

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

In the Matter of:)
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)
 Terry McDermott and the)
 McDermott Insurance Agency.)
_____)

AMENDED ORDER

The State of Alaska, Department of Commerce and Economic Development, the Division of Insurance ("the division") and Terry F. McDermott ("McDermott") and the McDermott Insurance Agency ("MIA") agree to amend the Cease and Desist Order (D96-04) dated June 28, 1996 as follows:


- 1.) McDermott will cease operations as MIA effective December 10, 1996. McDermott will surrender MIA's firm license to the division pursuant to AS 21.27.460.
- 2.) As of December 10, 1996, all accounts of MIA will be transferred to Key Insurance Agency ("KIA"). However, KIA is not responsible for the actions of McDermott or MIA prior to McDermott's affiliation with KIA.
- 3.) Upon completion of a new license application and payment of any applicable fee, McDermott's license will be transferred to KIA as an individual working in a firm, which will be a conditional license subject to this order and the final disposition of the above-captioned administrative matter.
- 4.) As of the date of transfer, all premiums for McDermott new business, endorsements, and renewal insurance transactions shall be deposited in a premium trust account established in the name of and maintained by KIA. MIA's current premium trust account at Key Bank no. 20122009176 and any amounts contained therein shall be distributed and accounted for pursuant to the regulations at 3 AAC 23.500 - .730. No other premium transactions may be processed through that account. MIA's former premium trust account at Key Bank no. 2952041013 shall remain inactive until final

- 1 disposition of the above-captioned administrative matter.
- 2 5.) KIA shall provide monthly reports to the division reflecting all transactions in and out
3 of the KIA premium trust account established for McDermott transactions to include all
4 deposits, all withdrawals, and calculation of commissions taken. This reporting
5 requirement shall remain in effect until final disposition of the above-captioned
6 administrative matter, and until the deficiencies in MIA's premium trust accounts have
7 been resolved, or until the director orders differently.
- 8 6.) KIA and McDermott will provide the division with monthly reconciliations of KIA's
9 premium trust account related to McDermott transactions and the current MIA premium
10 trust account. KIA shall make arrangements for its bank to send to the division
11 duplicate copies of bank statements for the above referenced KIA trust account. The
12 reconciliations must comply with 3 AAC 23.530.
- 13 7.) KIA and McDermott are prohibited from depositing or withdrawing funds from either
14 MIA premium trust account without the express approval of the division. McDermott
15 will ensure that the division continues to receive copies of all bank statements, credit or
16 debit memos, and advices of charges for these accounts. A request for approval of
17 deposit or withdrawal from the accounts must be forwarded to the division with
18 sufficient documentation to justify the amounts deposited or withdrawn.
- 19 8.) Terry McDermott shall not be a signatory on or have any authority over KIA's premium
20 trust accounts.
- 21 9.) Subject to the conditions of 3 AAC 23.640, Key Bank may deduct bank fees from either
22 of the MIA premium trust accounts if there are sufficient funds held for that purpose.
- 23 10.) McDermott and KIA must properly handle all premium monies they receive as required
24 by AS 21.27.360 and must otherwise operate in compliance with all statutes, regulations,
25 and other agreements that may exist with the division.
- 26 11.) Upon transfer of MIA's book of business to KIA, McDermott must provide the division

1 with a listing each month of all new, endorsement, and renewal transactions that he has
2 produced or for which he is otherwise responsible. KIA and McDermott also must
3 provide the division with a monthly accounting of all commissions earned or paid on
4 McDermott insurance transactions.

- 5 12.) McDermott shall disclose to all insurers with which he held company appointments that
6 he has affiliated with KIA, that he has transferred MIA's entire book of business to
7 KIA, and that he will be primarily responsible for servicing the former MIA accounts.
8 13.) This order becomes effective immediately upon transfer of MIA's book of business to
9 KIA, at which time this order will supersede and amend the Cease and Desist Order
10 dated June 28, 1996.
11 14.) Any violation of this order will be grounds to suspend, revoke, or non-renew
12 McDermott's or KIA's license in addition to any other remedy or penalty provided for
13 in the insurance code.
14 15.) Any reports required by this order shall be sent by the 10th of each month to Gloria
15 Glover, the division's Chief Financial Examiner located in Anchorage or to her designee.
16 16.) Nothing in this order shall preclude the director of insurance from amending this order
17 or from otherwise exercising her statutory authority to issue subsequent orders related
18 to McDermott or KIA.

19 DATED this 10th day of December, 1996 at Anchorage, Alaska.

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23 Marianne K. Burke, Director
Division of Insurance

24 Approved and Accepted by:

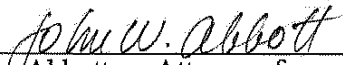
25 Date: 12-10-96

26 
Terry McDermott


DEPARTMENT OF LAW
OFFICE OF THE ATTORNEY GENERAL
ANCHORAGE BRANCH
1031 W. FOURTH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501
PHONE: (907) 269-5100

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Date: 12-9-96


John Abbott as Attorney for
Terry McDermott

Date: 12-10-96


Chris Erickson as Principal
& Compliance Officer for
Key Insurance Agency

3601 C STREET, SUITE 1324
ANCHORAGE, ALASKA 99503-5948
PHONE (907) 269-7800
FAX (907) 269-7910
TDD (907) 465-5437

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DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

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STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
DIVISION OF INSURANCE

In the Matter of)
MC DERMOTT INSURANCE AGENCY)
Producer License #008411.)
_____)

CEASE AND DESIST ORDER D96-04

On June 26, 1996, the Division of Insurance (Division) conducted an examination of the McDermott Insurance Agency (McDermott) trust account. This examination revealed that the agency's fiduciary account is deficient and, therefore, not in compliance with AS 21.27.360 and 3 AAC 23.500 - 3 AAC 23.730. AS 21.27.360 and 3 AAC 23.500 - 3 AAC 23.730 identify the standards under which a licensee must receive, maintain, and distribute trust account funds. McDermott's trust account is deficient by approximately \$160,000 and this deficiency arises in whole or in part from improper expenditures of trust account funds in violation of the above-referenced statute and regulations. McDermott has indicated its willingness to cooperate with the Division and orders issued by the Division.

Based upon the examination and the Director's authority under AS 21.06.080 and AS 21.27.405(b),

IT IS HEREBY ORDERED

1 1. As of the date of this order, McDermott and anyone acting on behalf of
2 McDermott are prohibited from depositing or withdrawing funds from the
3 agency premium trust account without the approval of the Division. This
4 account is identified as Key Bank of Alaska, Account No. 2952041013.

5 2. McDermott must establish a new premium trust account to process
6 premium receipts that have not yet been deposited or that are received after the
7 date of this order. McDermott and anyone acting on behalf of McDermott are
8 prohibited from depositing or withdrawing funds from the new premium trust
9 account without the approval of the Division.

10 3. Until further notice, McDermott will direct Key Bank of Alaska to
11 send all bank statements, credit or debit memos, and advices of charges for its
12 trust accounts (old and new) directly to the attention of Gloria Glover, CFE;
13 State of Alaska; Department of Commerce and Economic Development; Division
14 of Insurance; 3601 C Street, Suite 13224; Anchorage, AK 99503-5948.

15 4. A request for approval of deposit or withdrawal from either premium
16 trust account must be forwarded to the Division with sufficient documentation
17 to justify the amounts to be deposited or withdrawn. The sufficiency of the
18 documentation shall be determined by the Division.

19 5. A signatory to the accounts or any other person is not allowed to
20 transact business on the accounts described in paragraphs 1 and 2 without the
21 specific approval of the Division. The deduction of bank account fees by Key
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Bank of Alaska for these accounts is allowed without prior notice to the Division.

6. All premium monies received by McDermott or by any licensee working in the firm must be properly handled as required by AS 21.27.360. These funds must be placed in the new premium trust account as required by law and promptly forwarded to the person to whom the funds are due.

7. All licensees must operate in compliance with all statutes, regulations, and other agreements that may exist with the Division.

8. This order is effective June 28, 1996.

Dated at Anchorage, Alaska this 28th day of June, 1996.


Marianne K. Burke
Director
Division of Insurance

C&DMDIA.PBK