STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

Office of Financial and Insurance Regulation

Petitioner,

v

Christina A. Dilts
System ID No. 0156033

Respondent.

_____/

Enforcement Case No. 12-11645
Agency Case No. 13-001-L

Issued and enter
this 27 day of February 2013
by Randall S. Gregg
Deputy Commissioner

FINAL DECISION

I. BACKGROUND

Respondent Christina A. Dilts is a licensed insurance producer. In October of 2012, the Office of Financial and Insurance Regulation (OFIR) received information that Respondent fraudulently received and/or retained approximately $10,900 in insurance commissions for which she was not entitled and submitted a fraudulent insurance claim on behalf of her brother. OFIR investigated the complaint and on December 14, 2012, issued a Notice of Opportunity to Show Compliance (NOSC) to Respondent at her last known address alleging that Respondent had provided justification for revocation of licensure pursuant to Sections 1239(1)(b), 1239(1)(d), 1239(1)(e), 1239(1)(h), and 1247(2) of the Michigan Insurance Code (Code), MCL 500.1239(1)(b), 500.1239(1)(d), 500.1239(1)(e), 500.1239(1)(h) and 500.1247(2). Respondent failed to reply to the NOSC.

On January 10, 2013, OFIR issued an Administrative Complaint and Order for Hearing to Respondent at her last known address. The Order for Hearing required Respondent to take one of the following actions within 21 days: agree to a resolution of the case, file a response to the allegations with a statement that Respondent planned to attend the hearing, or request an adjournment. Respondent failed to take any of these actions.

On February 1, 2013, OFIR staff filed a Motion for Final Decision. Respondent did not file a reply to the motion. Given Respondent's failure to respond, Petitioner's motion is granted. The Administrative Complaint, being unchallenged, is accepted as true. Based upon the Administrative Complaint, the Commissioner makes the following Findings of Fact and Conclusions of Law.

II. FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. The Commissioner is statutorily charged by the Code with the enforcement and responsibility to exercise general supervision and control over persons transacting the business of insurance in Michigan.

2. At all relevant times, Respondent Christine A. Dilts was a licensed resident producer with qualifications in Property and Casualty.

3. On or about October 1, 2012, OFIR received a complaint from Saginaw Bay Underwriters, (SBU) alleging that Respondent Dilts fraudulently received and/or retained approximately $10,900 in insurance commissions for which she was not entitled and submitted a fraudulent insurance claim on behalf of her brother.

4. Respondent Dilts used two different methods to collect and/or retain insurance premium commissions.

5. The first method involved Respondent Dilts entering fictitious policy numbers and premium amounts into SBU's computer system. This resulted in Respondent Dilts receiving insurance commissions to which she was not entitled.

6. Respondent Dilts received $2,229.16 in total commission on 15 insurance policies.

7. The second method involved Respondent Dilts going into SBU's computer system and accessing insurance accounts on which she was shown as the insurance producer and for which she already received a commission payment, and changing the account to a different code if a debit or credit were being billed to the account.

8. Respondent Dilts was paid a first year commission of 60% on new business written. During the first year, the commission could change based on activity on the account. For example, a policy might be cancelled because the insured's home was sold. This would result in a credit being owed to the insured and a deduction in commission would be made from a producer's production report since the producer had already been paid for the full 12 month commission amount.

9. Respondent Dilts went into SBU's computer system and changed the billing code from her name to a house account code so that when a credit was due to an insured the commission was deducted from the house account and not from Respondent Dilts' account.

10. On some of these accounts after switching them to a house account, Respondent Dilts went back into SBU's computer system and switched the accounts back to herself, after the commission was deducted, so she could collect future commission.

11. Respondent Dilts changed approximately 107 insurance policies, which resulted in her retaining $7,775.76 in insurance commission to which she was not entitled.

12. Using both of the methods listed above, Respondent Dilts received or retained $10,004.92 in insurance commissions.

13. Respondent Dilts submitted a fraudulent insurance claim on behalf of her brother. SBU received a call from The Cincinnati Insurance Company (Cincinnati) questioning a claim that had been paid because it exceeded SBU's draft authority. SBU had draft authority allowing them to issue a Cincinnati check to the insured to help expedite a claim. SBU's draft authority was $2500 per an individual check and $3,000 for the entire claim.

14. On June 15, 2011, Respondent Dilts submitted an estimate from Measure Comp for a kitchen fire that allegedly took place on June 14, 2011, at her brother's house. A check for $1,631.97 was picked up by her brother, which represents the estimate of $2,131.97 minus a $500 deductible. On June 17, 2011 Respondent Dilts submitted a second estimate for $2,192.88, which was paid in its entirety.

15. The two checks totaled $3,824.85, which exceeded SBU's total authority of $3,000. SBU called Measure Comp and discovered that they are the company Home Depot uses to measure a customer's home for carpet installation. The two estimates were for carpet in the brother's living room and hallway. The only difference between the first estimate of $2,131.97 and the second estimate of $2,192.88 ($60.91) was for the tear out and removal of carpet.

16. Upon SBU's further investigation, it was discovered that the local fire department had no record of a fire run at Respondent Dilts brother's house on June 13, June 14, or June 15, 2011.

17. It is unclear if a fire ever took place, but SBU learned that the two invoices and insurance claims were for carpet replacement due to the brother's dogs damaging the carpet and not due to a kitchen fire on or about June 14, 2011.

18. On or about November 1, 2011, Respondent Dilts was charged with two counts of felony embezzlement. The trial was set to start on December 4, 2012.

19. Respondent Dilts failed to report to the Commissioner that she had been charged with two counts of felony embezzlement.

20. As a licensee, Respondent Dilts knew or had reason to know that Section 1239(1)(b) of the Code, MCL 500.1239(1)(b), allows the Commissioner to place on probation, suspend, revoke, or levy a civil fine under Section 1244 or any combination thereof, for "(v)iolating any insurance laws or violating any regulation, subpoena, or order of the commissioner or of another state's insurance commissioner."

21. As a licensee, Respondent Dilts further knew or had reason to know that Section 1239(1)(d), of the Code, MCL 500.139(1)(d) allows the Commissioner to place on probation, suspend, revoke, or levy a civil fine under Section 1244 or any combination thereof, for "(i)mproperly withholding, misappropriating, or converting any money or property received in the course of doing insurance business."

22. Respondent Dilts has improperly withheld, misappropriated or converted money received in the course of doing insurance business by receiving and/or retaining insurance commissions to which she was not entitled.

23. As a licensee, Respondent Dilts further knew or had reason to know that Section 1239(1)(e) of the Code, MCL 500.139(1)(e), allows the Commissioner to place on probation, suspend, revoke, or levy a civil fine under Section 1244 or any combination thereof, for "(i)ntentionally misrepresenting the terms of an actual or proposed insurance contract or application for insurance."

24. Respondent Dilts intentionally misrepresented the terms of an insurance contract or application for insurance when she created 15 fictitious insurance contracts.

25. As a licensee, Respondent Dilts further knew or had reason to know that Section 1239(1)(h) of the Code, MCL 500.1239(1)(h), allows the Commissioner to place on probation, suspend, revoke, or levy a civil fine under Section 1244 or any combination thereof, for "(u)sing fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere."

26. Respondent Dilts used fraudulent or dishonest practices or demonstrated incompetence, untrustworthiness, or financial irresponsibility in the conduct of business when she submitted a fraudulent insurance claim and received and/or retained insurance commissions to which she was not entitled.

27. As a licensee, Respondent Dilts further knew or had reason to know that Section 1247(2) of the Code, MCL 500.1247(2), states, "(w)ithin 30 days after the initial pretrial hearing date, an insurance producer shall report to the commissioner any criminal prosecution of the insurance producer taken in any jurisdiction. The report shall include a copy of the initial complaint filed, the order resulting from the hearing, and any other relevant legal documents."

28. Respondent Dilts failed to report to the Commissioner that she had been charged with two counts of felony embezzlement.

29. Based upon the actions listed above, Respondent Dilts has committed acts that provide justification for the Commissioner to order the payment of a civil fine, refund of any overcharges, that restitution be made to cover losses, damages or other harm attributed to Respondent's violation of the Code, and/or licensing sanctions under Section 1244(1) of the Code.

III. ORDER

Based on the Respondent's conduct and the applicable law cited above, it is ordered that:

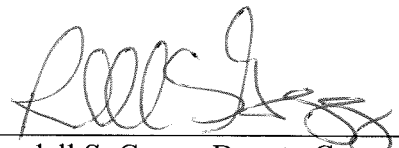
1 Respondent shall cease and desist from violating the Code.

2 Respondent shall immediately cease and desist from engaging in the business of insurance.

3 Respondent shall pay $10,004.92 in restitution to Saginaw Bay Underwriters for loses, damages, other harm attributed to Respondent's violations of the Code.

4 All insurance licenses of Christina A. Dilts are **REVOKED.**

R. Kevin Clinton, Commissioner
For the Commissioner:



Randall S. Gregg, Deputy Commissioner