

No. 2017- 5082

**OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE**

Date: MAY 17 2017

Subject Considered:

CLAYTON ALAN HATFIELD
1885 Los Altos Dr.
San Mateo, California 94402

CONSENT ORDER
TDI ENFORCEMENT FILE NO. 8065

General remarks and official action taken:

This order is in consideration of whether disciplinary action should be taken against Clayton Alan Hatfield.

WAIVER

Hatfield acknowledges that the Texas Insurance Code and other applicable law provide certain rights. Hatfield waives all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

FINDINGS OF FACT

The findings of fact are as follows:

1. Clayton Alan Hatfield, individual identification number 679651, holds a non-resident general lines agent license with a property and casualty qualification that the department issued on March 12, 2006, and a life, accident, and health qualification, issued by the department on April 18, 2006.
2. Hatfield is a resident of California and works out of an office located in California. Hatfield also holds a license in California, number 0C90720. He issues around 300 Texas policies each year.
3. Texas Mutual canceled Hatfield's appointment due to misrepresentation of information on applications and complaints from insureds that Hatfield was not sending policy information when requested and was overcharging for premiums.

Misappropriation/Conversion

4. Hatfield converted premiums totaling \$2,804.77.
5. On July 30, 2013, Hatfield charged G.C. \$1,628.30, which Hatfield confirmed was a premium payment. Hatfield did not provide the related policy or any evidence showing these funds were remitted to an insurer.
6. On May 5, 2014, Hatfield charged E.C. \$360.00, which Hatfield confirmed was a premium payment. Hatfield did not provide the related policy or any evidence showing these funds were remitted to an insurer.
7. On August 16, 2016, K.C. paid Hatfield \$816.47 for a general liability policy for Brazil Air Conditioning, Heating and Refrigeration.
8. On August 25, 2016, Hatfield sent a Certificate of Insurance to K.C. On September 22, 2016, K.C. told Hatfield that she had not received a copy of the policy. He said that the policy would be provided by the insurance company. About two months after purchasing the policy, K.C. still had not received it.
9. On September 26, 2016, K.C. contacted the insurance company and learned that the agents are responsible for sending the policy. Afterwards, K.C. tried to reach Hatfield several times, but he never responded. On October 21, 2016, K.C. received a Notice of Cancellation from the insurance company for nonpayment of premium.
10. Hatfield agreed to refund all premiums he converted. To date, all premiums have been refunded via check, and \$1,176.47 has been cashed.

Misrepresentation

11. Hatfield submitted approximately 10 applications to Texas Mutual that asserted the businesses were located in Texas when they were actually located in other states.
12. In July of 2013, Hatfield submitted a workers' compensation policy application to Texas Mutual for T.M. In the application, Hatfield represented that T.M.'s business did not use subcontractors when the business in fact used subcontractors.
13. In May of 2013, Hatfield submitted a policy application to Texas Mutual for J.C. Hatfield represented that J.C.'s business did not use subcontractors when the business in fact used subcontractors.
14. In September of 2013, Hatfield submitted a policy application to Texas Mutual for K.B. In that application, Hatfield represented that K.B.'s business was located in Texas when it was actually located in Oklahoma. He also represented that K.B.'s employees were clerical when they were actually roofers.

15. In October of 2013, Hatfield submitted a policy application to Texas Mutual for G.A. In that application, Hatfield represented that G.A.'s business performed clerical duties. G.A. owned a painting business that also performed other residential work. G.A.'s employees did not perform clerical duties.
16. In February of 2014, Hatfield submitted a policy application to Texas Mutual for J.C. In that application, Hatfield represented that J.C.'s business was located in Texas when it was actually located in Georgia.
17. In February of 2014, Hatfield submitted a policy application to Texas Mutual for R.H. Hatfield represented that R.H.'s business did not use subcontractors when the business in fact used subcontractors.
18. In April of 2014, Hatfield submitted a policy application to Texas Mutual for E.C. In that application, Hatfield represented that E.C.'s business was located in Texas. At the time, E.C.'s business was located in Oklahoma.
19. In April of 2014, Hatfield submitted a policy application to Texas Mutual for J.F. Hatfield represented that J.F.'s business was in Texas when it was actually located in Oklahoma.
20. In September of 2014, Hatfield submitted a policy application to Texas Mutual for H.M. Hatfield represented that the business operated as a "construction supervision" business and that H.M. was the "executive supervisor." H.M. actually operated a used computer store and a construction company.
21. In September of 2014, Hatfield submitted a policy application to Texas Mutual for D.B. Hatfield represented that D.B.'s business was located in Texas when it was actually located in Kentucky.

Delay in Coverage

22. On March 11, 2013, G.C. paid Hatfield \$2,016.52 for a workers' compensation policy. Hatfield did not issue an effective policy until July 17, 2013. G.C. had a delay in coverage for about four months.

Undisclosed Fees

23. Hatfield charged agent and processing fees, totaling approximately \$3,569.04, without obtaining written disclosure and consent forms from insureds. In some cases, the fee was more than the premium collected.
24. Around September 2012, G.C. purchased a general liability policy from Hatfield. She made regular payments in the amount of \$238.72. In December of 2012, Hatfield charged a \$12.17 fee for one of the payments. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of G.C. before charging the fee.

25. In June 2012, Hatfield placed a general liability policy for G.A. He charged a \$40 broker fee for that policy. He did not provide written disclosure of the fee or obtain the consent and signature of G.A. before charging the fee.
26. On March 11, 2013, G.C. paid Hatfield \$2,016.52 for a workers' compensation policy. Hatfield remitted \$1,172 for the policy premium. Hatfield kept the additional \$844.52 as a fee payment.
27. In June of 2013, Hatfield placed a general liability policy. He charged a \$40 broker fee for that policy. He did not provide written disclosure of the fee or obtain the consent and signature of G.A. before charging the fee.
28. Around July of 2013, V.B. purchased a general liability policy. Hatfield charged a \$50 broker fee. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of V.B. before charging the fee.
29. In October of 2013, Hatfield placed a workers' compensation policy for G.A. with a premium of \$322. Hatfield charged a \$458 fee. The fee was 142% of the premium. He did not provide written disclosure of the fee or obtain the consent and signature of G.A. before charging the fee.
30. Around February 2014, R.H. purchased a workers' compensation policy. The premium was \$235. Hatfield charged \$700 for the policy. Hatfield kept the additional \$465 as a fee payment, which was 197% of the premium.
31. Hatfield placed a workers' compensation and general liability policy for E.C. in April of 2014. Hatfield charged a \$236.68 fee for the workers' compensation policy. In addition, Hatfield charged a \$247.95 broker fee for the general liability policy. Hatfield did not provide written disclosures of the fees or obtain the consent and signature of E.C. before charging the fees.
32. Around April 2014, R.H. purchased a general liability policy. Hatfield charged a \$50 broker fee. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of R.H. before charging the fee.
33. In May of 2014, Hatfield placed a general liability policy for H.M. Hatfield charged a \$50 broker fee. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of H.M. before charging the fee.
34. In June of 2014, Hatfield placed a workers' compensation policy for M.J. The policy premium was \$339. Hatfield charged a \$411 fee for the policy, which was 121% of the policy premium. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of M.J. before charging the fee.
35. In August of 2014, Hatfield placed a general liability policy for G.A. He charged a \$60 broker fee. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of G.A. before charging the fee.

36. In September of 2014, Hatfield placed a workers' compensation policy for H.M. The premium was \$270. Hatfield charged a \$255 fee, which is almost 100% of the premium amount. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of H.M. before charging the fee.
37. In May of 2015, Hatfield placed a general liability policy for H.M. He charged a \$40 broker fee. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of H.M. before charging the fee.
38. In December of 2015, Hatfield placed a general liability policy for G.A. He charged a \$70 broker fee. Hatfield did not provide written disclosure of the fee or obtain the consent and signature of G.A. before charging the fee.
39. Hatfield agreed to refund all fees. He mailed refund checks to the insureds, and to date, \$1,923.63 has been received by the insureds and cashed.
40. Hatfield also obtained a written disclosure and consent form from his attorney, and he agrees to comply with disclosure and consent laws when charging fees in the future.

Agency/Assumed Name

41. Since 2009, Hatfield used the assumed name Contractor's Direct Insurance when engaging in the business of insurance. Hatfield did not register this assumed name with the department.
42. Hatfield has now filed a Form LDTL with a required fee and registered this assumed name with the department.
43. Hatfield incorporated Contractor's Direct Insurance, LLC on July 11, 2013, in California. Contractor's Direct Insurance, LLC was not licensed with the department.
44. Hatfield has agreed to dissolve Contractor's Direct Insurance, LLC.

Lack of Records/Organization

45. In its investigation, the department asked for policies, policy invoices, and other insurance-related records from Hatfield. He did not have any records concerning some insureds or was missing certain records, such as policy documents and invoices, for others.
46. Hatfield agrees to maintain all policy records, invoices, payments, and insured information for at least five years after receipt.

Untimely Responses

47. The department sent Requests for Information pursuant to TEX. INS. CODE § 38.001 on August 22, 2016, October 17, 2016, December 12, 2016, and January 3, 2017. Hatfield did not timely respond to any of the requests sent.

CONCLUSIONS OF LAW

The conclusions of law are as follows:

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.001–82.056, 84.021–84.022, 4005.101–4005.103, 4051.051, and 4054.054, and TEX. GOV'T CODE §§ 2001.051–2001.178.
2. The commissioner has the authority to dispose of this case informally pursuant to TEX. GOV'T CODE § 2001.056, TEX. INS. CODE §§ 36.104 and 82.055, and 28 TEX. ADMIN. CODE § 1.47.
3. Hatfield committed acts for which a license holder may be disciplined under TEX. INS. CODE § 4005.101, as contemplated in TEX. INS. CODE § 4005.102.
4. Hatfield willfully violated an insurance law of this state, pursuant to TEX. INS. CODE § 4005.101(b)(1).
5. Hatfield engaged in fraudulent or dishonest acts or practices in violation of TEX. INS. CODE § 4005.101(b)(5).
6. Hatfield misappropriated, converted to his own use, or illegally withheld money belonging to an insured, insurer, or beneficiary, in violation of TEX. INS. CODE § 4005.101(b)(4).
7. Hatfield collected fees in violation of TEX. INS. CODE §§ 550.001 and 4005.003.
8. Hatfield collected unreasonable fees in violation of TEX. INS. CODE § 4005.003.
9. Hatfield collected fees and failed to notify the client of the agent's fee and to obtain the client's written consent for each fee to be charged in violation of TEX. INS. CODE § 4005.003 and 28 TEX. ADMIN. CODE § 19.1503.
10. Hatfield failed to obtain a separate license for Contractors Direct Insurance, LLC in violation of 28 TEX. ADMIN. CODE § 19.902.
11. Hatfield failed to register assumed names and/or additional offices by filing with the department a completed form LDTL together with the required fee in violation of 28 TEX. ADMIN. CODE § 19.902.
12. Hatfield failed to keep all files relating to fees, including written records of disclosure of fees for five years, in violation of 28 TEX. ADMIN CODE § 19.1503.

13. Hatfield failed to timely respond to requests for information sent pursuant to TEX. INS. CODE § 38.001.

It is ordered that Clayton Alan Hatfield's non-resident general lines agent license with property and casualty, and life, accident, and health qualifications is suspended for one year, probated. If, during the probation period imposed by this order, the department issues any additional licenses or authorizations to Clayton Alan Hatfield, those additional licenses or authorizations will be suspended until the probation period imposed by this order has ended. The suspension shall be probated, and the same terms and conditions stated in this order will apply.

Beginning from the date of this order and continuing through the probation period, Clayton Alan Hatfield must file a written report, on or before the 15th day of each month on a quarterly basis for the months of June, September, December, and March, with the Texas Department of Insurance, Attn: Catherine Bell or her successor, Enforcement Section, Mail Code 110-1A, P.O. Box 149104, Austin, Texas 78714-9104. The reports must include the following information:

- a. Hatfield's current mailing address and telephone number;
- b. the name, mailing address, and telephone number of Hatfield's employer, and if Hatfield is self-employed, a statement that he is self-employed and the name, mailing address, and telephone number of his business;
- c. the name and address of any insurer that has appointed Hatfield as a general lines agent;
- d. the name and address of any insurer that has canceled Hatfield's appointment as a general lines agent; and
- e. a copy of any and all contracts Hatfield has entered into with an insurer, broker, managing general agent, managing general agency, or any person or entity in the business of insurance.

Clayton Alan Hatfield must notify TDI immediately of the following:

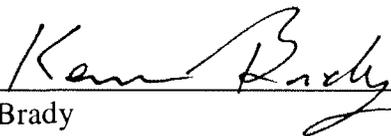
- a. any charges or indictments filed against him for a misdemeanor or felony during the period he is required to file reports, excluding traffic offenses and Class C misdemeanors;
- b. any state or regulatory actions taken against him including formal and informal actions;
- c. any change in his employment or his residence; and
- d. any complaint made against Hatfield concerning his performance as a general lines agent as well as a written explanation from Hatfield detailing the steps he has taken to resolve the complaint.

It is also ordered that Clayton Alan Hatfield must pay a \$10,000 administrative penalty within 30 days from the date of this order. The administrative penalty must be paid by cashier's check or money order made payable to the "State of Texas." Mail the administrative penalty to the Texas Department of Insurance, Attn: Enforcement Section, Division 40111, MC 9999, P.O. Box 149104, Austin, Texas, 78714-9104.

It is further ordered that Clayton Alan Hatfield must pay restitution in the total amount of \$6,373.81 to the policyholders and customers listed in the above findings of fact within 30 days from the date of this order. Within 45 days of this order, Clayton Alan Hatfield must submit to the department documentation demonstrating that Hatfield paid the total refund amount of \$6,373.81.

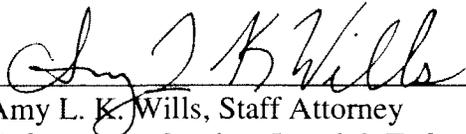
For those recipients who cannot be located, including those whose refund checks are returned as "undeliverable," and for any checks not cashed, Clayton Alan Hatfield must turn over the total amounts of such refund checks to the comptroller of public accounts of the State of Texas as abandoned property in accordance with the requirements of TEX. PROP. CODE §§ 72.001–75.001, *et seq.* Hatfield must promptly submit copies of all correspondence and reports provided to the comptroller of public accounts to the Texas Department of Insurance, Attn: Catherine Bell, or her successor, Enforcement Section, MC 110-1A, P.O. Box 149104, Austin, TX 78714-9104.

It is also ordered that within 45 days of this order, Clayton Alan Hatfield must submit documentation showing that his corporation, Contractors Direct Insurance, LLC, is dissolved. Hatfield must submit this documentation to the Texas Department of Insurance, Attn: Catherine Bell, or her successor, Enforcement Section, MC 110-1A, P.O. Box 149104, Austin, TX 78714-9104.



Kevin Brady
Deputy Commissioner For Agency Affairs
Texas Department of Insurance
Delegation Order 4506

Approved as to Form and Content:



Amy L. K. Wills, Staff Attorney
Enforcement Section, Legal & Enforcement Division
Texas Department of Insurance

Affidavit

STATE OF California
COUNTY OF San Mateo

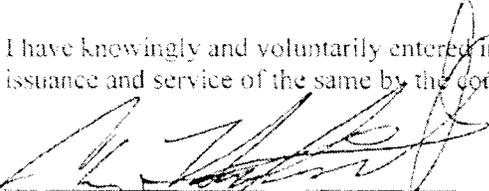
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Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is Clayton A. Hatfield. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

I waive rights provided by the Texas Insurance Code and other applicable laws, and acknowledge the jurisdiction of the commissioner.

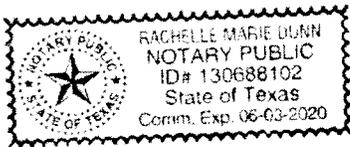
I have knowingly and voluntarily entered into this consent order and agree with and consent to the issuance and service of the same by the commissioner of insurance of the State of Texas."



Affiant

SWORN TO AND SUBSCRIBED before me on this 9 day of May, 2017.

(NOTARY SEAL)





Signature of Notary Public