

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

In the Matter of the Kansas)
Insurance Agent's License of)
PATTY LYNN DORMAN)
NPN: # 834977)

Docket No. 4248-SO

SUMMARY ORDER

(Pursuant to K.S.A. 2009 Supp. 40-4909 and K.S.A. 77-501)

Pursuant to the authority granted to the Commissioner of Insurance ("Commissioner") by K.S.A. 40-4909, the Commissioner hereby imposes a penalty and revokes the agent's license of Respondent, **PATTY LYNN DORMAN** ("Respondent"). This Summary Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period if no request for hearing is made, pursuant to K.S.A. 77-542.

FINDINGS OF FACT

The Commissioner finds the following facts:

1. Records maintained by the Kansas Insurance Department ("KID") show that Respondent is licensed as a nonresident agent to transact the business of insurance in the State of Kansas, and has been so licensed since February 16, 2009.
2. KID records further show that the mailing address of Respondent is 23809 Reece Lake Road, Washington, OK 73093.
3. On October 21, 2009, the State of Oklahoma entered a Consent Order, Case No. 09-1015 DIS, against Respondent in which Respondent along with others was ordered to cease and desist all operations connected with providing insurance, discount medical plans, or other medical benefits products in the State of Oklahoma and to pay a fine of \$30,000.00.
4. Respondent was the owner and President of IAI Marketing, LLC ("IAI") and operated it with her husband, Lonny Dorman, at the time the acts alleged herein occurred. Accordingly, Respondent is responsible for the actions and representations of IAI and its agents.
5. IAI has never been certified as a Third Party Administrator ("TPA"), licensed as an agency, or authorized as an insurance company to do business in Kansas.
6. IAI obtained two separate medical benefits plans from Insurance Administration Services, LLC ("Administration Services"), an Oklahoma business entity owned by Respondent's husband, Lonny Dorman. One was a laboratory benefit plan that

- purportedly would negotiate laboratory fees. The other was a plan that purportedly would negotiate doctor visit fees and, in addition, pay \$25.00 per visit.
7. IAI also contracted with Guarantee Trust Life ("GTL") to market and administer a life policy with a "Critical Illness" accelerated benefit rider.
 8. IAI bundled the discount plans and the GTL life policy and provided the package to Administrative Services, Equal Health, United Health and Life Corp. ("United Health"), and Insurance Advisors, Inc. ("Insurance Advisors") for sale.
 9. Administrative Services, Equal Health, United Health, and Insurance Advisors marketed the GTL life policy and the discount plans as health insurance.
 10. IAI represented to Kansas consumers that it provided administrative services as a TPA for the GTL life policy and the discount plans.
 11. IAI knew that the life policy and the discount plans were not health insurance.
 12. The discount plans were not registered with the Kansas Secretary of State and for that reason IAI and its associated agents were not authorized to market or administer them in Kansas.
 13. KID records show that the plans IAI administered did not pay the benefits promised and did not refund premiums in a timely manner when the policies were cancelled.
 14. The facts that support the statements set forth in paragraphs 3 to 13 are set forth in paragraphs 15 to 46 below.
 15. On April 8, 2010, KID received a complaint from B. L. M., Patient Accounts Supervisor for Lawrence Memorial Hospital ("Lawrence Memorial"), regarding two patients, Ms. J. H. and Mr. H. Z.
 16. The complaint stated that Ms. J. H. and Mr. H. Z. presented cards to Lawrence Memorial that purported to be insurance cards.
 17. According to the notations on Ms. J. H.'s and Mr. H. Z.'s cards, they had been issued by Administration Services and were administered by IAI.
 18. The cards appeared to be insurance cards for the following reasons: Ms. J. H.'s card was captioned ADVANT PLAN 100. Mr. H. Z.'s card was captioned Health Plus 700. On both cards, the insured was directed to call 24 hours in advance to activate coverage for various medical procedures. The term "insured" was used three times on each card.
 19. In fact, with the possible exception of minor coverage for emergency room services and minor coverage for doctor's visits, the cards were for discount plans, not insurance.

20. Lawrence Memorial called Administration Services on a number of occasions to check on the status of the claims. Administration Services would not verify that the claims had been received but stated that Lawrence Memorial could assume that the claims had been received if they were sent to IAI at P. O. Box 721324, Norman, OK 73070.
21. In a letter dated April 23, 2010, KID sent the complaint to IAI and requested that the company respond to each allegation made in the complaint.
22. KID received a response from a person purporting to be an accounts manager for Insurance Advisors, Ms. Jackie Baliel. She stated that Insurance Advisors did not process claims and referred KID to International Med Care.
23. Ms. J. H.'s. and Mr. H. Z.'s claims were never paid and no discounts were received.
24. On February 23, 2009, KID received an inquiry from Ms. J. B. concerning a package of discount plans, a policy providing minor coverage for doctor's visits, and a policy providing minor coverage for emergency room services, and the GTL policy.
25. She stated that she purchased the package during a cold call from an agent of Equal Health on behalf of IAI. The script for the telephone conversation included a number of references to health insurance either directly or by implication such that a consumer would conclude the products were health insurance.
26. A letter from IAI dated February 17, 2009, stated that the emergency room benefit had not yet been approved in Kansas and while the company expected it to be approved in the near future, it was being replaced with a better benefit. No such emergence room benefit" had been submitted to KID for approval and if submitted, would not have been approved.
27. In February 2009, Ms. J. B. received a letter that stated, "Dear Insured: Congratulations on your purchase of health insurance coverage. Your wise insurance decision will provide you and your loved ones with security and peace of mind for years to come"
28. The letter referenced above, was on what appeared to be GTL stationary and there were three references to GTL in the body of the letter. In fact, the letter had been generated and sent by Administration Services without the knowledge or approval of GTL.
29. Likewise, on what appeared to be GTL letterhead, Administration Services sent a description of the "Critical Illness" policy to Ms. J. B. without the knowledge or approval of GTL
30. On September 24, 2009, KID received a complaint from Mr. L. S. seeking assistance in getting a refund of an enrollment fee and a premium he had paid to United Health. He reported that during a cold call he purchased what was represented as health insurance. When he received the "insurance documents package" he realized it was not health

insurance and faxed notice of cancellation on July 31, 2009, and a follow-up letter on August 3, 2009.

31. Included in Mr. L. S.'s documents was a letter on Administration Services letterhead that stated, "Dear Insured: Congratulations on your purchase of health insurance coverage. Your wise insurance decision will provide you and your loved ones with security and peace of mind for years to come"
32. Also in the packet was an Administration Services Advant Plan A card, effective August 1, 2009, a page of "Insurance Policy & Benefit Coverage" information for the Advant Plan A, and a number of additional pages describing what appeared to be health insurance benefits.
33. The Administration Services Advant Plan A card referenced IAI as the plan administrator.
34. On September 25, 2009, a KID consumer assistance representative mailed copies of Mr. L. S.'s complaint to Administration Services and asked it to respond to the allegations.
35. When no response was received, a KID representative mailed a second letter to Administration Services demanding a response within 15 days.
36. On October 29, 2009, KID received a response from Jackie Baliel on Administration Services letterhead stating that credit had been applied to the consumer's credit card on October 19, 2009.
37. Shortly after December 4, 2009, Mr. L. S. got a refund of his money.
38. On December 11, 2009, KID received a complaint from Mr. C. R. in which he stated that he had enrolled with IAS for what was represented as health insurance in September 2009 and paid a premium of \$209.80.
39. Mr. C. R. said he was told he could cancel in the first 60 days and get his money back. He mailed his cancellation to IAS on September 24, 2009 but had not gotten his money back at the time he contacted KID. Included in his package was the GTL policy with the "Critical Illness" rider. Mr. C. R. stated that he paid a premium to GTL of \$150.00. He stated that he sent GTL a cancellation notice on November 9, 2009 but had not received his refund from GTL at the time he filed his complaint.
40. On September 19, 2009, Mr. C. R. received a letter from IAS stating "the Discount Benefit Package is currently pending approval in your state and should be available within the next 60 days." No such "Discount Benefit Package" was pending approval in Kansas.

41. On March 31, 2010, KID received a complaint filed on behalf of Ms F. K. The party making the complaint stated that Ms. F. K. cancelled a high deductible medical policy and purchased what she believed was medical insurance through United Health.
42. In fact, Ms. F. K. had purchased an Advant Benefit Package of discount plans and the GTL life policy with the "Critical Illness" rider.
43. Ms. F. K. purchased the products in a telephone call. During that call, she was led to believe she was purchasing health insurance.
44. Ms. F. K. received a packet of documents from IAS, some of which referred to the Advant Benefit Package as "health insurance."
45. The cover letter from IAS stated, "Dear Insured: Congratulations on your purchase of health insurance coverage. Your wise insurance decision will provide you and your loved ones with security and peace of mind for years to come"
46. Ms. F..K. submitted claims following emergency hospitalization in November 2009, and as of March 2010, the date of her complaint, she had received no benefits.
47. In a letter to Respondent dated October 20, 2010, a Staff Attorney for the Kansas Insurance Department, summarized the facts KID believed were true and gave notice that it considered Respondent's action to be a violation of K.S.A. 40-4909.
48. In a letter dated October 27, 2010, Respondent denied the allegations.

APPLICABLE LAW

49. K.S.A. 40-4909 provides, in relevant part:
 - (a) The commissioner may deny, suspend, revoke or refuse renewal of any license issued under this act if the commissioner finds that the applicant or license holder has ...
 - (2) Violated:
 - (A) Any provision of chapter 40 of the Kansas Statutes Annotated, and amendments thereto, or any rule and regulation promulgated thereunder; ...
 - (5) Intentionally misrepresented the provisions, terms and conditions of an actual or proposed insurance contract or application for insurance;
...

- (7) Admitted to or been found to have committed any insurance unfair trade practice or fraud in violation of K.S.A. 40-2404 and amendments thereto;
 - (8) Used any fraudulent, coercive, or dishonest 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 suspend, revoke or refuse renewal of any license if the commissioner finds that the interests of the insurer or the insurable interests of the public are not properly served under such license.

50. K.S.A. 2009 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) Misrepresentations and false advertising of insurance policies. Making, issuing, circulating or causing to be made, issued or circulated, any estimate, illustration, circular, statement, sales presentation, omission or comparison which:
 - (a) Misrepresents the benefits, advantages, conditions or terms of any insurance policy; ...
 - (e) uses any name or title of any insurance policy or class of insurance policies misrepresenting the true nature thereof;
 - (f) is a misrepresentation for the purpose of inducing or tending to induce the lapse, forfeiture, exchange, conversion or surrender of any insurance policy; ...
- (2) False information and advertising generally. Making, publishing, disseminating, circulating or placing before the public, or causing, directly or indirectly, to be made, published, disseminated, circulated or placed before the public, in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station, or in any other way, an advertisement, announcement or statement containing any assertion, misrepresentation or statement with respect to the business of insurance or with respect to any person in the conduct of such person's insurance business, which is untrue, deceptive or misleading.

CONCLUSIONS OF LAW

- 51. The Commissioner has jurisdiction over Respondent as well as the subject matter of this proceeding, and such proceeding is held in the public interest.
- 52. The license of Respondent may be revoked pursuant to K.S.A. 40-4909(a)(8) because the Respondent's acts constitute fraudulent or dishonest practices in the conduct of business.
- 53. The Commissioner concludes the license of Respondent may be revoked pursuant to K.S.A. 40-4909(b) because it is not properly serving the interests of the insurer and the insurable interests of the public.
- 54. Based on the facts and circumstances set forth herein, it appears that the use of summary proceedings in this matter is appropriate, in accordance with the provisions set forth in K.S.A. 77-537(a), in that the use of summary proceedings does not violate any provision of the law, the protection of the public interest does not require KID to give notice and opportunity to participate to persons other than Respondent, and after investigation, KID believes in good faith that the allegations will be supported to the applicable standard of proof.

IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT the Kansas nonresident insurance agent's license of **PATTY LYNN DORMAN** is hereby **REVOKED**. It is further ordered that **PATTY LYNN DORMAN CEASE and DESIST** from the sale, solicitation, or negotiation of insurance and/or receiving compensation deriving from the sale, solicitation, or negotiation of insurance conducted on and after the effective date of this order and/or acting on behalf of, owning, or operating any TPA in the State of Kansas

IT IS SO ORDERED THIS 28th DAY OF DECEMBER, 2010, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



/s/ Sandy Praeger
Sandy Praeger
Commissioner of Insurance

BY:

/s/ John W. Campbell
John W. Campbell
General Counsel

NOTICE OF RIGHTS TO HEARING AND REVIEW

Within fifteen (15) days of the date of service of this Summary Order, Respondent may submit a written request for a hearing pursuant to K.S.A. 77-537 and K.S.A. 77-542. Any request for a hearing should be addressed to the following:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

If a hearing is requested, the Kansas Insurance Department will serve notice of the time and place of the hearing and information on procedures, right of representation, and other rights of parties relating to the conduct of the hearing.

If a hearing is not requested in the time and manner stated above, this Summary Order shall become effective as a Final Order upon the expiration of time for requesting a hearing. In the event Respondent files a Petition for Judicial Review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

CERTIFICATE OF SERVICE

The undersigned hereby certifies that she serviced a true and correct copy of the above and foregoing Summary Order and accompanying Notice of Rights on this 28th day of December, 2010, by causing the same to be placed in the United States Mail, first class postage prepaid, addressed to the following:

Patty L. Dorman
23809 Reece Lake Road
Washington, OK 73093.

_/s/ Susan Ellmaker _____
Susan Ellmaker
Staff Attorney