

No. 3793

**Official Order
of the
Texas Commissioner of Insurance**

Date: JAN 26 2015

Subject Considered:

Texas Department of Insurance

v.

Robert Michael Stroman

SOAH Docket No. 454-14-3377.C

TDI Enforcement Case No. 5991

General remarks and official action taken:

The commissioner of insurance considers Robert Michael Stroman's application for a general lines property and casualty insurance license. Following an administrative hearing at the State Office of Administrative Hearings, the administrative law judge submitted a proposal for decision with findings of fact and conclusions of law, recommending denial of the application. The commissioner accepts the proposed findings of fact, conclusions of law, and recommendation of the ALJ, with non-substantive formatting and style changes.

FINDINGS OF FACT

1. Robert Michael Stroman was licensed by the department for more than 20 years and held three insurance licenses that were revoked by the department in 2007.
2. In 1996, Stroman started his own agency, Millenium Insurance Agency, Inc.
3. In 2000, Stroman bought a book of business from another agency, and, along with that book of business, Stroman took on Sam Houston as a business partner.
4. In August 2002, Mr. Houston and some other Millenium employees terminated their working relationship with Stroman in a business "split" that was not amicable.
5. As a result of the business split, Stroman's business suffered and he began to experience financial difficulties. During this time, he engaged in wrongful conduct by mishandling and misappropriating premium funds as follows:

- a. In January 2004, Stroman collected a premium payment of more than \$35,000 from Premium Financing Specialists, Inc. (PFS) and was to forward it to the insurer, U.S. Risk. However, Stroman kept the premium.
 - b. In January 2004, Stroman collected a premium payment of more than \$79,000 from PFS and was to forward it to the insurer, M.D. Jensvold, but he forwarded only a portion of the premium, and kept nearly \$50,000.
 - c. In April 2004, Stroman collected premium payments for a workers' compensation policy issued by AmCOMP to J&E Specialists. Stroman collected more than \$86,000 in premiums, but never forwarded the money to AmCOMP.
 - d. In 2003 and 2004, C&C Services obtained workers' compensation insurance from Bituminous Casualty. Stroman collected \$15,000 in premium payments from C&C Services, but failed to remit them to Bituminous.
 - e. In 2004, Stroman owed money to Unitrin and Zurich insurance companies prior to the failure of his agency. Stroman owed approximately \$68,000 to Unitrin and approximately \$16,000 to Zurich that was unpaid.
6. In 2003, Stroman and Millennium were sued by Continental Casualty Company and five other insurance companies. The lawsuit settled and was dismissed in 2003. In 2004, Stroman and Millennium were sued by AmCOMP, and after they settled that lawsuit, it was dismissed in 2006.
 7. On October 6, 2004, a civil judgment was entered against Stroman and Millennium, jointly and severally, in *Premium Financing Specialists, Inc. v. Stroman, et al.*, case number 04CV223596 in the Associate Circuit Division No. 29 at Kansas City, Circuit Court of Jackson County, Missouri, in the amount of \$97,966.29 in actual damages, \$1,847.00 in attorney fees, and \$100 in process server fees, for a total judgment of \$99,913.29, plus interest at the statutory rate, and costs (the "PFS judgment").
 8. In December 2004, Stroman was served with a notice of filing of the PFS judgment in Harris County, Texas, in *Premium Financing Specialists, Inc. v. Stroman, et al.*, Cause No. 2004-69530 in the 295th District Court of Harris County, Texas.

9. On November 9, 2006, Stroman pleaded guilty to the second degree felony of misapplication of fiduciary property in *State of Texas v. Stroman*, Cause No. D-1-DC-06900641, in the 403rd District Court of Travis County, Texas ("the criminal case").
10. On November 27, 2006, the court ordered that Stroman be subject to deferred adjudication and placed on community supervision for a period of 10 years. The district court ordered that Stroman pay a total of \$260,229.16 in restitution, which included restitution of \$85,040.51 to PFS. Stroman was also ordered to pay a monthly supervision fee and a crime stoppers fee, and to complete 240 hours of community service.
11. On August 17, 2007, after a hearing on the merits, the commissioner signed Order No. 07-0716, revoking Stroman's licenses: a general life, accident, and health license; a general property and casualty license; and a managing general agent license. The commissioner found that between 2003 and 2004, Stroman mishandled and misappropriated more than \$270,000 in premiums from five different victims, including PFS. The commissioner made the following conclusions of law:
 - a. Stroman willfully violated an insurance law of this state, namely, Texas Insurance Code § 651.162, by failing to return unearned premiums and unearned commissions to a premium finance company;
 - b. Stroman misappropriated insurance premiums; and
 - c. Stroman engaged in fraudulent or dishonest acts.
12. The commissioner denied Stroman's motion for rehearing and Stroman appealed the revocation of his licenses. After a hearing on March 20, 2008, the presiding judge in *Stroman v. Tex. Dept. of Ins.*, Cause No. D-1-GN-07-003978, in the 53rd Judicial District Court of Travis County, Texas, denied Stroman's motion for a temporary injunction to stay the revocation of his licenses pending the appeal. That ruling was memorialized in an order dated April 24, 2008.
13. After the revocation of his licenses, Stroman started his own business, Stroman Consulting Group, and has worked as a consultant for advising insurance agencies.

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14. Stroman paid the full amount of the court ordered restitution to the five companies he owed, partly due to the success of his new consulting business, and partly from funds he received through inheritance.
15. On October 16, 2012, the district court in the criminal case granted Stroman early discharge from deferred adjudication and community supervision.
16. On September 11, 2013, the department received Stroman's application for a new license.
17. In his 2013 application for licensure, Stroman responded "No" to the following screening question:

Are you indebted to any policyholder, insurance or reinsurance company, insurance agency, general agent, managing general agency, premium finance company or court appointed liquidator for premiums collected or commissions retained, or have any claims or judgments been filed against you for retaining premiums or commissions?
18. At the time Stroman submitted his application to the department, the PFS judgment had not been fully satisfied and he was still indebted to PFS for approximately \$15,000.
19. At the time Stroman submitted his application to the department, he was aware he had been a party to two other lawsuits where the allegation was that he had retained premiums or commissions. Both cases settled.
20. Stroman's answer to the application screening question was false because he failed to disclose the existence of the PFS judgment, he failed to disclose that indebtedness was still due and owing to PFS under the judgment, and because he failed to disclose the two other lawsuits filed against him for retaining premiums and commissions.
21. Stroman made an intentional misrepresentation of material fact on his application and attempted to obtain a license through fraud or misrepresentation.
22. On May 28, 2014, the department issued an amended notice of hearing in this matter.

23. The notice of hearing contained a statement of the time, place, and nature of the hearing; a statement of the legal authority and jurisdiction under which the hearing was to be held; a reference to the particular sections of the statutes and rules involved; and a short, plain statement of the matters asserted.
24. The hearing on this case was convened August 1, 2014, at the State Office of Administrative Hearings in Austin, Texas, before Administrative Law Judge Steven M. Rivas. Staff was represented by staff attorney Rachel A. Cloyd. Stroman was represented by attorney Anatole Barnstone. The record closed September 26, 2014.
25. By withholding and misappropriating premiums, Stroman violated the cardinal rule that licensed agents are not supposed to take someone else's money.
26. Although Stroman has had no other criminal convictions or criminal history, the act of misappropriating funds is considered most serious.
27. At the time of the commission of the crime, Stroman was 45 years old.
28. It has been ten years since Stroman's last known criminal activity, and seven years since the commissioner revoked Stroman's agent licenses.
29. Prior to and following his license revocation, Stroman has been an active member of his church, and has undergone spiritual, marriage, and family counseling.
30. Stroman has been self-employed since his licenses were revoked.
31. Stroman has not shown good cause why the revocation of his previous licenses should not be a bar to the issuance of a new license.

CONCLUSIONS OF LAW

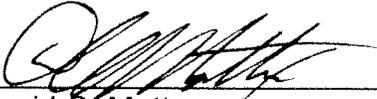
1. The commissioner has jurisdiction over this matter. Tex. Ins. Code §§ 4001.002, 4001.105, and 4005.101.
2. SOAH has authority to hear this matter and issue a proposal for decision with findings of fact and conclusions of law. Tex. Gov't Code ch. 2003; Tex. Ins. Code § 4005.104.

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3. Stroman was sent timely and sufficient notice of hearing. Tex. Gov't Code ch. 2001; Tex. Ins. Code § 4005.103.
4. In 2003 and 2004, Stroman willfully violated an insurance law of this state by failing to return unearned premiums and unearned commissions to a premium finance company. Tex. Ins. Code § 4005.101(b)(1).
5. Stroman committed fraudulent or dishonest acts that directly related to the duties and responsibilities of an insurance agent. Tex. Ins. Code § 4005.101(b)(5); 28 Tex. Admin. Code § 1.502(d) and (f).
6. Stroman made an intentional misrepresentation of material fact on his application or attempted to obtain a license through fraud or misrepresentation. Tex. Ins. Code § 4005.101(b)(2)- (3).
7. A felony involving moral turpitude and breach of fiduciary duty is of prime importance to the department in determining fitness for licensure. 28 Tex. Admin. Code § 1.502(e)(3).
8. Stroman had the burden of proof to show why the prior revocation of his licenses should not be a bar to licensure. Tex. Ins. Code § 4005.105(c); 1 Tex. Admin Code § 155.427.
9. Stroman failed to show good cause why the prior revocation should not be a bar to licensure. Tex. Ins. Code § 4005.105; 28 Tex. Admin. Code § 1.502(h).
10. Stroman's application for a license should be denied.

The commissioner of insurance denies Robert Michael Stroman's application for a general lines property and casualty insurance license.



David C. Mattax
Commissioner of Insurance