

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of the Kansas Resident)
Insurance Agent's License) Docket No. 3060-SO
of DENNIS K. HERMRECK)

SUMMARY ORDER
(Pursuant to K.S.A. 2001 40-4909
and K.S.A. 77-537)

Pursuant to authority granted to the Commissioner of Insurance ("Commissioner") by K.S.A. 2001 Supp. 40-4909, the Commissioner hereby revokes the license of Dennis K. Hermreck ("Hermreck"), by way of Summary Order, as provided by K.S.A. 77-537.

The Commissioner has been shown the following facts, and takes the following action:

1. Records maintained by the Kansas Insurance Department ("KID") indicate that Hermreck is a resident of the State of Kansas, and has a current mailing address of 29 W. Edwards, Iola, Kansas, 66749, and that he is licensed to transact the business of insurance as a resident insurance agent in the State of Kansas.

2. Accordingly, the Commissioner has jurisdiction over Hermreck and the subject matter of this proceeding, and such proceeding is held in the public interest.

3. On November 14, 2001, the KID was contacted regarding a failure to place workers compensation insurance for the city of Gas, Kansas by Hermreck, owner of the Jack Brown Agency. The coverage in place expired on April 1, 2001. On July 20,

2001, the City of Gas paid \$1,673.00 to Hermreck to acquire workers compensation coverage for them.

4. After receiving the above information, Ed Mailen (“Mailen”), an investigator with the KID, contacted Hermreck regarding the matter and was advised that insurance was in place. Mailen called the National Council on Compensation Insurance (“NCCI”) and was advised that no coverage was in place for the City of Gas, contrary to what Mailed was told by Hermreck.

5. On November 16, 2001, Mailen spoke to Hermreck in Iola, Kansas regarding the workers compensation insurance for Gas, Kansas and together they placed a call to the NCCI to verify coverage.

6. The NCCI had the application but it was incomplete and they needed the mayor’s signature. The NCCI indicated that they would fax the application to Hermreck to secure the mayor’s signature.

7. Hermreck offered no explanation regarding why the application had been held until November 3, 2001 when coverage expired on April 1, 2001.

8. On November 19, 2001, Mailen sent a letter to Hermreck regarding his failure to proved workers compensation coverage for the City of Gas and requested that he answer several questions regarding the matter. Hermreck did not respond.

9. On December 10, Mailen sent a second request to Hermreck to respond to the KID’s inquiry.

10. On November 26, 2001, the NCCI sent confirmation to the KID that workers compensation coverage for the City of Gas had been bound.

11. On December 22, 2001, Hermreck responded to Mailen's inquiry regarding the situation. He indicated that what he had done was in error and not with malicious intent. In addition, Hermreck advised Mailen that he was selling the Jack Brown Agency.

12. On February 7, 2002, Mailen spoke with Rob Gill who had just purchased the Jack Brown Agency along with Rick Gill from Hermreck. He was very concerned with what he had found in regard to the existing accounts. Rob Gill indicated that he had found instances where checks were still in the files, coverage had not been placed, and premium had been collected but not remitted to the respective insurance company. Mailen told him the KID was very concerned that no consumer be hurt and Rob Gill assured him that no consumer would be hurt and he assured Mailen that he would take care of all problems and Rob Gill would advise him of instances where Hermreck had created problems.

13. On April 8, 2002, Mailen received information from Deborah A. Taiclet ("Taiclet"), an employee of Iola Insurance Associates ("Iola Insurance"), the new name of the agency, regarding the problems uncovered by them. There were four instances provided where premium was collected but no coverage was provided.

Arthur and Ona Chapman

14. On September 14, 2000, Arthur and Ona Chapman ("Chapmans") paid premium for farm, business auto and personal auto. Hermreck failed to ever send in the farm application. The Chapmans went without coverage until the new owners of the agency, Rob and Rick Gill, bound coverage on February 6, 2002.

15. The Chapmans did have a claim of \$5,250.00 on the property before coverage was in force. The claim was paid by Hermreck after a letter was sent by John R. Toland, an attorney that the Chapmans hired to recover the claim amount and the premium that they had paid for the farm coverage.

16. The Chapmans farm policy is now in force with Columbia Insurance Company (“Columbia Insurance”). The total amount they paid Hermreck for the farm premium was \$2,772.00. When Rick Gill put the farm policy in force, Taiclet wrote a check from the Jack Brown Agency to Columbia Insurance to cover the amount that the Chapmans had first paid to the Jack Brown Agency for their farm premium.

Irene Hodges

17. On December 1, 1999, Hermreck completed an application for homeowners insurance and had Irene Hodges’ (“Hodges”) brother, Neil Bedenbender (“Bedenbender”), sign it.

18. On January 10, 2002, Hodges paid the premium of \$602.00 to the Jack Brown Agency by check. Hermreck did not send the application and premium in to the insurance company.

19. Iola Associates told Hodges if she had a copy of the check to bring it in and the money would be returned.

20. On February 7, 2002, Bedenbender brought in the copy of the check and Taiclet wrote a check from the Jack Brown Agency for the money that Hermreck had taken from Hodges.

Robertson Masonry LLC/Larry Robertson

21. Robertson Masonry LLC/Larry Robertson (“Robertson”) had workers compensation insurance through Hawkeye Insurance. The policy was non-renewed by Hermreck for the January 4, 2001 renewal.

22. Hermreck told Robertson that he was going to place the workers compensation coverage with Columbia Insurance. Robertson paid a down payment of \$2,255.00 to the Jack Brown Agency. Hermreck issued a Certificate of Insurance with Columbia Insurance January 16, 2001 to Robertson. The policy was never issued due to the application not being sent in to the insurance company by Hermreck.

23. Robertson had a workers compensation claim on May 15, 2001 and the policy was not in force. He was getting concerned and was not getting the information he wanted from Hermreck so Robertson called Columbia Insurance direct and it had no record of coverage for Robertson. When Robertson called, he gave Columbia Insurance the policy number that Hermreck had put on the Certificate of Insurance that he had issued Robertson and they had no record of it.

24. Due to the workers compensation claim and the Certificate of Insurance that Hermreck issued to Robertson, Columbia Insurance went ahead and issued the policy with an effective date of April 4, 2001 and is paying on the workers compensation claim.

T & E Co. Inc./Jerry Haen

25. T & E Co. Inc.’s (“T & E Co.”) business auto policy was non renewed by Columbia Insurance effective April 3, 2001 and was never placed with a different company. At the time of the renewal, T & E Co. paid for the down payment on general liability, workers compensation and business auto. The general liability and work comp

had always been in force without any lapse in coverage. Hermreck completed an application for business auto insurance but did not send it in to the insurance company. T & E Co. went without a business auto policy for a year. The amount they paid the Jack Brown Agency for premium on the business auto policy was \$1,200.00. Hermreck issued the company insurance identification cards that were not valid from Progressive.

26. When the Gills took over the agency, they put a business auto policy in force and the premium was paid by the Jack Brown Agency with money that T & E Co. had paid the year before for the insurance.

27. T & E Co. is owned by Taiclet's father-in law, Jerry Haen. Her husband also owns a percent of the company. During the year that the business was without business auto coverage, Taiclet asked Hermreck several times where the policy was and he said the policy was in force.

Conclusions of Law

27. K.S.A. 2001 Supp. 40-2404 provides, in relevant part:

The following are hereby defined as unfair methods of competition and unfair or deceptive acts or practices in the business of insurance:

(1) Making, issuing...or causing to be made, issued...any...statement...which:

(a) Misrepresents the benefits, advantages, conditions or terms of any insurance policy;...

28. K.S.A. 2001 Supp. 40-4909 provides, in relevant part:

(a) The commissioner may...revoke...any license issued under this act if the commissioner finds that the...license holder has:

(5) Intentionally misrepresented the provisions, terms and conditions of an actual or proposed insurance contract or application for insurance.

(8) Used any fraudulent, coercive, or dishonesty practice, or demonstrated any incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere.

(b) In addition, the commissioner may...revoke...any license issued under this act if the commissioner finds that the interests of the insurer or the insurable interests of the public are not properly served under such license.

29. Based upon the allegations contained in paragraphs 22, 25 and 27 above, it appears that Hermreck made, issued or caused to be made, issued statements which misrepresented the benefits, conditions or terms of insurance policies, in violation of K.S.A. 2001 Supp. 40-2404(1)(a).

30. Based upon the allegations contained in paragraphs 22, 25 and 27 above, it appears that Hermreck misrepresented the provisions, terms and conditions contained in contracts or proposed contracts of insurance, in violation of K.S.A. 2001 Supp. 40-4909(a)(5).

31. Based upon the allegations contained in paragraphs 3 through 27 above, it appears that Hermreck used fraudulent, coercive, or dishonest practice, or demonstrated incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state, in violation of K.S.A. 2001 Supp. 40-4909(a)(8).

32. Based upon the allegations contained in paragraphs 3 through 27 above, it appears that Hermreck engaged in acts and practices in the business of insurance that are contrary to the interests of the insurer or the insurable interests of the public, in violation of K.S.A. 2001 Supp. 40-4909(b).

33. Accordingly, sufficient grounds exist for the revocation of the insurance agent's license of Dennis K. Hermreck, pursuant to K.S.A. 2001 Supp. 40-4909.

34. Based upon the facts and circumstances set forth hereinabove, it appears that the use of summary proceedings in the manner set forth herein does not violate any provision of the law, and the protection of the public interest does not require the KID to give notice and opportunity to participate to persons other than Dennis K. Hermreck, all in accordance with the provisions set forth in K.S.A. 77-537(a).

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:

1. The Kansas resident insurance agent's license of Dennis K. Hermreck is hereby revoked.

Notice and Opportunity for Hearing

Dennis K. Hermreck, within fifteen (15) days of service of this Summary Order, may file with the KID written request for a hearing on this Summary Order, as provided for by K.S.A. 77-542. In the event a hearing is requested, such request should be directed to:

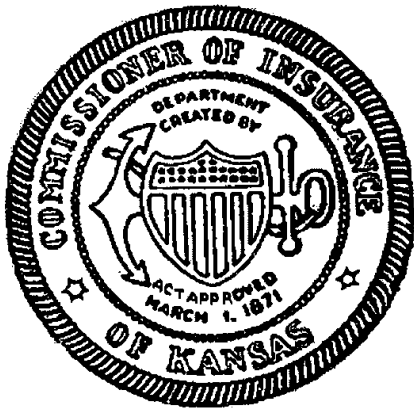
Kathy J. Greenlee
General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

If a hearing is not requested, this Summary Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period for requesting a hearing.

Any costs incurred as a result of conducting any administrative hearing authorized under the provisions of K.S.A. 2001 Supp. 40-4909 shall be assessed against the agent who is the subject of the hearing, as provided for under K.S.A. 2001 Supp. 40-4909(f).

Costs shall include witness fees, mileage allowances, any costs associated with the reproduction of documents which become a part of the hearing record and the expense of making a record of the hearing.

**IT IS SO ORDERED THIS __7th__ DAY OF MAY, 2002 IN THE CITY OF
TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



_____/s/ Kathleen Sebelius_____
Kathleen Sebelius
Commissioner of Insurance

BY:

_____/s/ Kathy Greenlee_____
Kathy J. Greenlee
General Counsel

Certificate of Service

The undersigned hereby certifies that the above and foregoing Summary Order was served this 7th day of May 2002, by depositing the same in the United States Mail, first class postage prepaid, addressed to the following:

Dennis K. Hermreck
29 W. Edwards
Iola, Kansas 66749

/s/ Kathy Greenlee
Kathy J. Greenlee