loophole to jump thru and deny the claim because you lied. *"Never give them an excuse to not pay"*. By the way, Tail Insurance isn't that expensive thru us.

***When someone refers a Home Inspector are they covered?***

The H2000 policy extends its' coverage to indemnify the Real Estate Agent or Broker, Lending Institution, Relocation Company and/or Real Estate Attorneys and their agents or employees.

***What is the company insurance rating?***

A.M. Best's rating is - "A-Excellent", Standard & Poors' rating is "A"

## Existing State Home Inspector Regulatory Legislation (Updated 10/06/2004)

**Alabama Licensure (Act 2002-517)** Requires individuals performing home inspections to become licensed by the Alabama Building Commission. The Alabama Standards of Practice and Code of Ethics (see Home Inspectors Rules and Applications) is adopted from the ASHI Standards of Practice and Code of Ethics. The Alabama Building Commission gratefully acknowledges ASHI's consent. The Building Commission adopted the National Home Inspection Examination to assess minimum competence. The bill also outlines educational and experiential requirements to become licensed, sets license fees and insurance requirements, and defines penalties under which licensure may be suspended or revoked. This law replaces Act 96-574.

For more information or a copy of the statute contact the Alabama Building Commission, (334) 242-4810, (334) 242-4182 fax, e-mail [buildcom@bc.state.al.us](mailto:buildcom@bc.state.al.us).

**Alaska Licensure (Chapter 134 SLA enacted in 2003)**. In Alaska, home inspectors and associate home inspectors will be issued a certificate of registration by the Department of Community and Economic Development. To be a registered home inspector, an individual must: 1) pass the National Home Inspector Examination, 2) meet the educational and experience requirements as determined by the Department, 3) submit a complete application for registration within one year of passing the exam, 4) not have been convicted of specific crimes in the past seven years of the date of the application, 5) not have had the authority to perform home inspections revoked in the state or another jurisdiction, 6) not be the subject of an unresolved criminal complaint or unresolved disciplinary action in the state and 7) pay the appropriate fees. For the renewal of certificates, the Department will require at least eight hours of continuing competency activity in each licensing period. The Department will set the registration fees for home inspectors and associate home inspectors and determine the disciplinary actions and penalties for violating the terms of the certificate of registration. The law also sets home inspection requirements for residential loans purchased or approved by the Alaska Housing Finance Corporation. The law requires that a written report fulfilling certain requirements be submitted to the person requesting the inspection upon completion of an inspection that will remain valid for 180 days after the inspection and allows for civil action to be taken against home inspectors for one year after performing the inspection. The law requires the home inspector to carry insurance and a bond of \$5,000. The law went into effect in 2003 and all home inspectors are required to have a license by July 1, 2004.

For more information contact the home inspector licensing examiner at the Department of Community and Economic Development Division of Occupational Licensing at (907) 465-5470 phone, (907) 465-2974 fax or e-mail [license@dced.state.ak.us](mailto:license@dced.state.ak.us).

**Arizona Certification (Title 32, Chapter 1)**. The Arizona State Board of Technical Registration (BTR) certifies and regulates the practice of home inspectors. The law requires 80 hours of education, successful completion of the National Home Inspector Examination, and evidence

## Existing State Home Inspector Regulatory Legislation (Updated 10/06/2004)

**Alabama Licensure (Act 2002-517)** Requires individuals performing home inspections to become licensed by the Alabama Building Commission. The Alabama Standards of Practice and Code of Ethics (see Home Inspectors Rules and Applications) is adopted from the ASHI Standards of Practice and Code of Ethics. The Alabama Building Commission gratefully acknowledges ASHI's consent. The Building Commission adopted the National Home Inspection Examination to assess minimum competence. The bill also outlines educational and experiential requirements to become licensed, sets license fees and insurance requirements, and defines penalties under which licensure may be suspended or revoked. This law replaces Act 96-574.

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For more information contact the home inspector licensing examiner at the Department of Community and Economic Development Division of Occupational Licensing at (907) 465-5470 phone, (907) 465-2974 fax or e-mail [license@dced.state.ak.us](mailto:license@dced.state.ak.us).

**Arizona Certification (Title 32, Chapter 1)**. The Arizona State Board of Technical Registration (BTR) certifies and regulates the practice of home inspectors. The law requires 80 hours of education, successful completion of the National Home Inspector Examination, and evidence

of successfully completed home inspections. In addition, the law requires that certified home inspectors have one of the following financial assurances: 1) Errors and Omissions Insurance in the amount of \$200,000 in the aggregate and \$100,000 per occurrence, 2) a \$25,000 bond or proof of assets in that amount, or 3) an alternate financial assurance mechanism approved by the BTR with a value of at least \$25,000. The law states that loss of or failure to obtain financial assurance is grounds for revocation of certification.

For more specific information regarding certification requirements, please go to the BTR website and, under Regulations on the Table of Contents panel, click on "Applicable Statutes" (see A.R.S. § 32-122.02 or "Applicable Rules" (see A.A.C. R4-30-247).

For further information, contact Melinda Baughman, Home Inspector Certification Program administrator.

**Arkansas Registration (Act 1328 of 2003)** repealed and replaced (*Act 791 of 1997*). Under the "Arkansas Home Inspector Registration Act," all home inspectors in the state must register with the Secretary of State. Applicants must pass the National Home Inspector Examination. In addition, home inspectors must conduct all inspections in adherence to the Standards of Practice and Code of Ethics of ASHI, the Arkansas Association of Real Estate Inspectors, or an equivalent professional home inspection association. The law also prohibits inspectors from performing repairs on a structure that he has inspected within the last 12 months. In order to register under the law, an applicant must procure general liability insurance of at least \$100,000. These requirements, along with the duties and responsibilities of the Board, complaint and disciplinary procedures, continuing education requirements and more can be found In the Rules and Procedures of the Arkansas Home Inspector Registration Board.

For more information, contact Secretary of State, Division of Corporations at (501) 682-3409 phone or (501) 682-3437 fax.

**California Trade practice act (Chapter 338) enacted in 1996.** The law in California prohibits unethical home inspection practices, including repairing properties that home inspectors have inspected in the previous 12 months. The law encourages courts to consider the Standards of Practice and Code of Ethics of ASHI and the California Real Estate Inspection Association when determining whether an inspection meets the required standard of care.

For more information, contact the California Contractors State License Board at (916) 255-3900.

**Connecticut Licensure (Public Act No. 99-254).** Connecticut law requires home inspectors to be licensed under the "Home Inspection Licensing Board." In order to be eligible for a home inspector license, an applicant shall: 1) have successfully completed high school or its equivalent; 2) have either been engaged as a home inspector intern for not less than one year and not performed less than 200 home

inspections for compensation or taken and successfully completed a board-approved training program, earned a home inspector intern permit, and performed not less than 100 home inspections under the direct supervision and in the presence of a licensed home inspector; 3) have passed an oral, written, or electronic competency examination; and 4) have paid a \$200 fee. In order to receive a permit as a home inspector intern, an applicant shall: 1) have successfully completed high school or its equivalent; 2) have enrolled in and completed a board-approved training program; 3) have an identified supervisor who is licensed as a home inspector, is in good standing, and has agreed to perform the supervisory functions required; and 4) have paid a \$100 fee.

For more information, including Regulations, applications, etc. contact the Department of Consumer Protection, Licenses Service Division at  
(860) 713-6000  
(860) 713-7239  
e-mail: [licencse.services@po.state.ct.us](mailto:licencse.services@po.state.ct.us)

**Georgia Trade practice act (Chapter 3, Title 8) enacted in 1994.** Georgia law requires home inspectors to provide written documents containing certain information with regard to inspections. This written document must include the scope of the inspection, including the structural elements and systems to be inspected, that the inspection is a visual inspection, and that the home inspector will notify, in writing, the person on whose behalf such inspection is being made of any defects noted during the inspection.

For more information, contact the Secretary of State, Construction Industry License Board.  
(478) 207-1416 phone  
(478) 207-1425 fax

**Illinois Licensure (225 ILSC 441).** Illinois law creates the Illinois Home Inspector License Act and establishes a Home Inspector Advisory Board within the Office of Banks and Real Estate (OBRE), which is charged with regulating home inspectors. To obtain a license, an applicant must: 1) be at least 21 years of age, 2) obtain a high school diploma or GED, 3) as a prerequisite for sitting for the examination, successfully complete 60 hours of pre-license education from an education provider approved and licensed by OBRE, and 4) take and successfully pass the Home Inspector Examination for Illinois, which consists of the National Home Inspector Examination and a section concerning Illinois statutes and regulations. Licensed home inspectors are required to perform inspections that meet the minimum standards of practice established by rule as adopted by the OBRE. The law also exempts certain professionals from licensure as a home inspector while acting under the scope of their licenses. The law became effective January 1, 2003.

For more information, including statute, Rules, applications, contact the Office of Banks and Real Estate at (217) 782-3000 phone and (217) 524-5941 fax.

**Indiana Licensure (P.L. 145 enacted In 2004).** P.L. 145 established the Home Inspectors Licensing Board to regulate home inspectors and associate home inspectors. The Board shall be responsible for setting the fees for licenses, investigating complaints concerning licensees and establishing continuing education requirements. The Board shall adopt a code of ethics, standards for competent performance of home inspections and standards for inspection reports. Under P.L. 145, licensing requires that a candidate: 1) be at least 18 years of age, 2) graduated from high school or earned a GED diploma, 3) not have been convicted of specific crimes, 4) complete a Board approved training program or course and pass an exam approved by the Board, 5) carry general liability insurance coverage of at least \$100,000 and 6) pay a fee. The law also provides that a person who performs home inspections for compensation without a license commits a Class B Infraction. It also provides that any civil complaints based upon the professional services of a licensed home inspector must be filed within two years of the date the alleged Infraction occurred. This law takes effect July 1, 2004.

For more information contact the Indiana Professional Licensing Agency at (317) 232-2980 phone or (317) 232-2312 fax. To download the law go here and, under "Acts 2003" click on "145."

**Louisiana Licensure (Chapter 17-A of Title 37) enacted in 1999.** Louisiana law creates the "Louisiana Home Inspectors Licensing Act." It creates the Louisiana State Board of Home Inspectors within the Department of Economic Development and requires the Board to establish minimum qualifications for licensing and allows the Board to charge and collect fees. Applicants must be at least 18 years old and must have successfully completed high school or its equivalent, and passed the National Home Inspector Examination. Applicants must show evidence of successful completion of at least 120 hours of instruction, at least 30 hours but no more than 40 of which must be in course work containing actual practical home inspections. Home inspectors are required to provide a written report of the home inspection, and are prohibited from, at the time of inspection and for a reasonable time thereafter, advertising or soliciting to perform repair services on the home upon which the inspection was performed. As a condition of renewal of a license, a home inspector must show evidence of completion of 20 hours of continuing education. Active licensees are required to carry errors and omission insurance, and the Board must establish a group insurance program.

For more information, including General Rules, Standards of Practice, Code of Ethics applications and more, contact the Louisiana State Board of Home Inspectors at 225-248-1334 phone or 225-248-1335 fax

**Maryland Trade practice act enacted in 1992.** Maryland law requires home inspectors to disclose professional qualifications and the scope of the inspection within the home inspection contract. The law also requires home inspectors to conduct home inspections in accordance with

the standards of practice set forth by a professional home inspection trade association such as ASHI or the National Association of Home Inspectors.

***Licensure (Chapter 470) enacted in 2001.*** Maryland law creates the State Commission of Real Estate Appraisers and Home Inspectors to regulate home inspectors in the state. The Commission is charged with establishing a code of ethics and standards of practice for licensed home inspectors, and providing a copy of such standards to each licensed home inspector. To qualify for licensure prior to July 1, 2002, an applicant must complete two of the following conditions: 1) complete a minimum of 48 hours of an on-site training course approved by a national home inspection organization of the Commission, 2) complete a minimum of 2 years of relevant work experience as determined by the Commission, 3) complete at least 100 home inspections for compensation, or 4) submit proof of full membership in or certification by ASHI or NAHI. Effective July 1, 2002, an applicant for a home inspector license shall: 1) have completed a minimum of 48 hours of an off-site training course, 2) have a high school diploma or its equivalent, 3) have general liability insurance in an amount not less than \$50,000, 4) submit an application sanctioned by the Commission, 5) pay the application fee of \$50 to the Commission. The law also exempts certain professionals from licensure as a home inspector while acting under the scope of their licenses, and provides a reciprocity provision for licensed home inspectors from other states.

For more information, contact the Division of Occupational & Professional Licensing at (410) 230-6165 phone or (410) 333-6314 fax.

***Massachusetts Licensure (Chapter 146) enacted in 1999.*** Massachusetts law requires home inspectors and associate home inspectors to be licensed under the Board of Registration of Home Inspectors. The Board is required to: 1) establish the requirements for licensure and for the standards of professional and ethical conduct; 2) establish standards for continuing education; 3) authorize and conduct examinations; 4) grant licenses to qualified applicants; and 5) establish penalties. The law also requires that the Director of the Office of Consumer Affairs and Business Regulation publish an informational brochure on home inspections which must be issued to home buyers at the signing of an offer to purchase. Licensed home inspectors must: 1) have successfully completed high school or its equivalent; 2) have been engaged as a licensed associate home inspector for not less than one year and have performed not less than 100 home inspections under the supervision of a licensed home inspector; 3) have passed the National Home Inspector Examination; and 4) paid the appropriate fee. A licensed associate home inspector must: 1) have successfully completed high school or its equivalent; 2) have successfully completed a Board-approved training program; 3) have performed not less than 25 home inspections in the presence of a licensed home inspector; 4) have passed the National Home Inspector Examination; 5) have an identified supervisor who is a person licensed in good standing as a home inspector; and 6) paid the appropriate fee. Licensed home inspectors and associate home inspectors must carry errors and omissions insurance in an amount not less than \$250,000. Also, a home inspector or associate home inspector may not attempt to limit liability for negligent or wrongful errors or omissions by use of a clause within a performance contract that limits the cost of damages from negligent or wrongful errors or omissions.

***Amendment to Current Law (Ch. 146 of 1999) enacted in 2001.*** The amended section of the law (Chapter 17 of 2001) extends the time

period during which the Board may issue a temporary license to an applicant seeking licensure as a home inspector. The law moves the effective date back to November 1, 2001 from May 1, 2001 and establishes the criteria under which a temporary license may be issued. A temporary license may be issued if: 1) an individual has been engaged in home inspection for not less than three years prior to the effective date and has performed at least 100 inspections for compensation, or 2) an individual has been engaged in the practice of home inspection for not less than one year prior to the effective date, and has performed at least 125 inspections for compensation. Temporary licenses shall terminate in 90 days, or whenever the applicant furnishes proof of having passed a licensing examination approved by the Board, whichever occurs first.

For more information, including Rules and Regulations, contact the Board of Registration of Home Inspectors at (617) 727-4459 phone or (617) 727-2197 fax.

**Mississippi Licensure (Chapter 71) enacted in 2001.** Mississippi law requires home inspectors to be licensed by the Mississippi Real Estate Commission (Commission) and is given the following powers: 1) receiving and approving applications for licensure and collecting fees, 2) implementing recommendations made by the Home Inspector Advisory Board, 3) adoption of a code of ethics and standards of practice 4) developing a licensing exam (the Commission adopted the National Home Inspector Examination to assess minimum competence) which meets nationally recognized standards, as well as developing applications and licensing forms, 6) adopting rules and regulations for administering the law. The law also created a five person Home Inspector Regulatory Board (Board), members of which are to be licensed inspectors, and appointed by the Governor. The Board serves in an advisory capacity to the Commission, and was given the following duties and powers: 1) responsibility for matters relating to the code of ethics, standards and qualifications, 2) holding hearings and preparing examination specifications for licensure, 3) conducting investigations, 4) further defining regulation, educational and equivalent experience, and 5) recommending suspension or revocation of licenses. To qualify for a license under this act, a person must: 1) have successfully completed high school or attained an equivalency degree, 2) be at least 21 years old, 3) have successfully completed an approved course of study of at least 60 hours, which may include field work as required by the Commission, 4) pass the National Home Inspector Examination, and 5) provide a certificate of insurance for errors and omissions and general liability. Certain individuals acting under their profession or license are exempted from additional licensure by the Commission for "visual inspections"--specialty and general contractors, architects, engineers, financial institution employee, licensed real estate broker, appraiser or home builder. There is also a three-year limitation included for clients seeking to recover damages from an inspection, a reciprocity provision, and a grandfather clause included in the act.

For more information, including forms, education providers and more, contact the Real Estate Commission (Home Inspector Regulatory Board) at (601) 932-9191.

**Montana Trade Practice Act (Chapter 14, Title 30) enacted in 1999.** Montana law, the Home Inspection Trade Practices Act, prescribes

period during which the Board may issue a temporary license to an applicant seeking licensure as a home inspector. The law moves the effective date back to November 1, 2001 from May 1, 2001 and establishes the criteria under which a temporary license may be issued. A temporary license may be issued if: 1) an individual has been engaged in home inspection for not less than three years prior to the effective date and has performed at least 100 inspections for compensation, or 2) an individual has been engaged in the practice of home inspection for not less than one year prior to the effective date, and has performed at least 125 inspections for compensation. Temporary licenses shall terminate in 90 days, or whenever the applicant furnishes proof of having passed a licensing examination approved by the Board, whichever occurs first.

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**Montana Trade Practice Act (Chapter 14, Title 30) enacted in 1999.** Montana law, the Home Inspection Trade Practices Act, prescribes

what elements must be identified in a home inspection and defines prohibited activities by a home inspector.

For more information, contact the Office of Building Codes and Inspection at (406) 444-3933 phone or (406) 444-2903 fax.

***Nevada Certification (NRS 645D.120 and NAC 645D.210) enacted in 1997.*** Nevada law provides for the certification of home inspectors of structures by the Real Estate Division of the Department of Business and Industry. An applicant for certification as a certified residential Inspector : (a) must furnish proof to the Division that he has successfully completed 1) not less than 40 hours of academic Instruction In subjects related to structural Inspections In courses approved by the Division or equivalent experience as an Inspector, and 2) an examination approved by the Division, and (b) must possess a high school diploma or Its equivalent. Experience as an Inspector must demonstrate ability of the applicant to produce a credible Inspection report according to the standards and requirements set In the statute and codes. Applicants must submit to the Division a log of Inspections performed for a fee on a form supplied by the Division. Applicants must submit proof that they have errors and omissions insurance of at least \$100,000 and general liability insurance of at least \$100,000. The law also provides that a purchaser may n ot recover damages from a seller on the basis of an error or omission in the disclosure form that was caused by the seller's reliance upon information provided to the seller by a certified inspector of real estate.

For more information, contact the Department of Business and Industry, Real Estate Division  
(775) 687-4280 phone  
(775) 687-4868 fax

***New Jersey Licensure (Chapter 8, Title 45) enacted in 1998.*** New Jersey's "Home Inspection Professional Licensing Act," sets specific educational and experience requirements in order to become a licensed home inspector. All home inspectors are required to: 1) complete high school or its equivalent; 2) serve as a licensed associate inspector for at least one year; 3) perform at least 250 inspections; 4) carry \$500,000 in insurance; and 5) pass the National Home Inspector Examination. Inspectors do not have to be a member or candidate of ASHI in order to ta ke the exam. In order to become a licensed ass ociate home inspector under the law, an inspector must: 1) perform at least 50 inspections in th e presence of a licensed inspector; and 2) pass the National Home Inspector Examination. Also, the law provides that, if home inspectors fail to disclose problems or accept payment from another party in the transaction, they can lose their license. Home inspectors are regulated by a five-member Home Inspection Advisory Committee, housed under the State Board of Professional Engineers and Land Surveyors.

In 2003, Public Law 2003, Chapter 77 was passed, amending the grandfathering requirements and extending the grandfathering window by one year, until June 30, 2004. Home Inspectors now have until June 30, 2004 to obtain their licenses.

For more information, contact the Department of Law and Public Safety, Office of Consumer Protection at (973) 504-6200 phone and (973) 504-3538 fax/

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Nevada Certification (NRS 645D.120 and NAC 645D.210) enacted in 1997. Nevada law provides for the certification of home inspectors of structures by the Real Estate Division of the Department of Business and Industry. An applicant for certification as a certified residential Inspector : (a) must furnish proof to the Division that he has successfully completed 1) not less than 40 hours of academic instruction in subjects related to structural inspections in courses approved by the Division or equivalent experience as an Inspector, and 2) an examination approved by the Division, and (b) must possess a high school diploma or its equivalent. Experience as an Inspector must demonstrate ability of the applicant to produce a credible inspection report according to the standards and requirements set in the statute and codes. Applicants must submit to the Division a log of inspections performed for a fee on a form supplied by the Division. Applicants must submit proof that they have errors and omissions insurance of at least \$100,000 and general liability insurance of at least \$100,000. The law also provides that a purchaser may not recover damages from a seller on the basis of an error or omission in the disclosure form that was caused by the seller's reliance upon information provided to the seller by a certified inspector of real estate.

For more information, contact the Department of Business and Industry, Real Estate Division  
(775) 687-4280 phone  
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For more information, contact the Department of Law and Public Safety, Office of Consumer Protection at (973) 504-6200 phone and (973) 504-3538 fax/

**North Carolina Licensure (Chapter 143, Article 9F) enacted in 1993.** The North Carolina "Home Inspection Licensure Act" provides for the licensing and regulation of home inspectors through the creation of a Home Inspector Licensure Board within the Department of Insurance. In order to become licensed as a home inspector, an individual must pass the licensing examination prescribed by the Board, have minimum net assets or a bond in an amount determined by the Board (not less than \$5,000 nor more than \$10,000) and meet certain educational conditions, including: 1) have a high school diploma or its equivalent, have been engaged as a licensed associate home inspector for at least one year, and have completed 100 home inspections for compensation; 2) have education and experience the Board considers to be equivalent to that in subpart 1. above; or 3) be licensed as a general contractor, architect, or professional engineer. In order to become licensed as an associate home inspector, an individual must pass a licensing examination prescribed by the Board, have a high school diploma or its equivalent, and be affiliated with or intend to be affiliated with a licensed home inspector and submit a sworn statement by the licensed home inspector with whom the applicant is or intends to be affiliated certifying that the licensed home inspector will actively supervise and train the applicant.

For more information, contact the Inspector License Board at (919) 661-5880.

Scroll down to Home Inspector Licensure Board

The General Statutes and the Administrative Code are meant to be used together.

**Oklahoma Licensure (Section 858-622 of Title 59) enacted in 2001.** The "Oklahoma Home Inspection Licensing Act" provides for the licensing of home inspectors through the State Board of Health, and a newly created Committee of Home Inspector Examiners (Committee). The Committee is charged with advising the Board of Health in establishing rules relating to: 1) qualifications and examinations for licensure (the committee has adopted the National Home Inspector Examination as the test for minimum competence), 2) renewal requirements, 3) reinstatement of licenses, 4) continuing education, 5) standards of practice and prohibitions, 6) approval of schools and educational course content for home inspection, 7) standards for schools to remain approved to provide courses of instruction, 8) reciprocity agreements, and 9) investigative procedures. These Rules have been established in Title 310, Chapter 276. In order to take an examination for licensure, an applicant must be at least 18 years of age, and successfully complete eighty (80) hours of home inspection training, or its equivalent, as determined by the Committee. Renewal of licenses will be granted provided home inspectors attend five hours of continuing education within the preceding 12 months. A grandfather clause is included as well, with a sunset date of January 1, 2002. Under the law, licensed home inspectors will be required to carry no less than \$50,000 of general liability insurance.

For more information, contact the Department of Health, Occupational Licensing at 1000 N.E. Tenth, Room 1204, Oklahoma City, OK 73117

Phone: 405/271-5288 FAX: 405/271-5254

**Oregon Certification (ORS 701.350, 355) enacted in 1997.** The Oregon Home Inspection Certification Law requires individuals who perform home inspections of two or more components to be certified by the Oregon Construction Contractors Board (CCB). An individual must meet minimum training and/or experience requirements to take a comprehensive test, pass the test and complete continuing education courses to renew certification. The Oregon Standards of Practice, Standards of Behavior and Definitions are adopted from the ASHI Standards with Oregon amendments; Oregon acknowledges the assistance of ASHI in developing its standards and definitions. Each certified home inspector must be an owner or employee of a business licensed with the CCB. Businesses that perform home inspections must be licensed with the CCB in categories that require either a \$10,000 or \$15,000 bond and either a \$300,000 or \$500,000 liability insurance policy. **Amendment to current law (ORS 710.35, Chapter 812).** The amendment to current law provides an exemption for a home inspector acting within the scope of his/her certification or licensure, from licensure as a real estate appraiser.

For more information, contact the Construction Contractors Board at (503) 378-4621 phone or (503) 373-2007 fax.

**Pennsylvania Trade Practice Act ( Act 114 of 2000, Title 68 enacted in 2000).** The law in Pennsylvania provides a uniform definition for the term "home inspection" and for a national home inspection association. It establishes that a home inspector shall conduct their inspection in accordance with the standards of practice set forth by a professional home inspection trade association such as ASHI or the National Association of Home Inspectors. It further outlines consumer remedies as they relate to a home inspection, and establishes penalties for misrepresentations of fact in an inspection report. Under the law, home inspectors are required to maintain errors and omissions and general liability insurance with coverage of not less than \$100,000 per occurrence and \$500,000 in the aggregate. The law is scheduled to take effect in December 2001.

For more information, contact the Pennsylvania Bureau of Consumer Protection at (717) 787-9707.

**Rhode Island Trade practice act enacted in 1996.** The law in Rhode Island forbids home inspectors, pest control inspectors, and contractors from doing work on property that is inspected prior to real estate sales. The law was passed to help eliminate activities that could present a conflict of interest.

**Licensure (Chapter 65.1) enacted in 2000.** Rhode Island law creates a home inspector licensing law and requires that all home inspectors be licensed. Home inspectors would be required to maintain \$250,000 of liability insurance, pass the National Home Inspector Examination, and abide by standards of practice and a code of ethics. NOTE: This law is currently not funded.

For more information, contact the RI Contractors' Registration Board at (401) 222-1268 phone or (401) 222-2599 fax.

**South Carolina Licensure (Title 40, Chapter 59, Article 3) enacted in 1996.** South Carolina law requires any person desiring to be a licensed home inspector to file with the South Carolina Residential Builders Commission. A home inspector must show to the satisfaction of the Commission that he is currently certified as a home inspector by an organization recognized by the Commission, that he has a minimum of one year of experience as a home inspector under the supervision of a licensed inspector, and that he has performed a minimum of fifty residential inspections.

For more information, including Rules and Regulations, contact the Department of Labor, Licensing and Regulation, Residential Builders Commission  
(803) 896-4363 main  
(803) 896-4603 for Home Inspectors  
[www.llr.state.sc.us](http://www.llr.state.sc.us)

**South Dakota Licensure (Chapter 36-21C) enacted in 2000.** The South Dakota law provides for the regulation of home inspectors. The South Dakota Real Estate Commission shall issue and renew certificates to licensed and registered home inspectors pursuant to the provisions of this law. No person may provide a home inspection for compensation unless registered or licensed in the State of South Dakota. Applicants for a license as a home inspector shall meet the following requirements; 1) Good moral character; 2) Completion of high school or equivalency; 3) Employment as a registered home inspector for no less than one year and performance of not less than one hundred home inspections for compensation; 4) Successful completion of the National Home Inspector Examination to assess minimum competence. Applicants for registration as a home inspector shall meet the following requirements; 1) Good moral character; 2) Completion of high school or equivalency; 3) Successful completion of an approved course of study; 4) Successful completion of registration exam.

For more information, contact the Real Estate Commission at (605) 773-3600 phone or (605) 773-4356 fax.

**Tennessee Certification (Title 62, Chapter 6, Part 3) enacted in 1997.** Tennessee law only applies to the inspection of new construction and authorizes such inspections if the inspector is: 1) a licensed contractor; 2) certified by the state as a fire prevention officer or building official; 3) certified by the Southern Building Code Congress; 4) certified by the Home Inspectors of Tennessee Association; or 5) certified by ASHI. The law only applies to inspectors in certain counties in Tennessee.

For more information, contact the Department of Commerce, Division of Regulatory Boards at (615) 741-3449.

**Texas Licensure ( Title 113A, Article 6573a, Section 23) enacted in 1991.** The Texas licensure law, the Real Estate License Act, provides for the examination of home inspectors and established continuing education requirements. These and other requirements are contained in the Texas Administrative Code, Subchapter R, Rules. The law also requires home inspector applicants to work as apprentice inspectors under the supervision of a professional licensed home inspector. If an applicant is unable to obtain an apprenticeship, educational course work and an examination can be substituted. Home inspectors are regulated by the Texas Real Estate Licensing Board.

For more information, contact the Texas Real Estate Commission at (512) 465-3900 phone or (512) 465-3910 fax.

**Virginia Certification (Virginia Certified Home Inspectors Regulations) enacted in 2001.** The Virginia certification law provides a voluntary certification program for home inspectors in the state. However, no person may hold him/herself out as a "certified home inspector" without meeting the certification requirements prescribed by the Board. The Board may issue a certificate to practice home inspection to any applicant who has successfully completed: 1) any educational requirements as required by the Board, 2) any experience requirements as required by the Board, and 3) passed the National Home Inspector Examination. The Board may issue a certificate to practice as a certified home inspector to any applicant who is a member of a national or state professional home inspector association approved by the Board, provided that the requirements for the class of membership in such association are equal to or exceed the requirements established by the Board for all applicants. Because the law was enacted recently, the language does not include specific requirements. The Board is undoubtedly working on creating those rules and requirements, in preparation for the law's July 1, 2003 effective date.

For more information, contact the Virginia Board for Asbestos, Lead, and Home Inspectors at (804) 367-8507.

**Wisconsin Certification ( Chapter 440.97 ) enacted in 1998.** Under Wisconsin's law, home inspectors must register with the State and pass an examination approved by the Department of Regulation and Licensing. The law instructs the Department to consider the use of an examination modeled after the National Home Inspector Examination. The law also requires that a home inspector perform a "reasonably competent and diligent" inspection; however, the inspection is not required to be technically exhaustive. Home inspectors are prohibited from limiting their liability from damages resulting in a failure to conduct a "reasonably competent and diligent" inspection. Also, inspectors are prohibited from performing repairs, maintenance, or improvements to a structure that they have inspected within the last two years.

For more information, contact the Department of Regulation and Licensing at (608) 266-2112 phone or (608) 267-0644 fax or go directly to Home Inspector.

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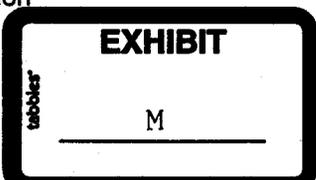
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