

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF)	Division Case No. 119132
)	
JOSEPH M. DRAHOZAL, NPN 7921831, DOB 11/01/XXXX,)	ORDER AND CONSENT TO ORDER
)	
Respondent.)	

NOW THEREFORE, upon motion of the Iowa Insurance Division (“Division”) and by the consent of Respondent, Joseph M. Drahozal, pursuant to the provisions of Iowa Code chapter 522B—Licensing of Insurance Producers, the Commissioner enters the following Order and Consent to Order (“Consent Order”):

I. PARTIES AND JURISDICTION

1. The Commissioner of Insurance, Douglas M. Ommen, directly and through his designees, administers and enforces Iowa Code chapter Iowa Code chapter 522B—Licensing of Insurance Producers pursuant to Iowa Code § 505.8.
2. Joseph M. Drahozal (“Drahozal”) is an individual with a last-known residence address of 2916 Indian Hill Road, Cedar Rapids, Iowa 52403.
3. Drahozal is and has been licensed in the state of Iowa as a resident insurance producer since August 22, 2017. Drahozal is licensed under National Producer Number 7921831.
4. Pursuant to Iowa Code § 505.28, Drahozal consented to the jurisdiction of the Commissioner of Insurance by committing acts governed by chapter 522B.
5. From on or about October 12, 2021, to present, Drahozal engaged in acts and practices within the state of Iowa constituting cause for probation, suspension, or revocation of Drahozal’s insurance producer license; cease and desist orders; and civil penalties or other relief under Iowa Code chapters 505, 507B, 522B, and rules adopted pursuant to these chapters.

II. FINDINGS OF FACT

6. Drahozal applied for a resident insurance producer license with the Division by submitting a Uniform Application for Individual Producer License (“Uniform Application”) through the National Insurance Producer Registry. In submitting the Uniform Application, Drahozal designated the Commissioner as an agent for service of process.
7. The Division issued Drahozal a license as a resident insurance producer on August 22, 2017, and assigned to Drahozal National Producer Number 7921831.
8. Drahozal was employed by Dupaco Insurance Services (“Dupaco”), a subsidiary of Dupaco Community Credit Union.
9. On July 27, 2020, Drahozal was hired by Dupaco as a Senior Insurance Agent.
10. On April 22, 2022, Dupaco notified the Division its decision to terminate Drahozal for cause effective April 14, 2022. Dupaco claimed that Drahozal had engaged in fraudulent activity by collecting insurance premiums from four Dupaco customers and depositing the funds into his personal account. Dupaco stated that they and local law enforcement were investigating the allegations.

Consumer Company AE

11. On October 13, 2021, Drahozal submitted an application for an auto insurance policy with National Casualty Company (“NCC”) for Company AE, financed through an insurance premium finance agreement with Insurance Finance Company (“IFC”). The premium finance agreement required a down payment of \$5,696.25 with nine (9) additional installments in the amount of \$1,917.38. The premium finance agreement states that \$5,695.25 is due at signing with the first installment due November 4, 2021.

12. Company AE is owned by S.M., with shares of the company owned by J.Y., and employee S.Y. does the accounting for Company AE.

13. On October 12, 2021, S.Y. wrote a check bearing the signature of M.Y., a managing employee of Company AE, to satisfy the first installment payment under the policy. The check was written in the amount of \$1,917.38, but the memo line, date, and payee were left blank. Drahozal requested that S.Y. leave the payee blank on the check and he would complete it because he was not sure who should be listed as the payee.

14. Drahozal dated the check for October 12, 2021, wrote "1st Pay Trucks" in the memo line, made the check payable to "Joe Drahozal," and deposited the check into his personal checking account ending in X9437.

15. Neither J.Y., S.M., M.Y., nor S.Y. authorized Drahozal to make Company AE's premium check payable to himself or deposit it into his personal account.

Consumer Company SF

16. On March 28, 2022, Drahozal submitted an application for a commercial insurance policy for Company SF financed through IFC. The insurance premium finance agreement required a down payment amount of \$15,709.01, with eight (8) additional installment payments due in the amount of \$4,170.58.

17. J.Y. also owns Company SF, and employee S.Y. also does the accounting for Company SF.

18. S.Y. gave Drahozal a check for the \$15,709.01 down payment, on check 26080, which Dupaco received on April 4, 2023.

19. When S.Y. gave the premium check 26080 to Drahozal, she inadvertently also gave him a blank check numbered 26081. Drahozal informed S.Y. about check 26081 and told S.Y. that he would return it, but he failed to do so.

20. On April 4, 2022, Drahozal dated Check 26081 for April 4, 2022, made the check payable to "Joe Drahozal," filled in the amount as \$1,551.30, signed the check with a signature purporting to be J.Y.'s signature, and deposited the check into his personal checking account ending in X9437.

Consumer T.H.

21. On September 22, 2020, Drahozal submitted an auto insurance application with Dairyland Insurance ("Dairyland") for consumer T.H. On March 23, 2022, the auto insurance policy was renewed by T.H. The renewal policy term was from March 22, 2022, to September 22, 2022. The total premium due on the policy \$636.42.

22. On occasion, Drahozal, acting on behalf of Dupaco, would establish an Electronic Funds Transfer ("EFT") to make insurance premium payments for his customers from the Dupaco Insurance Services Fiduciary ("DISF") checking account.

23. Drahozal claimed that he would set up these EFTs from the DISF account when Dupaco members lacked sufficient funds in their accounts to cover the premiums or when they preferred to pay with cash rather than have the premiums debited from their Dupaco account. Dupaco was aware of Drahozal's practice of setting up EFTs from the DISF account for members.

24. T.H. paid Drahozal \$636.42 for a one-time six-month premium payment to the insurer, Dairyland. However, rather than directly remit T.H.'s premium payment to Dairyland, Drahozal set up an EFT to pay for T.H.'s insurance policy through the DISF account on a monthly premium payment schedule. Drahozal then kept the \$636.42 payment he received from T.H.

25. In April 2022, the administrators of the DISF checking account discovered that T.H. had failed to make his first monthly premium payment. When the administrators notified Drahozal of the late payment, Drahozal made the first payment to the DISF account. An internal investigation by Dupaco revealed that Drahozal had made a cash withdrawal from his checking account and used that money to pay T.H.'s insurance premium.

Consumer J.G.

26. On April 1, 2022, Drahozal submitted an auto insurance application with Progressive Northern Insurance Co. ("Progressive") for consumer J.G. J.G. gave Drahozal the first monthly premium payment in the amount of \$146.03. Drahozal set up the EFT for all payments on this policy to be paid to Progressive out of the DISF account. The first monthly premium payment to Progressive for the J.G.'s policy was paid from the DISF account on April 5, 2022. The payment J.G. made to Drahozal was not deposited into the DISF account prior to Drahozal's termination.

Repayment by Drahozal and Mitigating Circumstances

27. Prior to his termination from Dupaco, Drahozal was experiencing financial hardship due to his immediate family member's serious illness and mounting medical debt.

28. According to Company AE, Company SF, and Dupaco, Drahozal either repaid the premium funds he kept for himself or the impacted companies refused to accept repayment.

29. Drahozal has fully cooperated with the Division's investigation.

Criminal Proceeding

30. On November 21, 2022, Drahozal was criminally charged in Linn County, Iowa, with four counts: Forgery, Fraudulent Sales Practice (2 counts), and Theft.

31. On or about March 02, 2023, Drahozal entered a plea of guilty for an agreed deferred judgment. Drahozal pled guilty to one felony count of Forgery and three lesser included serious misdemeanors, two counts of fraudulent practice, and one count of theft.

32. Drahozal received a two-year deferred judgment, whereby Drahozal was placed on supervised probation, ordered to pay civil penalties in the amount of \$1,025 for the forgery count, \$430 for each count of fraudulent practice, and \$430 for the theft count. The civil penalty for the forgery count was suspended. Drahozal has paid all of the fines and costs associated with his criminal case.

III. CONCLUSIONS OF LAW

COUNT I

Using Fraudulent, Coercive, or Dishonest Practices or Demonstrating Incompetence or Untrustworthiness

33. Under Iowa Code § 522B.11(1)(h), a license may be subject to probation, suspension, or revocation and civil penalties may be levied, as provided in Iowa Code § 522B.17, for using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness, or financial irresponsibility in the conduct of business.

34. Drahozal engaged in dishonest practices and demonstrated untrustworthiness in the insurance business by depositing cash he received to pay insurance premiums directly into his personal checking account and failing to remit these payments directly to the insurer.

35. Drahozal engaged in dishonest practices and demonstrated untrustworthiness in the insurance business by fraudulently depositing two checks into his personal checking account without the consumers' consent or approval.

36. Drahozal engaged in dishonest practices and demonstrated untrustworthiness in the insurance business by entering a guilty plea for forgery, fraudulent practice, and theft for acts associated with his work in the insurance business.

37. Drahozal's acts and practices violate Iowa Code § 522B.11(1)(h) subjecting Drahozal to probation, suspension, or revocation of Drahozal's insurance producer license, the imposition of a civil penalty, an order requiring Drahozal to cease and desist from engaging in such acts or practices, the imposition of costs of the investigation and prosecution of the matter, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code §§ 522B.11, 522B.17, and 505.8.

COUNT II
Improperly Holding, Misappropriating, or Converting Money

38. Under Iowa Code § 522B.11(1)(d), a person is prohibited from "improperly withholding, misappropriating, or converting moneys or properties received in the course of doing business."

39. Drahozal withheld, misappropriated or converted moneys from insurance clients by receiving premium payments from clients and then failing to submit those premium payments to Dupaco, and instead depositing those payments into his personal checking account.

40. Drahozal's acts and practices violate Iowa Code § 522B.11(1)(d) subjecting Drahozal to probation, suspension, or revocation of Drahozal's insurance producer license, the imposition of a civil penalty, an order requiring Drahozal to cease and desist from engaging in such acts or practices, the imposition of costs of the investigation and prosecution of the matter, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code §§ 522B.11, 522B.17, and 505.8.

COUNT III

Forgery on an Application for Insurance

41. Under Iowa Code § 522B.11(1)(j), a license may be subject to probation, suspension, or revocation and civil penalties may be levied, as provided in Iowa Code § 522B.17, for forging another's name to an application for insurance or to any document related to an insurance transaction.

42. Drahozal forged J.Y.'s name on check number 26081 from Company SF and made what was intended by Company SF to be a premium payment, payable to himself before depositing the check into his personal checking account.

43. Drahozal's acts and practices violate Iowa Code § 522B.11(1)(j) subjecting Drahozal to probation, suspension, or revocation of Drahozal's insurance producer license, the imposition of a civil penalty, an order requiring Drahozal to cease and desist from engaging in such acts or practices, the imposition of costs of the investigation and prosecution of the matter, and any other corrective action the Commissioner deems necessary and appropriate pursuant to Iowa Code §§ 522B.11, 522B.17, and 505.8.

IV. ORDER

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

- A. Drahozal's Iowa resident insurance producer license is immediately revoked and Drahozal is prohibited from engaging in the business of insurance in this state pursuant to Iowa Code §§ 522B.11 and 522B.17;
- B. Drahozal, pursuant to Iowa Code § 522B.17, shall immediately cease and desist from engaging in the business of insurance in this state;

C. These orders may be enforced under Iowa Code chapter 522B, including but not limited to Iowa Code § 522B.17(3).

SO ORDERED on the 14th day of November, 2023.

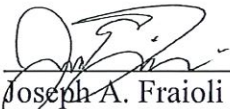


DOUGLAS M. OMMEN
Iowa Insurance Commissioner

Respectfully submitted,



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ATTORNEYS FOR THE DIVISION

Copy to:

Joseph Drahozal
2916 Indian Hill Road,
Cedar Rapids, Iowa 52403
Email: JoeDrahozal@mediacombb.net
RESPONDENT

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause, or their attorney, at their respective addresses disclosed on the pleadings on November 14th, 2023.

By: First Class Mail Personal Service
 Restricted certified mail, return receipt Email, by consent
 Certified mail, return receipt _____

Signature: Brooke Hohn
Brooke Hohn

NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER

YOU ARE NOTIFIED that acting as an insurance producer, as defined in Iowa Code chapter 522B, in violation of this Order, is a felony under Iowa Code § 507A.10, subjecting you to punishment of imprisonment, jail, fines, or any combination of custody and fines.

YOU ARE ALSO NOTIFIED that if you violate this Order, you may be subject to administrative and civil penalties pursuant to Iowa Code § 522B.17(3). The Commissioner may petition the district court to hold a hearing to enforce the order as certified by the Commissioner. The district court may assess a civil penalty against you in an amount not less than three thousand dollars but not greater than ten thousand dollars for each violation, and may issue further orders as it deems appropriate.

NOTICE REGARDING REISSUANCE

Upon entry of this Order, your insurance producer license will become inactive due to revocation. While your license is inactive, you are prohibited from conducting the business of insurance. Your license will not be active until the Division makes the determination to reissue your insurance producer license by order pursuant to Iowa Administrative Code rule 191—10.10.

Reissuance of your insurance producer license is subject to the discretion of the Commissioner. Additionally, it will not be granted unless and until you have complied with the terms of this Order, made the appropriate Application for Reissuance with the Division, and paid all applicable fees. If applicable, you may also be required to apply for licensure through the National Insurance Producer Registry (NIPR) and pay all applicable fees.

NOTICE OF FINAL ORDER IMPACT

A final order of license revocation and/or a cease and desist order may adversely affect other existing business or professional licenses and may result in disciplinary action.

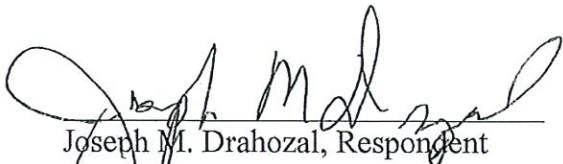
A final order in an administrative action does not resolve any potential criminal or civil violations or causes of action that might arise from the same or similar conduct that is the subject of this order. It may result in criminal law enforcement authorities, including the fraud bureau of the Iowa Insurance Division, pursuing a criminal investigation or prosecution of potential criminal law violations.

CONSENT TO ORDER AND AGREEMENT

I, Joseph M. Drahozal, Respondent in this matter, have read, understood, and do knowingly consent to this Order in its entirety. I understand and acknowledge I have the right to consult with an attorney on this matter if I choose to do so, and acknowledge that the Division cannot provide me an attorney nor can the Division provide me legal advice. By executing this Consent, 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 this Order is considered a final administrative action that will be reported by the Division to the National Association of Insurance Commissioners and to other regulatory agencies. I also understand this Order is a public record under Iowa Code chapter 22 and information may be shared with other regulatory authorities or governmental agencies, pursuant to Iowa Code § 505.8(8)(d). I also understand this Order will be posted to the Division's website and a notation will be made to the publicly available website record that administrative action has been taken against me.

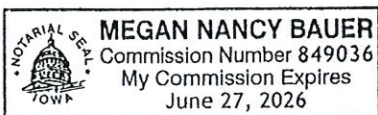
Date: 10/27/2023




Joseph M. Drahozal, Respondent

2916 Indian Hill Rd SE
Address of Signatory Cedar Rapids, IA 52403

Subscribed and sworn before me by Joseph Drahozal on this 27th day of October, 2023.





Notary Public for the State of Iowa