

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Before the Director of the Department of Insurance and Financial Services

In the matter of:

Akap Changmaah
System ID No. 0601996

Enforcement Case No. 18-15084

Respondent.

_____ /

Issued and entered
on *February 21, 2019*
by **Teri L. Morante**
Chief Deputy Director

ORDER ACCEPTING STIPULATION

Based upon the Stipulation to Entry of Order and the files and records of the Department of Insurance and Financial Services (DIFS) in this matter, the Chief Deputy Director finds and concludes that:

1. The Chief Deputy Director has jurisdiction and authority to adopt and issue this Order Accepting Stipulation in this proceeding pursuant to the Michigan Administrative Procedures Act of 1969 (APA), as amended, MCL 24.201 *et seq.*, and the Michigan Insurance Code of 1956 (Code), MCL 500.100 *et seq.*
2. All required notices have been issued in this case, and the notices and service thereof were appropriate and lawful in all respects.
3. Acceptance of the Stipulation to Entry of Order is reasonable and in the public interest.
4. All applicable provisions of the APA have been met.
5. Akap Changmaah (Respondent) held an active life, accident and health, property, and casualty license from July 9, 2012, until he was suspended for education on November 1, 2017. Respondent was appointed with Bristol West Preferred Insurance Co., Farmers Insurance Exchange, Farmers New World Life Insurance Co., Fire Ins. Exchange, Foremost Ins. Co. Grand Rapids, Foremost Signature Ins. Co., and Mid-Century Ins. Co., (collectively Farmers). Respondent's appointments with Farmers were terminated on July 17, 2017, for misappropriating policyholder premium, using his personal funds to pay premium for insureds, and entering fictitious email addresses on insureds' policy applications.
6. The case against Respondent has proceeded under Section 1239(5), of the Code, MCL 500.1239(5), which provides:

[t]he commissioner may enforce the provisions of and impose any penalty or remedy authorized by this act against any person who is under investigation for or charged with a violation of this act even if the person's license or registration has been surrendered or has lapsed by operation of law.

7. On July 26, 2016, Michigan State University Federal Credit Union (MSUFCU) issued a check in the amount of \$964.36 payable to Farmers for the annual premium payment on a customer's homeowner's policy. Respondent endorsed the check, deposited it into his own personal checking account, and failed to either apply the premium to the customer's homeowner's insurance policy or remit the money to Farmers. MSUFCU subsequently received a cancellation notice for the customer's homeowner's insurance policy and contacted the territory sales office.
8. On April 18, 2017, Farmers Insurance Internal Audit (FIIA) received a referral regarding the July 26, 2016, incident and initiated an investigation. On June 27, 2017, FIIA issued its investigation report finding that Respondent mishandled premium payments as described above. Additionally, Respondent used his bank account number to draft payments via electronic funds transfers (EFT) for 50 insureds who did not have bank accounts of their own in order to provide his customers with an EFT discount. He also received refunds for approximately 22 of those policies when they cancelled, which he failed to return to his customers. Additionally, FIIA found that Respondent entered incorrect email addresses on his customers' policy applications. FIIA found that the email addresses all belonged to Respondent.
9. On May 23, 2017, FIIA interviewed Respondent by telephone. Respondent admitted that he endorsed a check payable to Farmers and deposited it into his personal bank account at MSUFCU. The check was intended to be a premium payment for his customer's homeowner's insurance policy. Respondent further admitted that he applied an EFT payment to his customer's policy, but it was returned due to insufficient funds in his account. According to Respondent, he did not know it had been returned NSF because he does not look at his bank account on a regular basis.
10. Respondent further admitted that he tried to help out a few of his customers that did not have a bank account by using his bank account for their electronic payments so that they would receive the EFT discount. Per Respondent, his customers would pay him cash, which he then deposited into his bank account and subsequently processed the EFT payments. Respondent admitted that he engaged in this practice for four or five customers, but per its investigation, FIIA found that the Respondent did it for at least 50 customers. Respondent stated that he had signed EFT payment authorization forms for each of the customers. However, Respondent was unable to provide the forms to FIIA and none were found to have been scanned to the image center. Respondent further admitted that he knew that if a policy cancelled any premium funds would be refunded directly into his bank account. He stated that he was sure that he had refunded the funds to his affected customers. However, he was unable to provide any proof that he had done so.
11. Respondent further admitted that he used three of his own different email addresses on his customers' policy applications because his customers could not remember their email addresses. However, per its investigation, FIIA found that the Respondent used his own different email addresses on at least 14 of his customers' policy applications.

12. As a licensee, Respondent either knew or should have known that Section 1207(1) and (2) of the Code, MCL 500.1207(1) and (2), states:

(1) An agent shall be a fiduciary for all money received or held by the agent in his or her capacity as an agent. Failure by an agent in a timely manner to turn over the money which he or she holds in a fiduciary capacity to the persons to whom they are owed is prima facie evidence of violation of the agent's fiduciary responsibility.

(2) An agent shall use reasonable accounting methods to record funds received in his or her fiduciary capacity including the receipt and distribution of all premiums due each of his or her insurers. An agent shall record return premiums received by or credited to him or her which are due an insured on policies reduced or canceled or which are due a prospective purchaser of insurance as a result of a rejected or declined application. Records required by this section shall be open to examination by the commissioner.

13. Respondent violated Section 1207 of the Code by failing to remit premium funds to Farmers, and by failing to record and refund premiums received by him that were due to his customers.
14. As a licensee, Respondent either knew or should have known that Section 1239(1)(d) and (h) of the Code, MCL 500.1239(1)(d) and (h), provide that the Director may place on probation, suspend or revoke an insurance producer's license and/or levy a civil fine under Section 1244 of the Code, MCL 500.1244, for any of the following reasons, among others:

In addition to any other powers under this act, the commissioner may place on probation, suspend, or revoke an insurance producer's license or may levy a civil fine under section 1244 or any combination of actions, and the commissioner shall refuse to issue a license under section 1205 or 1206a, for any 1 or more of the following causes:

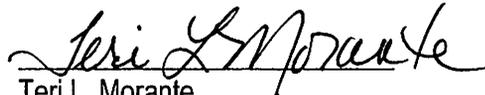
(d) Improperly withholding, misappropriating, or converting any money or property received in the course of doing insurance business.

(h) Using fraudulent, coercive, or dishonest practices or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business in this state or elsewhere.

15. Respondent improperly withheld insurance premium payments due to Farmers and refunds due to his customers in the course of doing insurance business and thus provided justification for sanctions pursuant to Section 1239(1)(d).
16. Respondent used fraudulent and dishonest practices and demonstrated, incompetence, untrustworthiness and financial irresponsibility in the conduct of business and thus provided justification for sanctions pursuant to Section 1239(1)(h), when he provided his bank account information on insurance applications for at least 50 of his customers' electronic payments so that they would receive an EFT discount for which they otherwise were not eligible.
17. Based upon the actions listed above, Respondent has committed acts that provide justification for the Director to order the payment of a civil fine, and/or other licensing sanctions, including revocation of licensure.

Now therefore, based upon the Stipulation to Entry of Order and the facts surrounding this case, **IT IS ORDERED THAT:**

18. Respondent Cease and Desist from operating in a manner that violates the Code.
19. Respondent Cease and Desist from all insurance activity.
20. Respondent's resident insurance producer license (System ID No. 0601996) is hereby **REVOKED**.
21. The Chief Deputy Director retains jurisdiction over the matters contained herein and has the authority to issue such further order(s) as shall be deemed just, necessary, and appropriate in accordance with the Code. Failure to abide by the terms and provisions of the Stipulation to Entry of Order and this Order may result in the commencement of additional proceedings.


Teri L. Morante
Chief Deputy Director

**STATE OF MICHIGAN
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES**

Before the Director of the Department of Insurance and Financial Services

In the matter of:

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System ID No. 0601996

Enforcement Case No. 18-15084

Respondent.

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STIPULATION TO ENTRY OF ORDER

Akap Changmaah (Respondent) stipulates to the following:

1. On or about December 7, 2018, the Department of Insurance and Financial Services (DIFS) served Respondent with a Notice of Opportunity to Show Compliance (NOSC) alleging that Respondent violated provisions of the Insurance Code of 1956 (Code), MCL 500.100 *et seq.*
2. Respondent held an active life, accident and health, property, and casualty license from July 9, 2012, until he was suspended for education on November 1, 2017. Respondent was appointed with Bristol West Preferred Insurance Co., Farmers Insurance Exchange, Farmers New World Life Insurance Co., Fire Ins. Exchange, Foremost Ins. Co. Grand Rapids, Foremost Signature Ins. Co., and Mid-Century Ins. Co., (collectively Farmers). Respondent's appointments with Farmers were terminated on July 17, 2017, for misappropriating policyholder premium, using his personal funds to pay for insureds premium, and entering fictitious email addresses on insureds' policy applications.
3. The case against Respondent has proceeded under Section 1239(5), of the Code, MCL 500.1239(5), which provides:

[t]he commissioner may enforce the provisions of and impose any penalty or remedy authorized by this act against any person who is under investigation for or charged with a violation of this act even if the person's license or registration has been surrendered or has lapsed by operation of law.
4. On July 26, 2016, Michigan State University Federal Credit Union (MSUFCU) issued a check in the amount of \$964.36 payable to Farmers for the annual premium payment on a customer's homeowner's policy. Respondent endorsed the check, deposited it into his own personal checking account, and failed to either apply the premium to the customer's homeowner's insurance policy or remit the money to Farmers. MSUFCU subsequently received a cancellation notice for the customer's homeowner's insurance policy and contacted the territory sales office.
5. On April 18, 2017, Farmers Insurance Internal Audit (FIIA) received a referral regarding the July 26, 2016, incident and initiated an investigation. On June 27, 2017, FIIA issued its investigation report finding that Respondent mishandled premium payments as described above. Additionally,

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6. On May 23, 2017, FIIA interviewed Respondent by telephone. Respondent admitted that he endorsed a check payable to Farmers and deposited it into his personal bank account at MSUFCU. The check was intended to be a premium payment for his customer's homeowner's insurance policy. Respondent further admitted that he applied an EFT payment to his customer's policy, but it was returned due to insufficient funds in his account. According to Respondent, he did not know it had been returned NSF because he does not look at his bank account on a regular basis.
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(2) An agent shall use reasonable accounting methods to record funds received in his or her fiduciary capacity including the receipt and distribution of all premiums due each of his or her insurers. An agent shall record return premiums received by or credited to him or her which are due an insured on policies reduced or canceled or which are due a prospective purchaser of insurance as a result of a rejected or declined

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(d) Improperly withholding, misappropriating, or converting any money or property received in the course of doing insurance business.

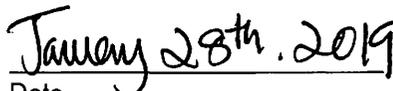
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14. Based upon the actions listed above, Respondent has committed acts that provide justification for the Director to order the payment of a civil fine, and/or other licensing sanctions, including revocation of licensure.
15. Respondent and DIFS conferred for the purpose of resolving this matter.

16. Respondent waived the right to an opportunity to show compliance pursuant to the Michigan Administrative Procedures Act (APA), MCL 24.201 *et seq.*
17. At all pertinent times, Respondent was licensed with DIFS as an insurance producer pursuant to the Code.
18. All parties have complied with the procedural requirements of the APA and the Code.
19. Respondent will cease and desist from operating in a manner that violates the Code.
20. Respondent agrees that Respondent's insurance producer license (System ID No. 0601996) shall be revoked.
21. Respondent has had an opportunity to review this Stipulation to Entry of Order and the proposed Order Accepting Stipulation and have the same reviewed by legal counsel.
22. Respondent understands and agrees that this Stipulation to Entry of Order will be presented to the Chief Deputy Director for approval.
23. Respondent understands and agrees that the Chief Deputy Director may, in her sole discretion, decide to accept or reject this Stipulation to Entry of Order. If the Chief Deputy Director accepts the Stipulation to Entry of Order, Respondent waives the right to a hearing in this matter and consents to the entry of the Order Accepting Stipulation. If the Chief Deputy Director does not accept the Stipulation to Entry of Order, Respondent waives any objection to the Director holding a formal administrative hearing and making a decision after such hearing.

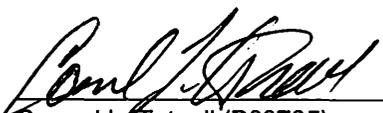


Akap Changmaah
System ID No. 0601996

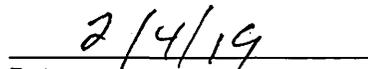


Date

DIFS Staff approve this Stipulation and recommend that the Chief Deputy Director accept it and issue an Order Accepting Stipulation.



Conrad L. Tatnall (P69785)
DIFS Staff Attorney



Date