

BEFORE THE IOWA INSURANCE COMMISSIONER

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IN THE MATTER OF	)	Division Case No. 85165
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PAMELA SIROKY,	)	<b>ORDER AND CONSENT TO ORDER</b>
NPN 3188815,	)	
Respondent	)	

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COMES NOW the Iowa Insurance Division (“Division”) pursuant to the provisions of the Insurance Fraud – Iowa Code Chapter 507E, the Iowa Licensing of Insurance Producers Act – Iowa Code Chapter 522B, and the Iowa Administrative Code 191 – Chapter 10, and seeks the entry of this order (“Order”) resolving pending disputes between the Division and Pamela A. Siroky regarding the enforcement of the Code sections referenced:

**I. PARTIES AND JURISDICTION**

1. The Commissioner of Insurance, Nick Gerhart, administers the Insurance Fraud – Iowa Code Chapter 507E, the Iowa Licensing of Insurance Producers Act – Iowa Code Chapter 522B, and the Iowa Administrative Code 191 – Chapter 10 pursuant to Iowa Code § 505.8. Commissioner Gerhart has designated the Iowa Insurance Division to seek enforcement of these provisions.
2. Pamela A. Siroky (“Siroky”) is an individual with a last known residence of 1370 B Street, David City, Nebraska 68632.
3. Siroky is the president, a director and controlling shareholder of Agency One Insurance, Inc., a Nebraska corporation, in David City, Nebraska (“Agency One Insurance”). Agency One Insurance operates as a business entity insurance producer, but is not licensed in the state of Iowa.

4. Siroky was licensed with the state of Iowa as an individual insurance producer from November 21, 2003 through April 3, 2006 and again from May 21, 2010 through January 15, 2013.
5. Siroky voluntarily surrendered her insurance producer license on January 15, 2013.
6. From at least May 2010 to August 2011, Siroky has engaged in acts and practices within the state of Iowa constituting violations which could support revocation of her insurance producer license and civil penalties or other relief under Iowa Code §§ 507E, 522B, Iowa Administrative Code Chapter 10 and rules adopted pursuant to Iowa Code Chapters 507E and 522B.

## **II. FINDINGS OF FACT**

7. Siroky applied for a non-resident license with the Iowa Insurance Division (“the Division”) by submitting through the National Insurance Producer Registry a Uniform Application on May 21, 2010. In submitting the Application, Siroky designated the Commissioner as an agent for service of process.
8. The Division issued Siroky a license as an insurance producer on May 21, 2010 and assigned a national producer license number 3188815.
9. Siroky entered into an independent agent agreement Doug Inlay (“Inlay”) in May 2010 whereby Inlay would work as an independent producer of Agency One Insurance. Inlay operated out of an office located in Sioux City, Iowa.
10. Inlay’s Iowa producer license was originally revoked on May 28, 2010, affirmed on appeal, and then became effective on November 2, 2010. As a result of this revocation, Inlay’s producer licenses in Nebraska and South Dakota were also suspended.

11. Siroky was aware at the time of revocation that Inlay lost his Iowa resident license in November 2010.
12. Subsequent to losing his Iowa producers license, Siroky and Inlay entered into an employment agreement in December 2010 which specified that Inlay was Siroky's employee and office manager for the Sioux City, Iowa location of Agency One Insurance for which he was to be paid \$4,000 monthly. There were no Agency One Insurance employees for Inlay to manage in the Iowa office, and furthermore, Inlay failed to do any of the duties articulated in the contract.
13. The employment contract was created for the sole purpose of permitting Siroky to pay Inlay to service his book of business including the payment of commissions after his license was revoked.
14. Inlay's responsibility was to manage his book of business, consisting partly of the policies he transferred from Prudential using Siroky's and her staff's credentials in order to retain the business after Inlay's licenses and appointments were revoked.
15. Siroky was aware of a temporary restraining order obtained in the U.S. District Court for the Northern District of Iowa entered July 28, 2010, and the subsequent permanent injunction issued August 17, 2010 which prohibited Inlay and those acting in concert with him from soliciting any business from any client Inlay served or whose name became known to him during the course of his association with Prudential.
16. Siroky aided Inlay in soliciting and transferring his book of business despite the court order prohibiting such action.
17. Candice Hunter ("Hunter") was hired in February 2011 as Inlay's secretary and obtained her Iowa resident insurance producer license on March 24, 2011 although she wrote very few

policies, was never paid any commissions, and continued to be referred to by both Siroky and Inlay as Inlay's secretary.

18. Siroky and her staff shared their passwords and login information with Inlay so that he could continue to produce insurance policies from his Iowa location and list Siroky and her licensed employees as the agent of record with the location showing as David City, Nebraska.
19. Both Siroky and Inlay failed to disclose to other employees that Inlay's license had been revoked and that he was no longer legally able to sell, solicit, or negotiate insurance.
20. Even after Inlay's license was revoked in November 2010, Siroky knowingly allowed and encouraged Inlay to write insurance policies in her and her staff's names and this practice continued through August 2011.
21. Siroky sent an email on May 10, 2011 to Inlay and Hunter purportedly giving them a new code MetLife assigned to Hunter, but the credentials were actually that of one of her other producers and Hunter never received any commissions.
22. Siroky instructed Inlay to meet with customers to discuss their insurance needs, their policies, and to gather information needed to complete applications.
23. Julie Prochello purchased a commercial policy in 2011 for which Siroky was the producer of record, but Inlay handled almost all of the contact with Prochello, including meeting with Prochello to negotiate and gather necessary information.
24. All of the policies written by Inlay were sent to the Agency One Insurance office in David City, Nebraska and Siroky or her staff would then mail the policies, without review, to Inlay in Iowa to deliver to his customers.

25. Progressive notified Siroky in June 2011 that they would be auditing some policies she and her staff had placed and Siroky emailed Inlay for copies to be mailed to her so she could then scan and email them to Progressive. Progressive neither was aware of the Sioux City office nor did they know that Inlay continued working for Siroky after his revocation.
26. Siroky was required by her contract with Progressive to maintain the client files and the original signed applications in her office in David City since the policies were issued under her name or David City employees' names.
27. After the revocation of Inlay's license, Siroky allowed him to retain any cash premiums he received which would be taken into consideration when reporting his earnings to the IRS.
28. Siroky continued paying Inlay commissions for the policies he produced under her and her staff's names even after his license was revoked.
29. The insurance companies deposited all commissions into Siroky's bank account from which she would deduct an agreed upon three percent along with any money Inlay owed to her and would then issue a check to Inlay for the difference.
30. Siroky's balance sheets show credits to Inlay for commissions she received on the policies he wrote under her and her employees' names.
31. Siroky listed the \$4,000 as an advance, instead of as a salary, on the balance sheets and requested any amounts paid to him in excess of the commission he earned to be reimbursed.
32. Siroky contacted Inlay on June 8, 2011 about expanding the commercial business out of the Sioux City office, knowing that Inlay was not licensed to conduct insurance business and that Hunter did not have a commercial license.

33. Inlay used Siroky's credentials to move several of Patricia Potter's ("Potter") policies from Liberty Mutual to MetLife in December 2010, after his revocation, and Siroky is listed as the agent of record.
34. Potter's applications were submitted to MetLife with several incorrect material facts.
35. Siroky claimed to discover false information on several policies, including Potter's policies, on August 11, 2011 but there is no record that Siroky notified the insurance carriers of the incorrect information or pattern of deception she identified. Potter's policy was renewed unchanged in December 2011 by Siroky.
36. One of Potter's properties was destroyed by a fire on January 12, 2012 at which time MetLife became aware of the misrepresentations on the policy application so material that they would not have insured the property if the correct information had been originally submitted.
37. Inlay was able to submit several applications with material misstatements as to value and condition, to achieve lower premiums, for his personal properties using credentials Siroky provided which were necessary to access insurance companies' systems to submit business.
38. Inlay failed to forward to Siroky certain premiums Inlay received. On October 19, 2011, Siroky reported the premiums not forwarded as an employee theft under her Business Owners policy with Union Insurance Company ("Union"), a part of the Continental Western Group ("CWG").
39. Siroky made false statements of material fact in support of this claim to CWG and was paid \$6,613.87 on the basis of this information. Siroky's policy with CWG covers employees, excluding "any agent, broker, factor, commission merchant, consignee, independent contractor, or representative of the same general character." Siroky claimed that Inlay would

be an employee under the definitions of the policy and submitted the employment contract as proof even though she considered and treated Inlay as an independent contractor.

40. Additionally, the policy's employee dishonesty coverage did not apply for a specific employee once the employer was made aware of any dishonest act or behavior by the employee. Siroky knew that Inlay's Iowa producer license was revoked for several reasons including dishonesty but she did not inform CWG of this.

41. Siroky also stated the date of discovery on her claim form to CWG to be May 2011, but in fact, she became aware of the practice in November 2010 but failed to take any corrective action prior to filing the theft claim.

42. Siroky also failed to disclose to CWG that Inlay had no authority to collect premiums since he was unlicensed.

43. Siroky made false statements of material facts in support of a claim filed April 2, 2012 with her Professional Liability, Errors and Omissions ("E & O") carrier, Westport Insurance Corporations ("Westport"). The claim stemmed from the fire that destroyed an apartment building owned by Potter that MetLife insured based on inaccurate information.

44. In her claim filing, Siroky stated the following:

Doug Inlay, an agent in Sioux City, IA that was placing business through carriers contracted through Agency One Ins. Apparently he or another agent in Doug's office under Doug's supervision submitted and bound coverage on this property 12-15-10. Apparently the unit was written incorrectly and had it been submitted the right way to the carrier they would not have accepted the risk.

45. Siroky knew that Inlay was not an agent when the policy was placed since his license was revoked in Iowa and suspended in Nebraska at this time. Siroky also knew that Inlay produced this policy and in her related claim to CWG, stated that Inlay wrote this policy without mentioning that another agent might have been responsible. Siroky also failed to

mention that she was listed as the agent of record for the policy and that she renewed the policy in 2011 without any changes.

46. On January 13, 2012, Siroky told the claims adjuster for MetLife that Inlay had been let go by the agency and had his insurance license revoked by the state, implying that Inlay was terminated and then he subsequently lost his license. She failed to mention that his license was revoked on November 2, 2010 before Potter's policy was written and that she did not terminate his employment until August 18, 2011.
47. Siroky failed to disclose any potential claims on Westport's renewal E & O application for 2012 even though she had been in contact with the adjuster on the Potter loss before submitting the application. Westport declined to renew based on the false information Siroky provided on her renewal application in both 2011 and 2012.
48. In her 2011 E & O renewal application, Siroky answered "no" when asked if any agency personnel had been disciplined by a regulatory authority and she stated that Inlay would be merging with Agency One Insurance Inc. but that "the ownership of his book was retained by the carrier. Doug is starting his agency from scratch on the independent side."
49. Siroky also failed to inform Westport that she meet with investigators from the Iowa Insurance Division in August 2011 at which time she produced copies of several policies Inlay had written that she had concerns about (one of which was a policy for Potter) and for which she had a duty to disclose to Westport as potential claims.
50. Siroky officially terminated the employment agreement with Inlay on August 18, 2011 after her staff discovered that Inlay was not licensed.



51. In August 2011, Siroky took possession of all the files and policies located in the Sioux City office asserting her ownership of the policies which Inlay produced in her and Agency One Insurance's name, of which she previously claimed no knowledge.

52. On January 15, 2013, Siroky voluntarily surrendered her producer license.

### **III. CONCLUSIONS OF LAW**

#### **Count 1**

#### **Insurance Fraud – Fraudulent Submissions by Siroky and Inlay**

1. The Division re-alleges and incorporates by reference paragraphs 1-52 above as though fully set forth herein.

2. Iowa Code § 507E.3(2)(b) provides:

A person commits a class “D” felony if the person, with the intent to defraud, assists, abets, solicits, or conspires with another to present or cause to be presented to an insurer, any written document or oral statement, including a computer-generated document, that is intended to be presented to any insurer in connection with, or in support of, any claim for payment or other benefit pursuant to an insurance policy, knowing that such document or statement contains any false information concerning a material fact.

3. Iowa Code § 507E.3(2)(c) prohibits knowingly presenting false statements of material fact in an application for insurance coverage.

4. Iowa Code § 507E.3(2)(b) prohibits assisting, abetting, soliciting, or conspiring with another to present false statements to an insurer in support of a claim or benefit pursuant to an insurance policy.

5. Siroky conspired with Inlay to move his book of business by encouraging him to issue new policies under the names of Siroky and her staff and using the Nebraska office address on the applications instead of the Iowa location where he was actually located.

6. Siroky assisted Inlay by providing login and password credentials for several insurer databases.

7. Siroky was aware that Potter's applications had false information of material fact but did not notify the insurer of the errors she was aware of or make changes when renewing the policy and the coverage was subsequently denied due to the misrepresentations.

8. Siroky identified a pattern of false information in many of Inlay's policies but no record was found of her notifying the insurers or consumers of the incorrect information nor were any corrective or preventative measures taken.

9. The violations of Iowa Code § 507E.3 is grounds for the revocation of Siroky's insurance producer license and the imposition of a civil penalty as authorized under Iowa Code §§ 522B.11(1)(b), 522B.11(1)(h), and 505.8(10).

### **Count 2**

#### **Insurance Fraud – Siroky's Fraudulent Business Submissions**

10. The Division re-alleges and incorporates by reference paragraphs 1-61 above as though fully set forth herein.

11. Siroky violated Iowa Code § 507E.3(2)(a) by submitting false statements to her Business Owners carrier, CWG, in support of her employee theft claim when she classified Inlay as an employee instead of an independent contractor, misstated the date of discovery by numerous months, failed to report Inlay's dishonest acts and behavior that would have voided coverage, and failed to mention that Inlay was unlicensed during the relevant time period.

12. Siroky violated Iowa Code § 507E.3(2)(a) by submitting false statements to her Professional Liability, E & O carrier, Westport, as part of the Potter claim.

13. Siroky violated Iowa Code § 507E.3(2)(c) by submitting false statements to Westport in her renewal application for coverage by failing to disclose potential claims, failing to disclose that Inlay had been disciplined by a regulatory authority, stating that Inlay's book of business would be retained by his carrier knowing that they intended and did move his book to other

carriers using her and her staff's names and appointments, and failing to report policies that she knew or had reason to believe contained false statements.

14. The violations of Iowa Code § 507E.3 is grounds for the revocation of Siroky's insurance producer license and the imposition of a civil penalty as authorized under Iowa Code §§ 522B.11(1)(b), 522B.11(1)(h), and 505.8(10).

### **Count 3**

#### **Licensing of Insurance Producers – Dishonesty, Untrustworthiness and Irresponsibility**

15. The Division re-alleges and incorporates by reference paragraphs 1-66 above as though fully set forth herein.

16. Iowa Code § 522B.11(1) states:

The commissioner may place on probation, suspend, revoke, or refuse to issue or renew any insurance producer's license or may levy a civil penalty as provided in section 522B.17 for any one or more of the following causes:

...

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

17. Siroky used dishonest practices and demonstrated untrustworthiness by helping Inlay continue operating as a producer after his license was revoked, both allowing and encouraging Inlay to make a practice of falsely submitting policies using her and her staff's credentials.

18. Siroky entered into an employment agreement with Inlay with deceptive purposes. The expectations of Inlay's duties were not those enumerated in the agreement, but instead, Siroky expected Inlay to continue operating in the business of insurance which was prohibited because Inlay did not have a license. The agreement also provided a method for Siroky to unlawfully pay Inlay commissions after he lost his producer license.

19. Siroky knowingly assisted in the violation of a court ordered injunction prohibiting the transfer of Inlay's Prudential business.

20. Siroky submitted false information to both her Business Owner carrier, CWG, and her E & O carrier, Westport, on several occasions.

21. The failure of Siroky to restrict Inlay's access to the company's financial accounts and failure to take immediate corrective action regarding the collected premiums Inlay failed to forward on to Siroky demonstrates financial irresponsibility.

22. The violations of Iowa Code Chapter 522B and applicable rules is grounds for revocation, suspension, or censure of Siroky's insurance producer license, the imposition of a civil penalty, and order requiring Siroky to cease and desist from the acts, methods, or practices stated in this statement of charges pursuant to Iowa Code §§ 522B.11 and 522B.17.

23. Iowa Code § 522B.11(5) authorizes the enforcement of provisions and imposition of any penalty or remedy authorized under Chapter 522B even if the person's license has been surrendered.

#### **Count 4**

#### **Licensing of Insurance Producers – Accepting Business from Unlicensed Producers**

24. The Division re-alleges and incorporates by reference paragraphs 1-75 above as though fully set forth herein.

25. Iowa Code § 522B.11(1)(l) states that a license may be revoked or civil penalties levied as provided in section 522B.17 for knowingly accepting insurance business from an individual who is not licensed.

26. Siroky continued to accept business from Inlay knowing his Iowa insurance producer license had been revoked in November 2010.

27. The violations of Iowa Code Chapter 522B and applicable rules is grounds for revocation, suspension, or censure of Siroky's insurance producer license, the imposition of a

civil penalty, and order requiring Siroky to cease and desist from the acts, methods, or practices stated in this statement of charges pursuant to Iowa Code §§ 522B.11 and 522B.17.

28. Iowa Code § 522B.11(5) authorizes the enforcement of provisions and imposition of any penalty or remedy authorized under Chapter 522B even if the person's license has been surrendered.

**Count 5**  
**Licensing of Insurance Producers – Violations of Insurance Law**

29. The Division re-alleges and incorporates by reference paragraphs 1-80 above as though fully set forth herein.

30. Under Iowa Code § 522B.11(1)(b), a person may be subject to license revocation or civil penalties as provided in 522B.17, if they violate any insurance law, regulation, subpoena, or order of the commissioner.

31. Siroky violated insurance laws by aiding and abetting Inlay to act as a producer and performing acts constituting the business of insurance after his license was revoked which is prohibited under Iowa Code §§ 522B.2 and 507A.3. (See also Iowa Administrative Code 191—10.20(3) and 10.20(4).)

32. Siroky also violated insurance laws by knowingly making fraudulent submissions to insurers which prohibited under Iowa Code § 507E.3.

33. Siroky used dishonest practices and demonstrated untrustworthiness and financial irresponsibility in the conduct of the business of insurance in violation of Iowa Code § 522B.11.

34. Siroky violated Iowa Code § 522B.11(1)(l) when she continued to accept business from Inlay knowing his license had been revoked.

35. The violations of Iowa Code Chapter 522B and applicable rules is grounds for revocation, suspension, or censure of Siroky's insurance producer license, the imposition of a

civil penalty, and order requiring Siroky to cease and desist from the acts, methods, or practices stated in this statement of charges pursuant to Iowa Code §§ 522B.11 and 522B.17.

36. Iowa Code § 522B.11(5) authorizes the enforcement of provisions and imposition of any penalty or remedy authorized under Chapter 522B even if the person's license was surrendered.

**Count 6**  
**Licensing of Insurance Producers – Commissions**

37. The Division re-alleges and incorporates by reference paragraphs 1-88 above as though fully set forth herein.

38. Iowa Code § 522B.12 states:

An insurer or insurance producer shall not pay a commission, service fee, brokerage, or other valuable consideration to a person for selling, soliciting, or negotiating insurance in this state if that person is required to be licensed under this chapter and is not so licensed.

39. Siroky continued to credit and pay Inlay for commissions on policies he sold, solicited, and negotiated after his license was suspended and revoked.

40. Siroky was aware that Inlay was required by Iowa Code § 522B.2 to be licensed as an insurance producer to sell, solicit, or negotiate insurance.

41. The violations of Iowa Code Chapter 522B and applicable rules is grounds for revocation, suspension, or censure of Siroky's insurance producer license, the imposition of a civil penalty, an order requiring Siroky to cease and desist from the acts, methods, or practices stated in this statement of charges pursuant to Iowa Code §§ 522B.11 and 522B.17.

42. Iowa Code § 522B.11(5) authorizes the enforcement of provisions and imposition of any penalty or remedy authorized under Chapter 522B even if the person's license has been surrendered.

**Count 7**  
**Licensing of Insurance Producers – Duty to Keep Records**

43. The Division re-alleges and incorporates by reference paragraphs 1-94 above as though fully set forth herein.

44. Iowa Code § 522B.16A requires a producer to keep at their place of business, the usual and customary records pertaining to transactions they undertake.

45. Siroky failed to keep all client files and applications for which she is the agent of record at her David City office.

46. The failure to comply with this section is grounds for sanctions under Iowa Code § 522B.11.

#### **IV. ORDER**

**WHEREFORE, IT IS ORDERED** pursuant to the powers granted the Commissioner of Insurance by Iowa Code Chapters 507e and 522B:

- A. Formally accepts the voluntary surrender of Siroky's Iowa insurance producer's license whereby Siroky agrees not to transact any insurance business in this state or sell, solicit, or negotiate insurance; manage, supervise, compensate, hire, employ, approve or evaluate any persons required to be licensed insurance producers in this state; or provide any other insurance services to, receive any compensation, fee or remuneration for any such insurance services from, or being employed by any person or entity engage in the business of insurance in this state during her lifetime ;
- B. Siroky shall pay to the State of Iowa, Insurance Division, a civil penalty in the amount of \$10,000; and
- C. Siroky shall pay to the State of Iowa, Insurance Division, reasonable costs of prosecution in the amount of \$19,000 payable to the credit of the Insurance Enforcement Fund to provide funds for insurance enforcement and education;

SO ORDERED on this 24 day of November, 2015.



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NICK GERHART  
Iowa Insurance Commissioner

Respectfully submitted,



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JOHANNA NAGEL  
Compliance Attorney



**CONSENT TO ORDER**

I, Pamela Siroky, Respondent in this matter, have read, understood, and do knowingly consent to resolving the pending dispute as set out in Paragraph IV of this Order. I represent that disputes exist between myself and the Iowa Insurance Division regarding the findings of facts and conclusions of law referenced in this Consent Order. However, in order to facilitate the resolution of the pending matter, I hereby consent to this Order (as set out in Paragraph IV above) without specifically admitting or denying any allegation of fact or law contained in the statement of charges or elsewhere in this action. By executing this consent to order, and thereby avoiding additional costs, I understand that I am waiving my rights to a hearing, to confront and cross-examine witnesses, to produce evidence, and to judicial review.

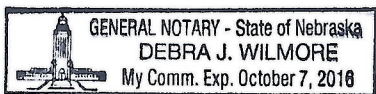
I further understand that this Order is considered final administrative action that may be reported by the Division to the National Association of Insurance Commissioners and to other regulatory agencies. I also understand that this Order is a public record under Iowa Code Chapter 22 that will be disclosed to other state regulatory authorities, upon request, pursuant to Iowa Code section 505.8(8)(d). I also understand that the information contained in the Order will be posted to the Division's web site and a notation will be made to the publicly available web site record that administrative action has been taken against me.

Dated this 17<sup>th</sup> day of November, 2015.

Pamela Siroky  
PAMELA SIROKY

1370 B St. David City, NE 68632  
Address of Signatory

Subscribed and sworn before me by Pamela Siroky on this 17<sup>th</sup> day of November, 2015.



Debra J. Wilmore  
Notary Public for the State of Nebraska