



BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE

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TENNESSEE INSURANCE DIVISION, )  
Petitioner, )  
v. )  
JEFFREY ALLAN HOUCK, )  
Respondent )

APD No.: 12.01-126297J  
TID No.: 14-056

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**INITIAL ORDER**

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This matter was heard on November 6, 2014, in Nashville, Tennessee before the Honorable Joyce Carter-Ball, Administrative Law Judge (“ALJ”), assigned by the Secretary of State, Administrative Procedures Division (“APD”), to sit for the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”). James R. Witham, Assistant General Counsel, represented the Petitioner, the Tennessee Insurance Division (“Division”); in this matter. The Respondent, Jeffrey Allan Houck, did not have counsel present and represented himself.

**SUMMARY OF DETERMINATION**

The subject of this hearing was the proposed revocation of Respondent’s Tennessee insurance producer license and entry of an order assessing civil penalties against Respondent for violations of Tennessee Code Annotated (“Tenn. Code Ann.”) §§ 56-6-112(a)(4), (a)(8), and (a)(10). After consideration of the evidence, testimony, and entire record in this matter, it is determined that:

- a. Respondent’s insurance producer license is **REVOKED**; and

b. Respondent be assessed a civil monetary penalty of ~~three hundred fifty dollars~~ **(\$350)** for fifteen (15) violations of Tenn. Code Ann. §§ 56-6-112(a)(4), (a)(8), and (a)(10) (2011), for a total of **five thousand two hundred fifty dollars (\$5,250) plus court reporter costs.**

Respondent shall have **ninety (90) days** from receipt of this Initial Order to pay the above mentioned civil monetary penalties plus the Division's court reporter costs pursuant to Tennessee Rules of Civil Procedure ("TRCP") 54.04.

This decision is based upon the following Findings of Fact and Conclusions of Law.

#### **FINDINGS OF FACT**

1. The Commissioner administers the Law through the Division, and authorizes the Division to bring the above-captioned action for the protection of the public.
2. Jeffrey Allan Houck ("Respondent") is a licensee of the Division who is responsible for being compliant with the insurance laws, rules, and regulations of the State of Tennessee. At all times relevant hereto, Respondent held Insurance Producer license number 2022165, which expired on June 30, 2013.
3. Respondent is a Tennessee resident with an address of 2245 Old Woodbury Highway, Manchester, TN 37355 which is presently on file with the Division.
4. At all relevant times, Respondent was a Tennessee licensed associate insurance producer for American Family Assurance Company of Columbus ("AFLAC").
5. As an insurance producer, Respondent is responsible for the proper completion and submission of insurance policy applications for his clients.

6. As an insurance producer, Respondent has a fiduciary obligation to ensure that his clients receive insurance policies that were specifically selected by each and every one of his respective clients.

7. At no point in time was Respondent given authority to apply for insurance policies on behalf of his clients without their express consent.

**BETH GRUBBS**

8. On or about June, 2012, Respondent met with Ms. Beth Grubbs, the Director of Human Resources for Nurse One/Team One ("Nurse One") located in McMinnville, Tennessee.

9. Ms. Grubbs described Nurse One's insurance needs for its employees to Respondent.

10. On or about July and August, 2012, Respondent negotiated and procured AFLAC insurance policies for Nurse One employees.

11. Respondent used a laptop computer to complete insurance applications for Ms. Grubbs and Nurse One employees who were interested in obtaining AFLAC insurance policies through Respondent.

12. Ms. Grubbs applied for dental insurance ("Dental") and short-term disability insurance ("Short-Term") policies through Respondent.

13. She did not apply for cancer insurance ("Cancer"), specific event insurance ("Specific Event"), and hospital confinement indemnity insurance ("Hospital Indemnity") policies through Respondent.

14. Despite this fact, Respondent completed Cancer, Specific Event, and Hospital Indemnity policies for Ms. Grubbs.

15. From on or about August 27, 2012, to on or about December 10, 2012, Respondent signed Ms. Grubbs' name on AFLAC insurance policy applications for Cancer, Specific Event, and Hospital Indemnity coverage.

16. Respondent did not have authorization to sign Ms. Grubbs' name on AFLAC insurance policy applications.

17. Respondent did not have authorization to apply for Cancer, Specific Event, and Hospital Indemnity policies on behalf of Ms. Grubbs.

18. Ms. Grubbs was wrongfully charged approximately two thousand five hundred sixty dollars and twenty-one cents (\$2,560.21) for fraudulent AFLAC insurance policies procured through Respondent's fraudulent actions.

19. Respondent received approximately four hundred thirty-seven dollars and ninety-two cents (\$437.92) in commissions from Ms. Grubbs' fraudulent AFLAC insurance applications.

**LEILA HASTON**

20. On or about August, 2012, Respondent met with Ms. Leila Haston, the Assistant Executive Director for Nurse One.

21. Ms. Haston expressed her desire to obtain Hospital Indemnity and Short-Term policies with AFLAC to Respondent.

22. At all times relevant, Ms. Haston neither wanted nor applied for Cancer, Accident insurance ("Accident"), and Dental policies through Respondent.

23. Respondent did not have authorization to sign Ms. Haston's name on AFLAC insurance policy applications.

24. Respondent did not have authorization to apply for Cancer, Accident, and Dental policies on behalf of Ms. Haston.

25. Nevertheless, from on or about October 23, 2012 to on or about October 24, 2012, Respondent completed Cancer, Accident, and Dental policy applications from AFLAC on behalf of Ms. Haston.

26. From on or about October 23, 2012 to on or about October 24, 2012, Respondent signed Ms. Haston's name on AFLAC insurance policy applications for Cancer, Accident, and Dental coverage.

27. Respondent designated Ms. Haston's co-worker, Maegan Rhea, as her beneficiary without Ms. Haston's knowledge and authorization.

28. Respondent signed Ms. Haston's name on AFLAC insurance policy applications for AFLAC insurance policies covering Cancer, Accident, and Dental.

29. Ms. Haston was wrongfully charged approximately one thousand seven hundred fifty-one dollars and eighty-eight cents (\$1,751.88) for fraudulent AFLAC insurance policies procured through Respondent's fraudulent actions.

30. Respondent received approximately two hundred two dollars and six cents (\$202.06) in commissions from Ms. Haston's fraudulent AFLAC insurance policies.

**JAMES BRENT TRACEY**

31. Respondent did insurance business with Mr. James Brent Tracey, a Delivery Technician for Respiratory at Home, a home respiratory therapy equipment business located in Manchester, Tennessee.

32. Mr. Tracey had previously applied for Accident and Cancer insurance policies with Respondent.

33. At all times relevant, Mr. Tracey had no desire to apply for a Short-Term policy with Respondent.

34. Respondent did not have authorization to sign Mr. Tracey's name on AFLAC insurance policy applications.

35. Respondent did not have authorization to apply for a Short-Term policy with AFLAC on behalf of Mr. Tracey.

36. Nevertheless, on or about December 26, 2011, Respondent completed a Short-Term policy with AFLAC on behalf of Mr. Tracey.

37. On or about December 26, 2011, Respondent signed Mr. Tracey's name on a Short-Term policy with AFLAC.

38. Mr. Tracey was wrongfully charged approximately seven hundred seventeen dollars and sixty cents (\$717.60) for a fraudulent AFLAC Short-Term policy procured through Respondent's fraudulent actions.

39. Respondent received approximately one hundred eighty-seven dollars and sixteen cents (\$187.16) in commission from Mr. Tracey's fraudulent AFLAC Short-Term policy.

**BRITNEY HENSLEY**

40. Respondent did insurance business with Ms. Britney Hensley, an Intake Coordinator for Respiratory at Home.

41. Ms. Hensley had previously applied for a life insurance ("Life") policy with Respondent.

42. At all times relevant, Ms. Hensley had no desire to apply for a Short-Term policy with Respondent.

43. Respondent did not have authorization to sign Ms. Hensley's name on AFLAC insurance policy applications.

44. Respondent did not have authorization to apply for a Short-Term policy with AFLAC on behalf of Ms. Hensley.

45. Nevertheless, on or about December 26, 2011, Respondent completed a Short-Term policy with AFLAC on behalf of Ms. Hensley.

46. On or about December 26, 2011, Respondent signed Ms. Hensley's name on a Short-Term policy with AFLAC.

47. Ms. Hensley was wrongfully charged approximately five hundred thirty-eight dollars and twenty cents (\$538.20) from a fraudulent AFLAC Short-Term policy procured through Respondent's fraudulent actions.

48. Respondent received approximately one hundred forty dollars and thirty-seven cents (\$140.37) in commission from Ms. Hensley's fraudulent AFLAC Short-Term policy.

**FRANK MIKE JARRELL**

49. Respondent did insurance business with Mr. Frank Mike Jarrell, the owner and manager of Respiratory at Home.

50. Mr. Jarrell had previously applied for an Accident policy with Respondent.

51. Although Mr. Jarrell had discussed a Short-Term policy with Respondent, he had no desire to apply for a Short-Term policy with Respondent.

52. Accordingly, Mr. Jarrell did not sign an application for Short-Term coverage with Respondent.

53. Respondent did not have authorization to sign Mr. Jarrell's name on AFLAC insurance policy applications.

54. Respondent did not have authorization to apply for a Short-Term policy with AFLAC on behalf of Mr. Jarrell.

55. Nevertheless, on or about December 20, 2011, Respondent completed a Short-Term policy with AFLAC on behalf of Mr. Jarrell.

56. On or about December 20, 2011, Respondent signed Mr. Jarrell's name on a Short-Term policy with AFLAC.

57. Mr. Jarrell was wrongfully charged approximately one thousand six hundred eighty-four dollars and eighty cents (\$1,684.80) for a fraudulent AFLAC Short-Term policy procured through Respondent's fraudulent actions.

58. Respondent received approximately four hundred thirty-nine dollars and forty-two cents (\$439.42) in commission from Mr. Jarrell's fraudulent AFLAC Short-Term policy.

#### **EVIDENCE OF MITIGATION BY RESPONDENT**

59. Respondent has a fifteen year old child and currently makes sixteen (\$16) dollars an hour.

60. Respondent is paying one hundred sixty dollars a week in child support.

61. Respondent cooperated with the Division's investigator.

62. Respondent accepts responsibility for his actions.

63. Respondent has not engaged in the business of selling insurance since he was investigated by the Division.

64. All premiums have been returned to the victims involved in this case.

65. Respondent has purged himself of all ill-gotten commissions and does not owe AFLAC any premiums or commissions in relation to the victim's alleged in the Division's First Amended Notice of Hearing and Charges.

66. Respondent committed the above-mentioned violations of law in an effort to provide for his family.

### CONCLUSIONS OF LAW

1. In accordance with Tennessee Compilation Rules and Regulations 1360-4-1-.02(7), Petitioner bears the burden of proof in proving by a preponderance of the evidence that the facts alleged in the Petition are true and that the issues raised therein should be resolved in its favor.

2. At all times relevant hereto, Tenn. Code Ann. § 56-6-112(a) (2011) has provided that the Commissioner may place on probation, suspend, revoke, or refuse to issue or renew a license issued under Title 56, Chapter 6, Part 1, or issue a civil penalty for the following reasons:

...

(4) Improperly withholding, misappropriating or converting any moneys or properties received in the course of doing insurance business;

...

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

...

(10) Forging another's name to an application for insurance or to any document related to an insurance transaction.

3. Tenn. Code Ann. § 56-6-112 (2011), states in pertinent part:

(e) The commissioner shall retain the authority to enforce this part and impose any penalty or remedy authorized by this part and this title against any person who is under investigation for or charged with a violation of this part or this title, even if the person's license has been surrendered or has lapsed by operation of law.

(g) If . . . the commissioner finds that any person required to be licensed, permitted, or authorized by the division of insurance pursuant to this chapter has violated any statute, rule or order, the commissioner may, at the commissioner's discretion, order:

- (1) The person to cease and desist from engaging in the act or practice giving rise to the violation;
  - (2) Payment of a monetary penalty of not more than one thousand dollars (\$1,000) for each violation, but not to exceed an aggregate penalty of one hundred thousand dollars (\$100,000). This subsection (g)(2) shall not apply where a statute or rule specifically provides for other civil penalties for the violation. For purposes of this subdivision (g)(2), each day of continued violation shall constitute a separate violation; and
  - (3) The suspension or revocation of the person's license.
- (h) In determining the amount of penalty to assess under this section, the commissioner shall consider:
- (1) Whether the person could reasonably have interpreted such person's actions to be in compliance with the obligations required by a statute, rule or order;
  - (2) Whether the amount imposed will be a substantial economic deterrent to the violator;
  - (3) The circumstances leading to the violation;
  - (4) The severity of the violation and the risk of harm to the public;
  - (5) The economic benefits gained by the violator as a result of noncompliance;
  - (6) The interest of the public; and
  - (7) The person's efforts to cure the violation.

4. The Petitioner has met its burden of proof by a preponderance of the evidence that Respondent engaged in a total of fifteen (15) violations of Tennessee insurance laws. The record shows that Respondent engaged in: five (5) violations of Tenn. Code Ann. § 56-6-112(a)(4) (2011); five (5) violations of Tenn. Code Ann. § 56-6-112(a)(8) (2011); and five (5) violations of Tenn. Code Ann. § 56-6-112(a)(10) (2011).

5. On or about August 27, 2012, Respondent violated Tenn. Code Ann. § 56-6-112(a)(8) by wrongfully completing and acquiring insurance policies on behalf of Ms. Grubbs without her authorization in order to misappropriate commission payments from AFLAC.

6. Respondent's actions were fraudulent, dishonest, incompetent, untrustworthy, and financially irresponsible in the conduct of business in the State of Tennessee.

7. On or about August 27, 2012, Respondent violated Tenn. Code Ann. § 56-6-112(a)(10) by forging Ms. Grubbs' name on insurance policy applications that were not authorized by Ms. Grubbs.

8. On or about August 27, 2012, Respondent violated Tenn. Code Ann. § 56-6-112(a)(4) by improperly withholding, misappropriating, and converting approximately four hundred thirty-seven dollars and ninety-two cents (\$437.92) from Ms. Grubbs, which was received by Respondent during the course of doing insurance business.

9. On or about October 23, 2012, Respondent violated Tenn. Code Ann. § 56-6-112(a)(8) by wrongfully completing and acquiring insurance policies on behalf of Ms. Haston without her authorization in order to misappropriate commission payments from AFLAC.

10. Respondent's actions were fraudulent, dishonest, incompetent, untrustworthy, and financially irresponsible in the conduct of business in the State of Tennessee.

11. On or about October 23, 2012, Respondent violated Tenn. Code Ann. § 56-6-112(a)(10) by forging Ms. Haston's name on insurance policy applications that were not authorized by Ms. Haston.

12. On or about October 23, 2012, Respondent violated Tenn. Code Ann. § 56-6-112(a)(4) by improperly withholding, misappropriating, and converting approximately two

hundred two dollars and six cents (\$202.06) from Ms. Haston, which was received by Respondent during the course of doing insurance business.

13. On or about December 26, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(8) by wrongfully completing and acquiring an insurance policy on behalf of Mr. Tracey without his authorization in order to misappropriate a commission payment from AFLAC.

14. Respondent's actions were fraudulent, dishonest, incompetent, untrustworthy, and financially irresponsible in the conduct of business in the State of Tennessee.

15. On or about December 26, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(10) by forging Mr. Tracey's name on an insurance policy application that was not authorized by Mr. Tracey.

16. On or about December 26, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(4) by improperly withholding, misappropriating, and converting approximately one hundred eighty-seven dollars and sixteen cents (\$187.16) from Mr. Tracey, which was received by Respondent during the course of doing insurance business.

17. On or about December 26, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(8) by wrongfully completing and acquiring an insurance policy on behalf of Ms. Hensley without her authorization in order to misappropriate a commission payment from AFLAC.

18. Respondent's actions were fraudulent, dishonest, incompetent, untrustworthy, and financially irresponsible in the conduct of business in the State of Tennessee.

19. On or about December 26, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(10) by forging Ms. Hensley's name on an insurance policy application that was not authorized by Ms. Hensley.

20. On or about December 26, 2011, Respondent violated Tenn. Code Ann. §56-6-

112(a)(4) by improperly withholding, misappropriating, and converting approximately one hundred forty dollars and thirty-seven cents (\$140.37) from Ms. Hensley, which was received by Respondent during the course of doing insurance business.

21. On or about December 20, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(8) by wrongfully completing and acquiring an insurance policy on behalf of Mr. Jarrell without his authorization in order to misappropriate a commission payment from AFLAC.

22. Respondent's actions were fraudulent, dishonest, incompetent, untrustworthy, and financially irresponsible in the conduct of business in the State of Tennessee.

23. On or about December 20, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(10) by forging Mr. Jarrell's name on to an insurance policy application that was not authorized by Mr. Jarrell.

24. On or about December 20, 2011, Respondent violated Tenn. Code Ann. §56-6-112(a)(4) by improperly withholding, misappropriating, and converting approximately four hundred thirty-nine dollars and forty-two cents (\$439.42) from Mr. Jarrell, which was received by Respondent during the course of doing insurance business.

It is therefore **ORDERED** that the insurance producer license of Respondent Jeffrey Allan Houck, numbered 2022165, be **REVOKED**, and that the Respondent pay a total civil monetary penalty of **five thousand two hundred fifty dollars (\$5,250)** plus the Division's court reporter costs pursuant to TRCP 54.04. This penalty is assessed as follows:

1. **Three hundred fifty dollars (\$350)** for each violation of Tenn. Code Ann. § 56-6-112(a)(8) (2011) as described in the Conclusions of Law annotated in paragraphs 4-6, 9, 10, 13, 14, 17, 18, 21, and 22 of this Order for total of **one thousand seven hundred fifty dollars (\$1750)**;

2. ~~Three hundred fifty dollars (\$350)~~ for each violation of Tenn. Code Ann. § 56-6-112(a)(10) (2011) as described in the Conclusions of Law annotated in paragraphs 4, 7, 11, 15, 19, and 23 of this Order for a total of **one thousand seven hundred fifty dollars (\$1,750)**;

3. **Three hundred fifty dollars (\$350)** for each violation of Tenn. Code Ann. § 56-6-112(a)(4) (2011) as described in the Conclusions of Law annotated in paragraphs 4, 8, 12, 16, 20, and 24 of this Order for a total of **one thousand seven hundred fifty dollars (\$1,750)**.

**Respondent shall have ninety (90) days from receipt of this Initial Order to pay the above mentioned civil monetary penalty plus the Division's court reporter costs.**

This Initial Order entered and effective this 14<sup>th</sup> day of NOV., 2014.

  
\_\_\_\_\_  
Joyce Carter-Ball, Administrative Judge

Filed in the Administrative Procedures Division, this 14<sup>th</sup> day of NOV., 2014.

  
\_\_\_\_\_  
J. Richard Collier, Director  
Administrative Procedures Division